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

[Cover]

Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	November 13, 2012
Quarterly accounting period:	Second quarter of the 28th term (from July 1, 2012 to September 30, 2012)
Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director
Location of head office:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yasuyuki Tanaka, Senior Vice President and Chief Communications Officer
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Contact person:	Yasuyuki Tanaka, Senior Vice President and Chief Communications Officer
Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. Yokohama Sales Office (3-1, Kinkocho, Kanagawa-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)
	Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka-shi, Osaka)

A. Company Information

I. Overview of the JT Group

1. Trends in principal management benchmarks

Term	Six months ended September 30, 2011	Six months ended September 30, 2012	27th term
Accounting period	From April 1, 2011 to September 30, 2011	From April 1, 2012 to September 30, 2012	From April 1, 2011 to March 31, 2012
Revenue [Second quarter] (Millions of yen)	997,694 [560,899]	1,057,391 [545,283]	2,033,825
Profit before income taxes (Millions of yen)	208,982	252,106	441,355
Profit for the period [Second quarter] (Millions of yen)	147,264 [99,482]	171,836 [85,430]	328,559
Profit attributable to owners of the parent company (Millions of yen)	143,638	168,766	320,883
Comprehensive income (loss) for the period (Millions of yen)	219,571	143,704	192,143
Total equity (Millions of yen)	1,781,255	1,799,482	1,714,626
Total assets (Millions of yen)	3,750,320	3,647,707	3,667,007
Basic earnings per share [Second quarter] (Yen)	75.43 [51.21]	88.62 [44.24]	168.50
Diluted earnings per share (Yen)	75.40	88.59	168.44
Ratio of equity attributable to owners of the parent company to total assets (%)	45.39	47.09	44.56
Net cash flows from (used in) operating activities (Millions of yen)	202,493	259,269	551,573
Net cash flows from (used in) investing activities (Millions of yen)	(37,779)	(96,279)	(103,805)
Net cash flows from (used in) financing activities (Millions of yen)	(190,458)	(214,900)	(279,064)
Cash and cash equivalents at the end of the period (Millions of yen)	217,975	344,309	404,740

Notes: 1. Effective from the 27th term, the JT Group prepares the consolidated financial statements based on International Financial Reporting Standards (hereinafter, "IFRS").
2. Filing company's trends in principal management benchmarks are not disclosed as JT prepares quarterly consolidated financial statements.
3. The yen amounts are rounded to the nearest million.
4. Revenue does not include consumption taxes.
5. JT conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, basic earnings per share and diluted earnings per share are calculated on the assumption that this share split was conducted at the beginning of the previous fiscal year.

2. Business description

During the six months ended September 30, 2012, there were no material changes in the business of the JT Group (JT, 231 consolidated subsidiaries and 13 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report. Also during the six months ended September 30, 2012, specified subsidiary JT Canada LLC II Inc., which was previously part of the international tobacco business, was dissolved in April 2012 due to capital improvement.

Effective from the second quarter ended September 30, 2012, the segmentation of reportable segments has been changed. For details, please refer to "IV. Accounting, 1. Condensed interim consolidated financial statements, [Notes to condensed interim consolidated financial statements], 5. Operating segments, (1) Outline of reportable segments."

II. Review of operations

1. Business and other risks

New business or other risks that arose during the six months ended September 30, 2012 were as follows.

Change in brand name from Mild Seven to Mevius

On August 8, 2012, the JT Group announced its intention to renew the Mild Seven brand around the world under the new brand name Mevius and give the brand a globally unified design. Since its launch in Japan in 1977, Mild Seven has gained popularity among consumers and has grown into a global brand. However, with the aim of making the brand the number one global premium brand, the decision has been taken to change its name to Mevius in order to demonstrate the commitment of the brand to evolve further, as well as its status as a brand that continuously evolves, to consumers across the world. The change to the Mevius brand name will be carried out in the Japanese market in February 2013, and this will be followed by a staggered implementation in markets outside Japan.

Although the JT Group intends to market the Mevius brand actively, the discontinuance of the use of Mild Seven brand name may result in the Group being unable to maintain existing Mild Seven customers due to such factors as weakening of brand recognition and confusion about the brand among customers.

If such a case occurs, the sales and market share of the JT Group may fall, and this may negatively affect the Group’s business performance.

During the six months ended September 30, 2012, there were no material changes to the items regarding business and other risks mentioned in the previous fiscal year’s Annual Securities Report.

With regard to cash and cash equivalents held by an Iranian subsidiary of the JT Group, due to international sanctions and other factors imposed on Iran, the subsidiary’s ability to remit funds outside of Iran is restricted.

2. Important operational contracts, etc.

No important operational contracts were decided or entered into during the second quarter ended September 30, 2012.

3. Analysis of financial position, operating results and cash flow position

Matters concerning the future in this document were determined by the JT Group as of September 30, 2012.

The JT Group discloses certain additional financial measures that are not required or defined under accounting standards. These measures are used internally to manage each of our business operations to understand their underlying performance, in view of our aiming for medium- to long-term sustainable growth, and we believe that they are useful information for users of our financial statements to assess the Group’s performance.

Core revenue

For tobacco business, core revenue is disclosed additionally as a breakdown of revenue. Specifically, the figure for the domestic tobacco business is presented after deducting imported tobacco delivery charges, among others, included in the revenue from the revenue, while the figure for the international tobacco business is presented after deducting the revenue accounted for in distribution business and contract manufacturing, among others, from the revenue.

Adjusted EBITDA

The adjusted EBITDA is, where operating profit, less depreciation and amortization, impairment losses on goodwill, restructuring-related income and costs, etc., is presented in order to provide useful comparative information on our performance.

Furthermore, adjusted EBITDA for the current period in the international tobacco business is translated and calculated using the foreign exchange rates of the same period of the previous fiscal year. Adjusted EBITDA at constant rates of exchange, excluding foreign exchange effects, is also presented as additional information.

(1) Operating results

<Revenue>

Revenue increased by ¥59.7 billion or 6.0%, from the same period of the previous fiscal year to ¥1,057.4 billion. This was mainly the result of an increase in sales volume in the domestic tobacco business from the same period of the previous fiscal year, in which there was an impact from the earthquake disaster, and favorable pricing and a shipment volume increase in the international tobacco business.

	Six months ended September 30, 2011	Six months ended September 30, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	997.7	1,057.4	59.7	6.0
Domestic Tobacco Business	307.0	350.7	43.7	14.2
Of which, core revenue	287.0	335.0	48.1	16.8
International Tobacco Business	476.6	490.2	13.6	2.9
Of which, core revenue	440.6	457.0	16.4	3.7
Pharmaceutical Business	22.8	26.5	3.7	16.4
Beverage Business	99.4	98.2	(1.2)	(1.2)
Processed Food Business	84.3	83.9	(0.4)	(0.5)

* Figures exclude revenue within consolidated companies.

* Revenue includes rent received from leased properties in addition to items relating to the segments shown above. For details, please refer to “IV. Accounting, 1. Condensed interim consolidated financial statements, [Notes to condensed interim consolidated financial statements], 5. Operating segments, (2) Revenues and performances for reportable segments.”

<Operating profit and adjusted EBITDA>

Operating profit increased by ¥54.0 billion or 25.5%, from the same period of the previous fiscal year to ¥265.6 billion. This was mainly the result of increased revenue in the domestic and international tobacco businesses, and the recording of cooperation fee for terminating leaf tobacco farming in the same period of the previous fiscal year. Furthermore, adjusted EBITDA excluding depreciation and amortization and cooperation fee for terminating leaf tobacco farming, etc. increased by ¥43.1 billion or 15.1%, from the same period of the previous fiscal year to ¥329.1 billion. Adjusted EBITDA at constant rates of exchange increased by ¥67.0 billion or 23.4%, from the same period of the previous fiscal year to ¥353.0 billion.

	Six months ended September 30, 2011	Six months ended September 30, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Adjusted EBITDA	285.9	329.1	43.1	15.1
Domestic Tobacco Business	124.0	154.2	30.2	24.4
International Tobacco Business	162.3	172.9	10.6	6.6
Pharmaceutical Business	(5.6)	(6.1)	(0.5)	–
Beverage Business	7.9	7.3	(0.5)	(6.8)
Processed Food Business	(0.4)	2.7	3.1	–
Operating profit	211.6	265.6	54.0	25.5

* Operating profit and adjusted EBITDA include operating profit and adjusted EBITDA relating to factors other than the segments shown above. For details, please refer to “IV. Accounting, 1. Condensed interim consolidated financial statements, [Notes to condensed interim consolidated financial statements], 5. Operating segments, (2) Revenues and performances for reportable segments.”

<Profit attributable to owners of the parent company>

Profit before income taxes increased by ¥43.1 billion, or 20.6%, from the same period of the previous fiscal year to ¥252.1 billion. Profit attributable to owners of the parent company increased by ¥25.1 billion, or 17.5%, from the same period of the previous fiscal year to ¥168.8 billion.

Operating results by segment are as follows.

Domestic Tobacco Business

Total sales volume for domestic cigarettes during the six months ended September 30, 2012 increased by 8.7 billion cigarettes, or 17.0%, from the same period of the previous fiscal year to 59.6 billion cigarettes(Note). This was mainly due to the effects of limited deliveries in terms of the number of brands and delivery volume owing to the influence of the Great East Japan Earthquake particularly in the three months ended June 30, 2011. Our market share for the six-month period was 59.5%, compared with 54.9% for the previous fiscal year. Partly due to the launch of new products and our strengthening of sales promotions, our market share continued to grow steadily, with a 59.4% share in the April to June period and a 59.7% share in the July to September period.

Revenue increased by ¥43.7 billion, or 14.2%, from the same period of the previous fiscal year to ¥350.7 billion, and core revenue increased by ¥48.1 billion, or 16.8%, from the same period of the previous fiscal year to ¥335.0 billion. This was mainly attributable to the increase in sales volume. Domestic cigarette revenue per 1,000 cigarettes was ¥5,507.

Concerning profits, adjusted EBITDA increased by ¥30.2 billion, or 24.4%, from the same period of the previous fiscal year to ¥154.2 billion, mainly due to increased sales volume and the recognition of a loss on the Great East Japan Earthquake in the same period of the previous fiscal year, despite increases in some expenses. The increase in expenses is primarily the result of vigorous sales promotions to increase market share and further strengthen brand equity amid an increasingly competitive environment in the current fiscal year, in addition to the contrast with a reduction in sales promotions particularly in the first three months of the previous fiscal year, in which the number of brands delivered and delivery volumes were limited.

The volume manufactured in Japan in the six months ended September 30, 2012 increased by 0.3 billion cigarettes, or 0.5%, from the same period of the previous fiscal year to 69.4 billion cigarettes.

Note: In addition to the figure stated above, during the six months ended September 30, 2012, 1.5 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of JT's China Division.

International Tobacco Business

Among GFBs(Note 1) in the six months ended September 30, 2012, there was steady growth in shipments of Winston in Russia, Italy and Ukraine. LD shipments grew in Russia, Turkey and Kazakhstan. As a result, shipment volume of GFBs increased by 8.8 billion cigarettes, or 7.2%, from the same period of the previous fiscal year to 130.8 billion cigarettes. Furthermore, total shipment volume including GFBs increased by 7.5 billion cigarettes, or 3.7%, from the same period of the previous fiscal year to 212.4 billion cigarettes thanks to such factors as the acquisition of business bases in Sudan in November 2011, despite a fall in sales of non-GFB local brands in Russia.

Although there was negative foreign exchange effects on the local currencies of key markets, dollar-based revenue increased by $334 million, or 5.7%, from the same period of the previous fiscal year to $6,146 million, while dollar-based core revenue increased by $356 million or 6.6% from the same period of the previous fiscal year to $5,728 million. This was mainly driven by the effects of strong pricing. Furthermore, adjusted EBITDA increased by $189 million, or 9.6%, versus the same period of the previous fiscal year, to reach $2,168 million, despite an increase in expenses mainly caused by increases in raw material costs, continued investment in brands, and personnel expenses. Adjusted EBITDA at constant rates of exchange increased by $421 million or 21.3%, from the same period of the previous fiscal year to $2,400 million.

As a result of the above, despite the effects of a strong yen when making conversions to that currency, revenue increased by ¥13.6 billion, or 2.9%, from the same period of the previous fiscal year to ¥490.2 billion, core revenue increased by ¥16.4 billion, or 3.7%, from the same period of the previous fiscal year to ¥457.0 billion, and adjusted EBITDA increased by ¥10.6 billion, or 6.6%, from the same period of the previous fiscal year to ¥172.9 billion.

The volume manufactured overseas(Note 2) in the six months ended September 30, 2012 increased by 3.6 billion cigarettes, or 2.0%, from the same period of the previous fiscal year to 187.4 billion cigarettes.

The acquisition of Gryson NV, a major RYO/MYO(Note 2) tobacco company with a strong presence across several European countries and other areas, was completed in August 2012.

Note 1: We have identified eight brands which serve as flagships of the brand portfolio, Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFBs).

Note 2: RYO, which is an abbreviation of Roll Your Own, signifies fine cut tobacco to be used by a customer to roll a cigarette by hand, using rolling paper. MYO, which is an abbreviation of Make Your Own, signifies fine cut tobacco to be used by a customer to make a cigarette, using a specialized tool and cigarette tubes.
Volume manufactured overseas includes RYO and MYO tobacco, as well as cigarillos, bringing it in line with shipment volume. The volume of RYO and MYO tobacco and cigarillos manufactured in the six months ended September 30, 2012 was 9.1 billion cigarettes.

* The foreign exchange rate in the six months ended September 30, 2012 was ¥79.77 per U.S. dollar, representing a ¥2.24 year-on-year yen appreciation, compared with ¥82.01 per U.S. dollar in the same period of the previous fiscal year.
The exchange rates of major currencies against the U.S. dollar are as follows.

Foreign exchange rate per U.S. dollar	Six months ended September 30, 2011	Six months ended September 30, 2012
Ruble	28.65 rubles	30.60 rubles
Pounds sterling	0.62 pounds sterling	0.63 pounds sterling
Euro	0.72 euros	0.77 euros

Pharmaceutical Business

In the pharmaceutical business, we will strive to strengthen its earnings base through speedy and smooth market launch of compounds in late-stage developments. The number of compounds developed in-house that are under clinical development is now 8. Gilead Sciences, Inc., which is our licensee, obtained a marketing approval for an anti-HIV single-tablet regimen containing JTK-303 from the US FDA in August 2012 and the product was launched accordingly. A marketing application for the tablet regimen is currently being considered by the EMA and others. Gilead Sciences, Inc. has also submitted a marketing application for JTK-303 as mono agent to the US FDA and EMA, among others. In addition, a marketing application for an MEK inhibitor compound out-licensed by JT was submitted in August 2012 to the US FDA by GlaxoSmithKline, which is the licensee.

Revenue in the six months ended September 30, 2012 increased by ¥3.7 billion, or 16.4%, from the same period of the previous fiscal year to ¥26.5 billion, mainly due to increased sales of products of our subsidiary Torii Pharmaceutical Co., Ltd. including REMITCH® CAPSULES, an oral antipruritus drug for hemodialysis patients, and Truvada® Tablets, an anti-HIV drug, as well as milestone revenue related to progress in development of an original JT compound that has been out-licensed. Adjusted EBITDA was negative ¥6.1 billion (compared to negative ¥5.6 billion in the same period of the previous fiscal year) due mainly to an increase in research and development expenses as a result of progress in development.

Beverage Business

In the beverage business, we continued working to strengthen our flagship coffee brand “Roots” and to grow our sales network primarily through Japan Beverage Holdings Inc., a Group company that operates vending machines. In conjunction with our efforts to steadily grow the business through these initiatives, we are implementing initiatives to bolster its profitability.

In the second quarter ended September 30, 2012, we actively implemented product launches including a renewal of “Roots Aroma Black Hot Blend” and new products “LOW-SUGAR SPECIAL,” “REAL SPIRIT,” “CAFÉ AU LAIT” and “DEMITASSE” in the “Roots Aroma Impact” series, which features a more elegant flavor from its roughly ground beans.

Revenue in the six months ended September 30, 2012 declined by ¥1.2 billion, or 1.2%, from the same period of the previous fiscal year to ¥98.2 billion due to a temporary sales increase in the same period of the previous fiscal year following the earthquake disaster.

Adjusted EBITDA decreased by ¥0.5 billion, or 6.8%, from the same period of the previous fiscal year to ¥7.3 billion. This was mainly due to the revenue decline, as well as a change in the composition of sales.

Processed Food Business

With Group company TableMark Co., Ltd. taking a central role, the processed food business is primarily engaged in business concerning frozen and room temperature processed food, mainly staple food products such as frozen noodles, frozen rice, packed rice and baked frozen bread, bakery chain outlets in the Tokyo metropolitan area, and seasonings including yeast extracts and oyster sauce. In the processed food business, we make every effort to produce strong staple food products with established market shares and work to improve cost competitiveness, thus striving to improve profitability.

In the second quarter ended September 30, 2012, under the concept of “greater convenience” and “greater ease,” we actively developed our product range, including a record 27 new product launches and 15 renewals in frozen home-use products for autumn 2012, mainly in staples.

In August 2012, the decision was taken for the TableMark Group to withdraw from the fishery products business in order to dispose of underperforming business and concentrate further on core businesses.

Revenue in the six months ended September 30, 2012 was ¥83.9 billion, a slight decline of 0.5% from the same period of the previous fiscal year, mainly from the impact of reduced revenue in the fishery products business, despite growth in revenue from staple food products.

Adjusted EBITDA was ¥2.7 billion (compared to negative ¥0.4 billion in the same period of the previous fiscal year) despite the impact of soaring raw material prices, mainly because of the recording of litigation expenses in the same period of the previous fiscal year.

(2) Operational and financial issues to be addressed

During the six months ended September 30, 2012, there were no material changes in issues to be addressed by the JT Group mentioned in the previous fiscal year's Annual Securities Report.

(3) Research and development activities

Research and development expenses for the entire JT Group during the six months ended September 30, 2012 were ¥27.6 billion.

During the six months ended September 30, 2012, there were no material changes in the status of the JT Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

(4) Analysis of capital resources and liquidity of funds

a. Funding requirements

Funds are allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans and the payment of interest, dividends and income taxes.

b. Resources of funds

The necessary funds are mainly procured from net cash flows from operating activities, loans from financial institutions and bond and commercial paper issuances.

<Cash flows>

Cash and cash equivalents at the end of the six months ended September 30, 2012 decreased by ¥60.4 billion from the end of the previous fiscal year to ¥344.3 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥218.0 billion.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the six months ended September 30, 2012 were ¥259.3 billion, compared with ¥202.5 billion in the same period of the previous fiscal year. This was mainly due to the generation of a stable cash inflow from our tobacco business.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the six months ended September 30, 2012 were ¥96.3 billion, compared with ¥37.8 billion used in the same period of the previous fiscal year, mainly due to the purchase of property, plant and equipment and the purchase of the shares of Gryson NV.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the six months ended September 30, 2012 were ¥214.9 billion, compared with ¥190.5 billion used in the same period of the previous fiscal year.

The main factors were repayments of borrowings, redemption of bonds and the payment of cash dividends.

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of March 31, 2012 and as of September 30, 2012 accounted for ¥320.5 billion and ¥260.0 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥127.5 billion and ¥48.4 billion respectively.

Short-term debt

Short-term funds are financed by short-term borrowings from financial institutions, commercial paper, or a combination of both. Short-term borrowings totaled ¥43.5 billion as of March 31, 2012 and ¥30.9 billion as of September 30, 2012. There was no commercial paper outstanding as of March 31, 2012 and as of September 30, 2012.

c. Liquidity

We have historically had, and expect to continue to have, significant cash flows from operating activities. We expect that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities, while we may utilize debt financing, primarily borrowings from financial institutions or the issuance of bonds, as needed. On September 30, 2012, we have committed lines of credit from major financial institutions both domestic and international. In addition, we have a domestic commercial paper program, a domestic bond shelf registration, and uncommitted lines of credit.

III. Filing company

1. Information on the Company (JT)'s shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized (Share)
Ordinary shares	8,000,000,000
Total	8,000,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of September 30, 2012)	Number of shares issued (Share; as of the date of filing: November 13, 2012)	Name of financial instruments exchange where the stock of JT is traded or the name of authorized financial instruments firms association where JT is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section)	(Note 2)
Total	2,000,000,000	2,000,000,000	–	–

Notes: 1. The provisions of Article 2 of the Japan Tobacco Inc. Act prescribe that the Japanese government must continue to hold more than one-third of all JT shares issued (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the shareholders meeting).

2. JT's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

(2) Status of subscription rights to shares

There were no subscription rights to shares newly issued during the second quarter ended September 30, 2012.

(3) Exercise of bond certificates with subscription rights to shares with exercise price amendment clause

No items to report

(4) Details of rights plan

No items to report

(5) Trends in total number of shares issued, capital stock, etc.

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
July 1, 2012	1,990,000	2,000,000	–	100,000	–	736,400

Note: JT conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date.

(6) Status of major shareholders

(As of September 30, 2012)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	1,000,267,000	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	49,421,900	2.47
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	43,895,310	2.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	41,424,200	2.07
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	33,800,000	1.69
State Street Bank and Trust Company (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	27,981,632	1.40
Government of Singapore Investment Corporation Pte Ltd. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	24,508,000	1.23
Goldman Sachs and Company Regular Account (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK, NY, USA (Roppongi Hills Mori Tower, 10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan)	23,688,375	1.18
Mellon Bank, N.A. as Agent for its Client Melon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	ONE BOSTON PLACE BOSTON, MA 02108 (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	18,391,926	0.92
JPMorgan Chase Bank 380055 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	16,550,265	0.83
Total	–	1,279,928,608	64.00

Note: In addition to the above, JT held 95,705,200 ordinary shares as treasury stock.

(7) Status of voting rights

a. Shares issued

(As of September 30, 2012)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Ordinary shares 95,705,200	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,904,286,500	19,042,865	(Note 2)
Odd shares	8,300	–	–
Total number of shares issued	2,000,000,000	–	–
Number of voting rights held by all the shareholders	–	19,042,865	–

Notes: 1. The number of “Shares with full voting rights (Other)” includes 33,600 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 336 units of voting rights related to shares with full voting rights in its name.

2. JT’s standard class of shares with no rights limitations. Its share trading unit is 100 shares.

b. Treasury stock, etc.

(As of September 30, 2012)

Name of shareholder	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Japan Tobacco Inc.	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan	95,705,200	–	95,705,200	4.79
Total	–	95,705,200	–	95,705,200	4.79

2. Status of officers

After filing of the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the six months ended September 30, 2012.

IV. Accounting

1. Preparation policy for the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the “Company”) are prepared in conformity with International Accounting Standard 34, “Interim Financial Reporting” (hereinafter referred to as “IAS 34”) pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Ordinance on QCFS”).

Figures stated in the condensed interim consolidated financial statements are rounded to the nearest million yen.

2. Audit Certification

In conformity with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for this second quarter period (from July 1, 2012 to September 30, 2012) and for the six months ended September 30, 2012 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Condensed interim consolidated financial statements

(1) Condensed interim consolidated statement of financial position

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets		
Cash and cash equivalents (Note 7)	404,740	344,309
Trade and other receivables	327,767	344,935
Inventories	446,617	444,879
Other financial assets	27,361	29,619
Other current assets	123,163	121,509
Subtotal	1,329,649	1,285,252
Non-current assets held-for-sale	1,401	4,525
Total current assets	1,331,050	1,289,777
Non-current assets		
Property, plant and equipment (Note 8)	619,536	622,653
Goodwill (Note 6, 8)	1,110,046	1,139,322
Intangible assets (Note 8)	306,448	309,514
Investment property	67,387	62,700
Retirement benefit assets	14,371	15,476
Investments accounted for using the equity method	18,447	20,445
Other financial assets	67,548	64,094
Deferred tax assets	132,174	123,726
Total non-current assets	2,335,957	2,357,930
Total assets	3,667,007	3,647,707

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	298,663	278,955
Bonds and borrowings	211,766	82,212
Income tax payables	42,501	62,966
Other financial liabilities	8,039	6,924
Provisions	5,686	5,616
Other current liabilities	590,717	621,098
Subtotal	1,157,373	1,057,771
Liabilities directly associated with non-current assets held-for-sale	101	301
Total current liabilities	1,157,474	1,058,073
Non-current liabilities		
Bonds and borrowings	279,750	257,135
Other financial liabilities	20,994	23,684
Retirement benefit liabilities (Note 9)	315,020	326,163
Provisions	4,448	6,968
Other non-current liabilities	92,235	92,066
Deferred tax liabilities	82,460	84,137
Total non-current liabilities	794,906	790,152
Total liabilities	1,952,380	1,848,225
Equity		
Share capital	100,000	100,000
Capital surplus	736,410	736,410
Treasury shares	(94,574)	(94,574)
Other components of equity	(376,363)	(394,489)
Retained earnings	1,268,577	1,370,437
Equity attributable to owners of the parent company	1,634,050	1,717,784
Non-controlling interests	80,576	81,698
Total equity	1,714,626	1,799,482
Total liabilities and equity	3,667,007	3,647,707

(2) Condensed interim consolidated statement of income

(For the six-month period)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Revenue (Note 5,11)	997,694	1,057,391
Cost of sales	(440,654)	(444,552)
Gross profit	557,040	612,839
Other operating income (Note 12)	12,220	4,510
Share of profit in investments accounted for using the equity method	1,259	2,354
Selling, general and administrative expenses (Note 13)	(358,890)	(354,104)
Operating profit (Note 5)	211,630	265,599
Financial income (Note 14)	8,604	1,963
Financial costs (Note 14)	(11,252)	(15,457)
Profit before income taxes	208,982	252,106
Income taxes	(61,718)	(80,270)
Profit for the period	147,264	171,836
Attributable to:		
Owners of the parent company	143,638	168,766
Non-controlling interests	3,626	3,070
Profit for the period	147,264	171,836
Interim earnings per share		
Basic (Yen) (Note 16)	75.43	88.62
Diluted (Yen) (Note 16)	75.40	88.59

Reconciliation from operating profit to Adjusted EBITDA

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Operating profit	211,630	265,599
Depreciation and amortization	58,896	56,850
Restructuring-related income	(7,631)	(1,228)
Restructuring-related costs	23,029	7,850
Adjusted EBITDA (Note 5)	285,924	329,071

(For the three-month period)

	Three months ended September 30, 2011	Three months ended September 30, 2012
	(Millions of yen)	
Revenue (Note 5)	560,899	545,283
Cost of sales	(245,428)	(227,740)
Gross profit	315,471	317,543
Other operating income	10,168	1,483
Share of profit in investments accounted for using the equity method	879	2,108
Selling, general and administrative expenses	(191,329)	(184,132)
Operating profit (Note 5)	135,189	137,002
Financial income	7,050	900
Financial costs	(5,398)	(10,188)
Profit before income taxes	136,842	127,714
Income taxes	(37,359)	(42,285)
Profit for the period	99,482	85,430
Attributable to:		
Owners of the parent company	97,512	84,245
Non-controlling interests	1,970	1,185
Profit for the period	99,482	85,430
Interim earnings per share		
Basic (Yen) (Note 16)	51.21	44.24
Diluted (Yen) (Note 16)	51.19	44.22

Reconciliation from operating profit to Adjusted EBITDA

	Three months ended September 30, 2011	Three months ended September 30, 2012
	(Millions of yen)	
Operating profit	135,189	137,002
Depreciation and amortization	30,216	28,684
Restructuring-related income	(7,551)	(0)
Restructuring-related costs	14,161	7,381
Adjusted EBITDA (Note 5)	172,015	173,067

(3) Condensed interim consolidated statement of comprehensive income

(For the six-month period)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Profit for the period	147,264	171,836
Other comprehensive income		
Exchange differences on translation of foreign operations	71,344	(17,833)
Net gain (loss) on derivatives designated as cash flow hedges	(220)	47
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,348	(570)
Actuarial gains (losses) on defined benefit retirement plans (Note 15)	(165)	(9,776)
Other comprehensive income (loss), net of taxes	72,306	(28,132)
Comprehensive income (loss) for the period	219,571	143,704
Attributable to:		
Owners of the parent company	215,670	140,790
Non-controlling interests	3,901	2,913
Comprehensive income (loss) for the period	219,571	143,704

(For the three-month period)

(Millions of yen)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Profit for the period	99,482	85,430
Other comprehensive income		
Exchange differences on translation of foreign operations	(39,021)	(169,943)
Net gain (loss) on derivatives designated as cash flow hedges	(153)	90
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	23	200
Actuarial gains (losses) on defined benefit retirement plans (Note 15)	(165)	(9,689)
Other comprehensive income (loss), net of taxes	(39,315)	(179,343)
Comprehensive income (loss) for the period	60,167	(93,913)
Attributable to:		
Owners of the parent company	58,181	(94,632)
Non-controlling interests	1,986	719
Comprehensive income (loss) for the period	60,167	(93,913)

(4) 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 share	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of available-for-sale securities
As of April 1, 2011	100,000	736,410	(94,574)	763	(257,262)	–	5,754
Cumulative effect of applying a new accounting standard	–	–	–	–	–	(142)	(5,754)
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	71,072	(220)	–
Comprehensive income (loss) for the period	–	–	–	–	71,072	(220)	–
Share-based payments	–	–	–	49	–	–	–
Dividends (Note 10)	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–	–
Total transactions with the owners	–	–	–	49	–	–	–
As of September 30, 2011	100,000	736,410	(94,574)	812	(186,191)	(362)	–
As of April 1, 2012	100,000	736,410	(94,574)	1,028	(387,228)	(309)	–
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	(17,671)	47	–
Comprehensive income (loss) for the period	–	–	–	–	(17,671)	47	–
Share-based payments	–	–	–	72	–	–	–
Dividends (Note 10)	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–	–
Total transactions with the owners	–	–	–	72	–	–	–
As of September 30, 2012	100,000	736,410	(94,574)	1,101	(404,899)	(262)	–

(Millions of yen)

	Equity attributable to owners of the parent company						
	Other components of equity						
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) on defined benefit retirement plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2011	–	–	(250,745)	1,034,054	1,525,145	76,166	1,601,311
Cumulative effect of applying a new accounting standard	5,551	–	(344)	97	(247)	47	(201)
Profit for the period	–	–	–	143,638	143,638	3,626	147,264
Other comprehensive income (loss)	1,345	(165)	72,032	–	72,032	275	72,306
Comprehensive income (loss) for the period	1,345	(165)	72,032	143,638	215,670	3,901	219,571
Share-based payments	–	–	49	–	49	–	49
Dividends (Note 10)	–	–	–	(38,086)	(38,086)	(1,223)	(39,309)
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	(374)	(374)	(18)	(392)
Transfer from other components of equity to retained earnings	(12)	165	153	(153)	–	–	–
Other increase (decrease)	–	–	–	–	–	225	225
Total transactions with the owners	(12)	165	202	(38,613)	(38,411)	(1,016)	(39,427)
As of September 30, 2011	6,885	–	(178,856)	1,139,176	1,702,156	79,099	1,781,255
As of April 1, 2012	10,146	–	(376,363)	1,268,577	1,634,050	80,576	1,714,626
Profit for the period	–	–	–	168,766	168,766	3,070	171,836
Other comprehensive income (loss)	(575)	(9,776)	(27,976)	–	(27,976)	(156)	(28,132)
Comprehensive income (loss) for the period	(575)	(9,776)	(27,976)	168,766	140,790	2,913	143,704
Share-based payments	–	–	72	–	72	–	72
Dividends (Note 10)	–	–	–	(57,129)	(57,129)	(2,261)	(59,390)
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	0	9,776	9,777	(9,777)	–	–	–
Other increase (decrease)	–	–	–	–	–	469	469
Total transactions with the owners	0	9,776	9,849	(66,906)	(57,057)	(1,792)	(58,848)
As of September 30, 2012	9,571	–	(394,489)	1,370,437	1,717,784	81,698	1,799,482

(5) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flows from operating activities		
Profit before income taxes	208,982	252,106
Depreciation and amortization	58,896	56,850
Impairment losses	3,566	2,814
Interest and dividend income	(1,371)	(1,857)
Interest expense	8,267	5,207
Share of profit in investments accounted for using the equity method	(1,259)	(2,354)
(Gain) loss on sale and disposal of property, plant and equipment, intangible assets and investment property	(4,798)	805
(Increase) decrease in trade and other receivables	(27,161)	(16,260)
(Increase) decrease in inventories	2,567	6,919
Increase (decrease) in trade and other payables	(11,663)	(4,651)
Increase (decrease) in retirement benefit liabilities	(2,846)	(2,468)
(Increase) decrease in prepaid tobacco excise taxes	1,522	5,869
Increase (decrease) in tobacco excise tax payables	24,721	30,457
Increase (decrease) in consumption tax payables	7,099	(4,402)
Other	6,869	(18,730)
Subtotal	273,390	310,304
Interest and dividends received	3,369	2,850
Interest paid	(11,712)	(6,539)
Income taxes paid	(62,554)	(47,346)
Net cash flows from operating activities	202,493	259,269
Cash flows from investing activities		
Purchase of securities	(5,606)	(1,113)
Proceeds from sale and redemption of securities	19,243	2,313
Purchase of property, plant and equipment	(41,762)	(44,755)
Purchase of intangible assets	(8,762)	(9,630)
Payments into time deposits	(23,434)	(22,348)
Proceeds from withdrawal of time deposits	11,623	23,368
Purchase of investments in subsidiaries (Note 6)	—	(45,593)
Other	10,919	1,479
Net cash flows from investing activities	(37,779)	(96,279)

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 10)	(38,079)	(57,116)
Dividends paid to non-controlling interests	(1,223)	(2,261)
Capital contribution from non-controlling interests	346	216
Increase (decrease) in short-term borrowings and commercial paper	(1,894)	(12,852)
Proceeds from long-term borrowings	—	544
Repayments of long-term borrowings	(10,683)	(80,679)
Redemption of bonds	(135,790)	(60,350)
Repayments of finance lease obligations	(2,744)	(2,402)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(392)	—
Net cash flows from financing activities	(190,458)	(214,900)
Net increase (decrease) in cash and cash equivalents	(25,744)	(51,910)
Cash and cash equivalents at the beginning of the period	244,240	404,740
Effect of exchange rate changes on cash and cash equivalents	(521)	(8,522)
Cash and cash equivalents at the end of the period (Note 7)	217,975	344,309

[Notes to condensed interim consolidated financial statements]

1. Reporting entity

Japan Tobacco Inc. (hereinafter referred to as the “Company”) is a joint stock corporation under the Companies Act of Japan, pursuant to the Japan Tobacco Inc. Act, with its principal places of business located in Japan since its incorporation. The addresses of the Company’s registered head office and principal business offices are available on the Company’s website (http://www.jti.co.jp).

The condensed interim consolidated financial statements for the three-month period ended September 30, 2012 and for the six-month period ended September 30, 2012 of the Company and its subsidiaries (hereinafter referred to as the “Group”) were approved on November 9, 2012 by Mitsuomi Koizumi, President and Chief Executive Officer, and Naohiro Minami, Chief Financial Officer.

2. Basis of preparation

The Group’s condensed interim consolidated financial statements, which satisfy all the requirements concerning the “Specified Company” prescribed in Item 2 of Paragraph 1 of Article 1-2 of the Ordinance on QCFS, are prepared in conformity with International Financial Reporting Standards pursuant to the provision of Article 93 of the Ordinance on QCFS.

The condensed interim consolidated financial statements are prepared in conformity with IAS 34 and do not include all information required for the consolidated financial statements for the fiscal year. They should be read along with the consolidated financial statements for the fiscal year ended March 31, 2012.

The fiscal year end date of JT International Holding B.V. (hereinafter referred to as “JTIH”) and its subsidiaries (hereinafter collectively referred to as the “JTIH Group”), which operate the Group’s international tobacco business, is December 31, hence the Group consolidates financial results of the JTIH Group for the six-month period from January 1, 2012 to June 30, 2012 into the Group’s consolidated financial results for the six-month period ended September 30, 2012.

Although there is a three month difference between the fiscal year end of the JTIH Group and that of the Company, with respect to significant transactions or events occurring during the time gap, the Group makes necessary adjustments and appropriate arrangements in order to assist the users of financial statements to properly understand and assess the consolidated financial positions and results of operations of the Group.

3. Significant accounting policies

The significant accounting policies, adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2012.

The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

4. Significant accounting estimates and judgments

Preparation of condensed interim consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the interim period end date. These estimates and assumptions are based on the best judgment of management in light as of the historical experience and various factors deemed to be reasonable as of the interim period end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change or the period of the change and future periods.

In principle, estimates and assumptions that may have a material effect on the amounts recognized in the condensed interim consolidated financial statements of the Group are the same as those for the fiscal year ended March 31, 2012.

5. Operating segments

(1) Outline of reportable segments

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

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

The Group changed its organization structure effective July 1, 2012, and the “Beverage Business” and the “Processed Food Business”, which were previously combined in “Food Business,” became individual reportable segments used by management in deciding how to allocate resources and in assessing performance. Accordingly, the segment information for the six months ended September 30, 2012, includes separate segment disclosures for the “Beverage Business” and the “Processed Food Business.” The comparative segment information for the three months ended September 30, 2011 and for the six months ended September 30, 2011 are retrospectively adjusted.

The “Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which include duty-free shops in Japan and markets in China, Hong Kong, and Macau where the Company’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of research and development, and the manufacture and sale of prescription drugs. The “Beverage Business” consists of the manufacture and sale of beverages. The “Processed Food Business” consists of the manufacture and sale of processed foods and seasonings.

(2) Revenues and performances for reportable segments

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

(For the six-month period)
For the six months ended September 30, 2011

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	306,968	476,611	22,774	99,374	84,307	990,034	7,660	–	997,694
Intersegment revenue	14,954	15,967	–	42	414	31,378	4,667	(36,044)	–
Total revenue	321,921	492,579	22,774	99,417	84,721	1,021,412	12,327	(36,044)	997,694
Segment profit (loss)									
Adjusted EBITDA (Note 1)	123,969	162,260	(5,563)	7,854	(376)	288,144	(1,642)	(577)	285,924

For the six months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
External revenue (Note 4)	350,673	490,240	26,515	98,197	83,876	1,049,502	7,889	–	1,057,391
Intersegment revenue	15,243	16,897	–	64	361	32,565	4,600	(37,165)	–
Total revenue	365,916	507,138	26,515	98,261	84,238	1,082,067	12,489	(37,165)	1,057,391
Segment profit (loss)									
Adjusted EBITDA (Note 1)	154,207	172,906	(6,062)	7,322	2,711	331,084	(1,665)	(348)	329,071

Reconciliation from adjusted EBITDA to profit before income taxes

For the six months ended September 30, 2011

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	123,969	162,260	(5,563)	7,854	(376)	288,144	(1,642)	(577)	285,924
Depreciation and amortization	(19,116)	(28,106)	(1,700)	(5,098)	(3,636)	(57,656)	(1,399)	160	(58,896)
Restructuring-related income (Note 5)	–	–	–	–	–	–	7,631	–	7,631
Restructuring-related costs (Note 5)	(12,813)	(8,731)	–	–	(132)	(21,676)	(1,353)	–	(23,029)
Operating profit (loss)	92,039	125,424	(7,263)	2,756	(4,144)	208,811	3,236	(418)	211,630
Financial income									8,604
Financial costs									(11,252)
Profit before income taxes									208,982

For the six months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	154,207	172,906	(6,062)	7,322	2,711	331,084	(1,665)	(348)	329,071
Depreciation and amortization	(19,623)	(25,306)	(1,659)	(4,969)	(3,538)	(55,097)	(1,910)	157	(56,850)
Restructuring-related income (Note 5)	1,200	5	–	–	–	1,205	23	–	1,228
Restructuring-related costs (Note 5)	(96)	(2,785)	–	–	(2,729)	(5,610)	(2,240)	–	(7,850)
Operating profit (loss)	135,688	144,820	(7,721)	2,353	(3,556)	271,583	(5,792)	(191)	265,599
Financial income									1,963
Financial costs									(15,457)
Profit before income taxes									252,106

Notes: 1. For adjusted EBITDA, the depreciation and amortization, impairment losses on goodwill, and restructuring-related income and costs are excluded from operating profit (loss).

2. The foreign subsidiaries group, which includes a core company of JT International S.A., that is part of the "International Tobacco Business" segment has December 31 as its fiscal year end date and the profit or loss for the period from January 1 to June 30 is included in the six months ended September 30, 2011 and 2012, respectively.

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

4. Core revenue as part of the "Domestic Tobacco Business" and the "International Tobacco Business" are as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Domestic Tobacco	286,952	335,018
International Tobacco	440,578	456,958

5. "Restructuring-related income" includes restructuring income of gain on sale of real estates. "Restructuring-related costs" includes restructuring costs of the closing down of a factory and cooperation fee for terminating leaf tobacco farming. The breakdown of restructuring income is described in "12. Other Operating Income." Restructuring costs included in "Cost of sales" and "Selling, general and administrative expenses" are ¥853 million and ¥ 6,992 million, respectively for the six months ended September 30,2012. The breakdown of restructuring costs in "Selling, general and administrative expenses" are described in "13. Selling, general and administrative expenses."

The breakdown of restructuring-related costs is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Restructuring costs	10,676	7,845
Cooperation fee for terminating leaf tobacco farming	12,353	4
Restructuring-related costs	23,029	7,850

Restructuring costs for the six months ended September 30, 2011 include costs of closing down of Hofu factory in the "Domestic Tobacco Business" and Hainburg factory in the "International Tobacco Business."

Restructuring costs for the six months ended September 30, 2012 include costs of the measures for the rationalization in the "International Tobacco Business" and dissolution of its processed fishery products business in the "Processed Food Business."

For the three months ended September 30, 2011

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	192,349	259,704	11,482	52,122	41,493	557,150	3,748	—	560,899
Intersegment revenue	7,734	10,090	—	30	167	18,021	2,331	(20,352)	—
Total revenue	200,083	269,794	11,482	52,152	41,660	575,171	6,079	(20,352)	560,899
Segment profit (loss)									
Adjusted EBITDA (Note 1)	87,232	88,068	(2,893)	4,348	(2,715)	174,041	(1,865)	(162)	172,015

For the three months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	177,589	256,609	13,820	51,662	41,871	541,551	3,732	—	545,283
Intersegment revenue	7,911	9,210	—	30	219	17,370	2,265	(19,635)	—
Total revenue	185,500	265,818	13,820	51,692	42,090	558,921	5,997	(19,635)	545,283
Segment profit (loss)									
Adjusted EBITDA (Note 1)	77,597	92,922	(2,547)	4,694	937	173,602	(499)	(36)	173,067

Reconciliation from adjusted EBITDA to profit before income taxes

For the three months ended September 30, 2011

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	87,232	88,068	(2,893)	4,348	(2,715)	174,041	(1,865)	(162)	172,015
Depreciation and amortization	(9,308)	(15,095)	(857)	(2,537)	(1,799)	(29,596)	(700)	80	(30,216)
Restructuring-related income (Note 5)	–	–	–	–	–	–	7,551	–	7,551
Restructuring-related costs (Note 5)	(12,813)	30	–	–	(56)	(12,839)	(1,322)	–	(14,161)
Operating profit (loss)	65,111	73,003	(3,750)	1,811	(4,570)	131,606	3,664	(82)	135,189
Financial income									7,050
Financial costs									(5,398)
Profit before income taxes									136,842

For the three months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	77,597	92,922	(2,547)	4,694	937	173,602	(499)	(36)	173,067
Depreciation and amortization	(9,999)	(12,705)	(839)	(2,486)	(1,776)	(27,807)	(956)	78	(28,684)
Restructuring-related income (Note 5)	–	0	–	–	–	0	–	–	0
Restructuring-related costs (Note 5)	(92)	(2,527)	–	–	(2,729)	(5,347)	(2,033)	–	(7,381)
Operating profit (loss)	67,506	77,690	(3,387)	2,208	(3,568)	140,448	(3,488)	42	137,002
Financial income									900
Financial costs									(10,188)
Profit before income taxes									127,714

Notes: 1. For adjusted EBITDA, the depreciation and amortization, impairment losses on goodwill, and restructuring-related income and costs are excluded from operating profit (loss).

2. The foreign subsidiaries group, which includes a core company of JT International S.A., that is part of the "International Tobacco Business" segment has December 31 as its fiscal year end date and the profit or loss for the period from April 1 to June 30 is included in the three months ended September 30, 2011 and 2012, respectively.

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

4. Core revenue as part of the "Domestic Tobacco Business" and the "International Tobacco Business" are as follows:

(Millions of yen)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Domestic Tobacco	183,101	169,734
International Tobacco	239,154	240,252

5. "Restructuring-related income" includes restructuring income of gain on sale of real estates. "Restructuring-related costs" includes restructuring costs of the closing down of a factory and cooperation fee for terminating leaf tobacco farming.

The breakdown of restructuring-related costs is as follows:

(Millions of yen)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Restructuring costs	1,807	7,381
Cooperation fee for terminating leaf tobacco farming	12,353	—
Restructuring-related costs	14,161	7,381

Restructuring costs for the three months ended September 30, 2011 include costs of closing down of Hofu factory in the "Domestic Tobacco Business."

Restructuring costs for the three months ended September 30, 2012 include costs of the measures for the rationalization in the "International Tobacco Business" and dissolution of its processed fishery products business in the "Processed Food Business."

6. Business Combination

Acquisition of Gryson NV, V.D.M. Invest, Disprotab S.L. and Gryson Deutschland GmbH (hereinafter collectively referred to as “Gryson”).

(1) Summary of business combination

On August 14, 2012, the Group acquired 100% of the outstanding shares of Gryson NV, V.D.M. Invest and Disprotab S.L. as well as 50% of the outstanding shares of Gryson Deutschland GmbH. Gryson has established an important presence in the Roll Your Own (“RYO”) and Make Your Own (“MYO”) market across several European countries including France, Belgium, Luxembourg, Spain and Portugal, as well as in a number of other countries. Through this acquisition, the Group obtained further opportunities to enhance its presence in the growing RYO/MYO market.

The investment in Gryson Deutschland GmbH is accounted for using the equity method.

(2) Financial impact of the Group

Had the business been acquired on January 1, 2012, the Group estimates that total consolidated revenue would have increased by ¥5,624 million to ¥1,063,016 million and total consolidated operating profit would have increased by ¥2,083 million to ¥267,682 million.

(3) Consideration and detail (Aggregated total of the acquisition)

(Millions of yen)

	Consideration
Cash	48,559
Consideration adjustment (Note 1)	1,615
Total Consideration	50,174

(Note 1) Under the Share Purchase Agreement, the Group shall pay the former owners in respect of the difference in net financial debt and working capital between those initially estimated and the amounts recognized as of August 14, 2012. The amount of consideration adjustment is provisional and is subject to change during the measurement period (one year from the acquisition date). Consideration adjustment has not been paid as of this interim period-end.

(4) Cash out for the acquisition of subsidiaries (Aggregated total of the acquisition)

(Millions of yen)

	Cash Out
Cash consideration	48,559
Cash and cash equivalents in subsidiaries acquired	(3,229)
Net cash out for the acquisition of subsidiaries	45,330

(5) Fair value of the assets acquired and liabilities assumed

(Millions of yen)

	Fair Value
Current assets	9,667
Non-current assets	8,620
Total assets acquired	18,287
Current liabilities	(762)
Non-current liabilities	(3,716)
Total liabilities assumed	(4,478)
Total equity	13,809
Goodwill	36,364

Goodwill of ¥36,364 million represents integration synergies including future economic benefits from enhanced business scale in the RYO/MYO market. Fair value of assets acquired and liabilities assumed are provisional amounts recognized at the acquisition date and are subject to further adjustment during the measurement period (one year from the acquisition date). Transaction costs of ¥70 million are expensed as incurred and recognized in "Selling, general and administrative expenses."

7. Cash and cash equivalents

Included in "Cash and Cash Equivalents" as of September 30, 2012 is ¥7,104 million (IRR 2,629.1 billion) held by the Group's Iranian subsidiary, JTI Pars PJS Co.. Due to international sanctions and other factors imposed on Iran, the subsidiary's ability to remit funds outside of Iran is restricted.

8. Property, plant and equipment, goodwill and intangible assets

The schedules of the carrying amount of “Property, plant and equipment,” “Goodwill” and “Intangible assets” are as follows:

(Millions of yen)

Carrying Amount	Property, plant and equipment	Goodwill	Intangible assets
As of April 1, 2012	619,536	1,110,046	306,448
Individual acquisition	44,237	—	9,651
Capitalization of borrowing costs	27	—	—
Acquisition through business combinations	2,212	36,575	6,442
Transfer to investment property	(2,089)	—	—
Transfer to non-current assets held-for-sale	(158)	—	—
Depreciation or amortization	(38,806)	—	(16,717)
Impairment losses	(611)	—	(63)
Sale or disposal	(2,779)	—	(289)
Exchange differences on translation of foreign operations	(4,020)	(7,299)	3,319
Other	5,103	—	723
As of September 30, 2012	622,653	1,139,322	309,514

9. Employee Benefits

(1) Obligation of Mutual Pension Benefits

The Law on partial revision of Employees’ pension insurance Act, etc. for unifying Employees’ Health Insurance System, (Law No. 63 in 2012), was promulgated on August 22, 2012 and the liabilities included in retirement benefit liabilities are expected to decrease in the future, due to the fact that the pension costs for a mutual assistance association that the Company is obligated to bear are expected to decrease.

10. Dividends

Dividends paid for each interim period are as follows:

For the six months ended September 30, 2011

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 24, 2011)	Ordinary shares	38,086	4,000	March 31, 2011	June 27, 2011

For the six months ended September 30, 2012

(Resolution)	Class of shares	Total dividends (millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 22, 2012)	Ordinary shares	57,129	6,000	March 31, 2012	June 25, 2012

Dividends, for which effective date falls in the following quarter period are as follows.

For the six months ended September 30, 2011

	Class of shares	Total dividends (millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution) Board of Directors (October 31, 2011)	Ordinary shares	38,086	4,000	September 30, 2011	December 1,2011

For the six months ended September 30, 2012

	Class of shares	Total dividends (millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution) Board of Directors (October 30, 2012)	Ordinary shares	57,129	30	September 30, 2012	November 30,2012

Dividends per share for which basis date falls before June 30, 2012 do not reflect the effect of the 200-for -one share split conducted, with basis date of June 30, 2012 and effective date of July 1, 2012.

Assuming the share split coming into effect at the beginning of the year ended March 31, 2011 (April 1, 2010), dividends per share resolved at the Annual Shareholders Meeting on June 24, 2011, Board of Directors on October 31, 2011 and Annual Shareholders Meeting on June 22, 2012 would have been ¥20, ¥20 and ¥30, respectively.

11. Revenue

The reconciliation from “Gross turnover” to “Revenue” for each interim period is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Gross turnover	3,341,134	3,331,805
Tobacco excise taxes and agency transaction amount	(2,343,440)	(2,274,414)
Revenue	997,694	1,057,391

12. Other operating income

The breakdown of “Other operating income” for each interim period is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Gain on sale of property, plant and equipment, intangible assets and investment properties (Note 1)	8,145	1,963
Other (Note 1)	4,075	2,547
Total	12,220	4,510

Note: 1. The amount of restructuring income included in each account is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Gain on sale of property, plant and equipment, intangible assets and investment properties	7,631	1,223
Other	–	5
Total	7,631	1,228

13. Selling, general and administrative expenses

The breakdown of “Selling, general and administrative expenses” for each interim period is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Advertising expenses	8,857	9,097
Promotion expenses	55,868	60,562
Shipping, warehousing expenses	14,547	13,713
Commission	18,936	19,272
Employee benefits expenses (Note 1)	120,104	121,629
Research and development expenses	25,018	27,568
Depreciation and amortization	29,306	28,889
Impairment losses on other than financial assets (Note 1)	3,566	2,814
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 1)	4,223	4,218
Other (Note 1)	78,464	66,342
Total	358,890	354,104

Note: 1. The amount of restructuring costs included in each account is as follows:

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Employee benefits expenses	6,092	3,230
Impairment losses on other than financial assets	3,228	2,810
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	1,342	609
Other	14	343
Total	10,676	6,992

14. Financial income and financial costs

The breakdown of "Financial income" and "Financial costs" for each interim period is as follows:

(Millions of yen)

Financial Income	Six months ended September 30, 2011	Six months ended September 30, 2012
Dividend income	368	332
Interest income	1,003	1,525
Foreign exchange gain	4,823	—
Other	2,409	107
Total	8,604	1,963

(Millions of yen)

Financial Costs	Six months ended September 30, 2011	Six months ended September 30, 2012
Interest expenses	8,267	5,207
Foreign exchange loss	—	6,593
Employee benefits expenses	2,795	2,870
Other	190	787
Total	11,252	15,457

15. Other comprehensive income

"Actuarial gains (losses) on defined benefit retirement plans" for the six months ended September 30, 2012 include actuarial gains and losses occurred from the effects of significant market fluctuations in relation to retirement benefit assets and liabilities.

16. Interim earnings per share

(For the six-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the Parent Company

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Profit for the period attributable to owners of the parent company	143,638	168,766
Profit not attributable to ordinary shareholders of the parent company	–	–
Profit for the period used for calculation of basic interim earnings per share	143,638	168,766

b. Weighted-average number of ordinary shares outstanding during the period

(Thousands of shares)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Weighted-average number of shares during the period	1,904,295	1,904,295

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Profit for the period used for calculation of basic interim earnings per share	143,638	168,766
Adjustment	–	–
Profit for the period used for calculation of diluted interim earnings per share	143,638	168,766

b. Weighted-average number of diluted ordinary shares outstanding during the period

(Thousands of shares)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Weighted-average number of ordinary shares during the period	1,904,295	1,904,295
Increased number of ordinary shares under subscription rights to share	616	824
Weighted-average number of diluted ordinary shares during the period	1,904,911	1,905,119

The weighted-average number of ordinary shares and the weighted-average number of diluted ordinary shares during the period reflect the effect of the share split conducted at a ratio of 200 shares to one share with June 30, 2012 as the basis date and July 1, 2012 as the effective date.

(For the three-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the Parent Company

(Millions of yen)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Profit for the period attributable to owners of the parent company	97,512	84,245
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	97,512	84,245

b. Weighted-average number of ordinary shares outstanding during the period

(Thousands of shares)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Weighted-average number of shares during the period	1,904,295	1,904,295

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Profit for the period used for calculation of basic interim earnings per share	97,512	84,245
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	97,512	84,245

b. Weighted-average number of diluted ordinary shares outstanding during the period

(Thousands of shares)

	Three months ended September 30, 2011	Three months ended September 30, 2012
Weighted-average number of ordinary shares during the period	1,904,295	1,904,295
Increased number of ordinary shares under subscription rights to share	616	824
Weighted-average number of diluted ordinary shares during the period	1,904,911	1,905,119

The weighted-average number of ordinary shares and the weighted-average number of diluted ordinary shares during the period reflect the effect of the share split conducted at a ratio of 200 shares to one share with June 30, 2012 as the basis date and July 1, 2012 as the effective date.

17. Commitments

Commitments for the acquisition of assets after the second quarter end closing date are as follows:

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
Acquisition of property, plant and equipment	32,541	61,935

18. Contingencies

Contingent Liabilities

Contingent liabilities newly occurred for the six months ended September 30, 2012 are as follows:

1. SMOKING AND HEALTH RELATED LITIGATION

a. Class Actions
Canada Ontario Class Action (Jacklin):
The class action was brought against tobacco industry members including JTI-Macdonald Corp. (hereinafter referred to as "JTI-Mac"), the Company's Canadian subsidiary, and the Company's indemnitees in June 2012. Plaintiffs are seeking unspecified compensatory and punitive damages for class action members. The statement of claim has yet to be served on JTI-Mac.

b. Health-Care Cost Recovery Litigation
Canada Prince Edward Island Health-Care Cost Recovery Litigation:
The health-care cost recovery litigation was filed by the Province of Prince Edward Island in September 2012 against tobacco industry members including JTI-Mac and the Company's indemnitees based on its provincial legislation, the "Tobacco Damages and Health Care Costs Recovery Act." The claim amount is unspecified.

In addition to the above, a significant change to the contingent liabilities described in the consolidated financial statements for the fiscal year ended March 31, 2012 is as follows:

1. OTHER LITIGATION

Japan Compensatory Damages Claim:
In respect of the litigation filed by Zhoushan Katoka Foods/Zhoushan Gangming Foods against the Company's processed food business subsidiary in Japan, the former Katokichi Co., Ltd. (renamed as TableMark Co., Ltd. after the acquisition by the Company), the court of second instance dismissed the appeal to the court of second instance filed by the appellant (the plaintiff in the first instance) in September 2012. As the appellant did not make a final appeal, this case was closed in the appellee's (defendant in the first instance) favour.

19. Subsequent events

No items to report.

2. Other

(1) Dividends

The Board of Directors, at a meeting held on October 30, 2012, declared the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥57,129 million

(b) Amount per share ¥30.00

(c) Effective date of requests for payment, and commencement date of payments November 30, 2012

Note: Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of September 30, 2012.

(2) Important Lawsuits

The important lawsuits of the Group are as stated in “18. Contingencies” in the notes to condensed interim consolidated financial statements.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

November 9, 2012

To the Board of Directors of
Japan Tobacco Inc.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuyuki Miyasaka (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Satoshi Iizuka (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Koji Ishikawa (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements included in the Accounting Section, namely, the condensed interim consolidated statement of financial position of Japan Tobacco Inc. (the "Company") and consolidated subsidiaries as of September 30, 2012 and the related condensed interim consolidated statements of income, and comprehensive income for the three-month and six-month periods then ended, changes in equity, and cash flows for the six-month period then ended, and the related notes.

Management's Responsibility for the Condensed Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in conformity with International Accounting Standard 34, "Interim Financial Reporting" under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review. We conducted our review in conformity with quarterly review standards generally accepted in Japan.

A review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of the Company and consolidated subsidiaries as of September 30, 2012, and the consolidated results of their operations for the three-month and six-month periods then ended, and their cash flows for the six-month period then ended in conformity with International Accounting Standard 34, “Interim Financial Reporting.”

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.