[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.]

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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.
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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)
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	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	Nine months ended December 31, 2011	Nine months ended December 31, 2012	27th term
Accounting period	From April 1, 2011 to December 31, 2011	From April 1, 2012 to December 31, 2012	From April 1, 2011 to March 31, 2012
Revenue [Third quarter] (Millions of yen)	1,546,177 [548,482]	1,608,399 [551,008]	2,033,825
Profit before income taxes (Millions of yen)	351,830	392,042	441,355
Profit for the period [Third quarter] (Millions of yen)	237,818 [90,553]	268,633 [96,798]	328,559
Profit attributable to owners of the parent company (Millions of yen)	231,961	263,701	320,883
Comprehensive income (loss) for the period (Millions of yen)	122,485	268,270	192,143
Total equity (Millions of yen)	1,644,970	1,864,788	1,714,626
Total assets (Millions of yen)	3,697,121	3,752,557	3,667,007
Basic earnings per share [Third quarter] (Yen)	121.81 [46.38]	138.48 [49.85]	168.50
Diluted earnings per share (Yen)	121.76	138.41	168.44
Ratio of equity attributable to owners of the parent company to total assets (%)	42.34	47.52	44.56
Net cash flows from (used in) operating activities (Millions of yen)	467,088	344,714	551,573
Net cash flows from (used in) investing activities (Millions of yen)	(76,117)	(117,696)	(103,805)
Net cash flows from (used in) financing activities (Millions of yen)	(246,749)	(271,781)	(279,064)
Cash and cash equivalents at the end of the period (Millions of yen)	379,089	343,519	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 nine months ended December 31, 2012, there were no material changes in the business of the JT Group (JT, 230 consolidated subsidiaries and 13 companies accounted for by the equity method) mentioned in the previous fiscal year’s Annual Securities Report. Also during the nine months ended December 31, 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 nine months ended December 31, 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 was 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 nine months ended December 31, 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 third quarter ended December 31, 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 December 31, 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

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

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 ¥62.2 billion or 4.0%, from the same period of the previous fiscal year to ¥1,608.4 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.

	Nine months ended December 31, 2011	Nine months ended December 31, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	1,546.2	1,608.4	62.2	4.0
Domestic Tobacco Business	485.3	526.6	41.4	8.5
Of which, core revenue	456.3	502.8	46.4	10.2
International Tobacco Business	736.4	752.7	16.3	2.2
Of which, core revenue	682.3	702.9	20.6	3.0
Pharmaceutical Business	36.9	41.2	4.3	11.5
Beverage Business	145.9	144.5	(1.5)	(1.0)
Processed Food Business	130.5	131.9	1.4	1.0

* 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 ¥48.1 billion or 13.2%, from the same period of the previous fiscal year to ¥411.7 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 ¥38.6 billion or 8.5%, from the same period of the previous fiscal year to ¥494.5 billion. Adjusted EBITDA at constant rates of exchange grew by 16.1% from the same period of the previous fiscal year.

	Nine months ended December 31, 2011	Nine months ended December 31, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Adjusted EBITDA	455.9	494.5	38.6	8.5
Domestic Tobacco Business	200.2	226.9	26.7	13.3
International Tobacco Business	255.2	266.0	10.8	4.2
Pharmaceutical Business	(5.6)	(8.6)	(3.0)	–
Beverage Business	11.4	10.5	(0.9)	(7.7)
Processed Food Business	1.6	5.2	3.6	219.4
Operating profit	363.6	411.7	48.1	13.2

* 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 ¥40.2 billion, or 11.4%, from the same period of the previous fiscal year to ¥392.0 billion. Profit attributable to owners of the parent company increased by ¥31.7 billion, or 13.7%, from the same period of the previous fiscal year to ¥263.7 billion.

Operating results by segment are as follows.

Domestic Tobacco Business

Total sales volume for domestic cigarettes during the nine months ended December 31, 2012 increased by 8.5 billion cigarettes, or 10.5%, from the same period of the previous fiscal year to 89.4 billion cigarettes[Note]. This was mainly due to the effects of limited deliveries in terms of the number of brands and delivery volume following the Great East Japan Earthquake particularly in the three months ended June 30, 2011. Our market share for the nine-month period was 59.6%, compared with 54.9% for the previous fiscal year. Our market share was 60.1% for the month of December after the design renewal for our 15 standard Mild Seven products, showing that our share is steadily recovering.

Revenue increased by ¥41.4 billion, or 8.5%, from the same period of the previous fiscal year to ¥526.6 billion, and core revenue increased by ¥46.4 billion, or 10.2%, from the same period of the previous fiscal year to ¥502.8 billion. This was mainly attributable to the increase in sales volume. Domestic cigarette revenue per 1,000 cigarettes was ¥5,504.

Concerning profits, adjusted EBITDA increased by ¥26.7 billion, or 13.3%, from the same period of the previous fiscal year to ¥226.9 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 recover 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 nine months ended December 31, 2012 increased by 0.0% from the same period of the previous fiscal year to 102.0 billion cigarettes.

Note: In addition to the figure stated above, during the nine months ended December 31, 2012, 2.3 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 nine months ended December 31, 2012, there was steady growth in shipments of Winston in Russia, Uzbekistan and Turkey. LD shipments grew in Turkey, Russia and Kazakhstan. As a result, shipment volume of GFBs increased by 9.8 billion cigarettes, or 5.1%, from the same period of the previous fiscal year to 202.5 billion cigarettes. Furthermore, total shipment volume including GFBs increased by 8.3 billion cigarettes, or 2.6%, from the same period of the previous fiscal year to 327.9 billion cigarettes. This was mainly due to the acquisition of business bases in Sudan in November 2011, and the completion in August 2012 of the acquisition of Gryson NV, a major RYO/MYO(Note 2) tobacco company with a strong presence across several European countries and other areas, despite a fall in sales of non-GFB local brands in Russia.

Although there was unfavorable foreign exchange effects on the local currencies of key markets, dollar-based revenue increased by $343 million, or 3.8%, from the same period of the previous fiscal year to $9,481 million, while dollar-based core revenue increased by $387 million or 4.6% from the same period of the previous fiscal year to $8,853 million. This was mainly driven by the effects of strong pricing. Adjusted EBITDA increased by $184 million, or 5.8%, versus the same period of the previous fiscal year, to reach $3,351 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 grew by 17.9% from the same period of the previous fiscal year.

As a result of the above, despite the effects of a strong yen when making conversions to that currency, revenue increased by ¥16.3 billion, or 2.2%, from the same period of the previous fiscal year to ¥752.7 billion, core revenue increased by ¥20.6 billion, or 3.0%, from the same period of the previous fiscal year to ¥702.9 billion, and adjusted EBITDA increased by ¥10.8 billion, or 4.2%, from the same period of the previous fiscal year to ¥266.0 billion.

The volume manufactured overseas(Note 3) in the nine months ended December 31, 2012 increased by 7.9 billion cigarettes, or 2.8%, from the same period of the previous fiscal year to 290.0 billion cigarettes.

Note 1: We have identified eight brands which serve as flagships of the JT Group's brand portfolio, Winston, Camel, Mild Seven (Mevius), 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.

Note 3: 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 nine months ended December 31, 2012 was 14.3 billion cigarettes.

* The foreign exchange rate in the nine months ended December 31, 2012 was ¥79.39 per U.S. dollar, representing a ¥1.20 year-on-year yen appreciation, compared with ¥80.59 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	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Ruble	28.79 rubles	31.07 rubles
Pounds sterling	0.62 pounds sterling	0.63 pounds sterling
Euro	0.72 euros	0.78 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. An application to manufacture and market an anti-HIV single-tablet regimen containing JTK-303 in Japan was filed by JT in December 2012. Gilead Sciences, Inc., which is our licensee, obtained a marketing approval for the tablet regimen 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, an application to manufacture and market the hyperphosphatemia drug JTT-751 in Japan was filed by JT in January 2013.

With respect to TO-194SL, a sublingual immunotherapy drug for Japanese cedar pollinosis, JT’s subsidiary Torii Pharmaceutical Co., Ltd. filed an application to manufacture and market it in Japan in December 2012.

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 nine months ended December 31, 2012 increased by ¥4.3 billion, or 11.5%, from the same period of the previous fiscal year to ¥41.2 billion, mainly due to increased sales of products of 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 ¥8.6 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 third quarter ended December 31, 2012, we actively implemented product launches including a renewal of “Roots Aroma Revolut Low Sugar” and the launch of “Roots Premium Latte,” a rich, unsweetened caffè latte drink developed in cooperation with Seven-Eleven Japan, Co., Ltd.

Revenue in the nine months ended December 31, 2012 declined by ¥1.5 billion, or 1.0%, from the same period of the previous fiscal year to ¥144.5 billion due to a temporary sales increase effect in the same period of the previous fiscal year following the earthquake disaster, as well as intensified competition.

Adjusted EBITDA decreased by ¥0.9 billion, or 7.7%, from the same period of the previous fiscal year to ¥10.5 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 third quarter ended December 31, 2012, we carried out vigorous sales promotions including television commercials for frozen “Sanuki-Udon” (wheat noodles) and a campaign in which the volume of noodles in a pack was increased.

Revenue in the nine months ended December 31, 2012 increased by ¥1.4 billion, or 1.0% from the same period of the previous fiscal year to ¥131.9 billion, mainly due to revenue growth in staple food products, despite other factors including a revenue decline in the processed fishery products business, from which we have already taken the decision to withdraw.

Adjusted EBITDA increased by ¥3.6 billion, or 219.4% from the same period of the previous fiscal year to ¥5.2 billion, mainly because of the recording of litigation expenses in the same period of the previous fiscal year, despite the impact of soaring raw material prices.

(2) Operational and financial issues to be addressed

During the nine months ended December 31, 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 nine months ended December 31, 2012 were ¥42.2 billion.

During the nine months ended December 31, 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 nine months ended December 31, 2012 decreased by ¥61.2 billion from the end of the previous fiscal year to ¥343.5 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥379.1 billion.

* In Japan, the end of the same period of the previous fiscal year (December 31, 2011), the end of the previous fiscal year (March 31, 2012) and the end of the current nine months (December 31, 2012) were all holidays for financial institutions. Consequently, cash and cash equivalents at the ends of these periods include an additional month's worth of tobacco excise taxes payable in comparison to the equivalent amounts if the period-ends had been business days for financial institutions. The amounts of national tobacco excise taxes paid on the business days immediately following the end of the same period of the previous fiscal year, the end of the previous fiscal year and the end of the current nine months were ¥155.3 billion, ¥143.5 billion and ¥152.2 billion, respectively.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the nine months ended December 31, 2012 were ¥344.7 billion, compared with ¥467.1 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 nine months ended December 31, 2012 were ¥117.7 billion, compared with ¥76.1 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 nine months ended December 31, 2012 were ¥271.8 billion, compared with ¥246.7 billion used in the same period of the previous fiscal year. The main factors were the payment of cash dividends, repayments of borrowings and redemption of bonds.

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of March 31, 2012 and as of December 31, 2012 accounted for ¥320.5 billion and ¥261.5 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥127.5 billion and ¥51.2 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 ¥34.0 billion as of December 31, 2012. There was no commercial paper outstanding as of March 31, 2012 and as of December 31, 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 December 31, 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 December 31, 2012)	Number of shares issued (Share; as of the date of filing: February 12, 2013)	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

Subscription rights to shares newly issued during the third quarter ended December 31, 2012 are as follows.

JT conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Therefore, the number of shares to be issued upon exercise of each subscription right to shares has been changed from one share to 200 shares.

Resolution date	September 21, 2012
Number of subscription rights to shares	729 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Ordinary shares (JT's standard class of shares with no rights limitations. Its share trading unit is 100 shares.)
Number of shares to be issued upon exercise of subscription rights to shares	145,800 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share
Exercise period of subscription rights to shares	From October 10, 2012 to October 9, 2042
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥320,000 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph 1 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as director (including *sikkoyaku* at a company with committees), auditor and executive officer (*sikkoyakuin*) of JT. b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
Matters regarding surrogate payments	–
Provisions for acquiring subscription rights to shares	(Note 2)
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)

Notes: 1. The class of shares to be issued upon exercise of subscription rights to shares shall be ordinary shares. The number of shares to be issued upon exercise of each subscription right to shares (hereinafter, "Number of Shares Granted") shall be 200.

However, in cases where JT conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or stock consolidation of ordinary shares of JT after the date on which JT allots subscription rights to shares (hereinafter, "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of stock split or stock consolidation}$$

Any fraction of less than one share that occurs as a result of the above adjustment shall be rounded down to two decimal places.

In the case of a stock split, the Number of Shares Granted after adjustment shall be applied on and after the date following the base date (if the base date is not specified, on and after the effective date), while in the case of stock consolidation, it shall be applied on and after the effective date. However, in cases where stock split is conducted subject to approval of the proposal to reduce surplus and increase capital or reserve fund at the General Meeting of Shareholders of JT and where the base date for stock split is set on or before the date of conclusion of that General Meeting of Shareholders, the Number of Shares Granted after adjustment shall be applied retrospectively to the date following that base date, on and after the date following the date of conclusion of that General Meeting of Shareholders.

In addition, in cases where the adjustment of the Number of Shares Granted is proper, JT shall conduct adjustments deemed necessary after the Allotment Date.

When adjusting the Number of Shares Granted, JT shall notify Subscription rights to shares Holders or make public notice of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impracticable, JT shall later do so as soon as possible.

2. In cases where proposal a., b. or c. below is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the resolution of a meeting of the Board of Directors or the decision by the representative executive officer (*sikkoyaku* at a company with committees) is made"), JT may acquire subscription rights to shares on the date separately provided for by the Board of Directors.

   In this case, JT shall, in exchange for acquiring each subscription right to shares, deliver money at the amount obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to Note 1 above, the Number of Shares Granted after adjustment) to the Subscription rights to shares Holders of respective such subscription rights to shares.

   Value per share = Closing price for regular transactions of ordinary shares of JT on the Tokyo Stock Exchange (if there is no closing price, the base price thereof on the following business day) on the date on which such proposal is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, the resolution of a meeting of the Board of Directors or the decision by the representative executive officer (*sikkoyaku* at a company with committees)) – ¥1

   a. Proposal to ask approval of a contract of merger where JT is not to be the surviving company
   b. Proposal to ask approval of a contract or plan of company split where JT would be the split company
   c. Proposal to ask approval of a share exchange contract or share transfer plan where JT becomes a wholly-owned subsidiary

3. In cases where JT merges (limited to cases where JT is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where JT becomes the split company in either case), or exchanges or transfers shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, deliver subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the "Company Subject to Reorganization") to the Subscription rights to shares Holders that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Subscription rights to shares"). However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.

   a. Number of subscription rights to shares to be delivered of the Company Subject to Reorganization
      Subscription rights to shares whose number is identical to the number of the Remaining Subscription rights to shares held by Subscription rights to shares Holder
   b. Class of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      Ordinary shares of the Company Subject to Reorganization
   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      To be determined in the same manner as Note 1 above, taking into consideration terms and other conditions of the Reorganization.
   d. Value of property to be contributed when subscription rights to shares are exercised
      The value of the property to be contributed when each subscription right to shares to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the Company Subject to Reorganization to be issued upon exercise of each subscription right to shares, which is decided pursuant to c. above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the Company Subject to Reorganization that would be delivered by exercising the delivered subscription rights to shares.
   e. Period during which subscription rights to shares can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such subscription rights to shares can be exercised as specified in "Exercise period of subscription rights to shares" mentioned above.
   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares
      To be determined in the same manner as "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares" mentioned above.
   g. Restrictions on transferring of subscription rights to shares
      Transferring the subscription rights to shares is subject to approval of the Board of Directors of the Company

Subject to Reorganization.

h. Provisions for acquiring subscription rights to shares
To be determined in the same manner as Note 2 above.

i. Other conditions for exercising subscription rights to shares
To be determined in the same manner as “Conditions for exercising subscription rights to shares” mentioned above.

(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)
October 1, 2012 to December 31, 2012	–	2,000,000	–	100,000	–	736,400

(6) Status of major shareholders

As the current quarterly accounting period is the third quarter, there are no items to report.

(7) Status of voting rights

a. Shares issued

(As of December 31, 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 1,904,285,900	19,042,859	(Note 2)
Odd shares	8,900	–	–
Total number of shares issued	2,000,000,000	–	–
Number of voting rights held by all the shareholders	–	19,042,859	–

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 December 31, 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 nine months ended December 31, 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 third quarter period (from October 1, 2012 to December 31, 2012) and for the nine months ended December 31, 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 December 31, 2012
Assets		
Current assets		
Cash and cash equivalents (Note 7)	404,740	343,519
Trade and other receivables	327,767	383,677
Inventories	446,617	456,896
Other financial assets	27,361	28,026
Other current assets	123,163	141,852
Subtotal	1,329,649	1,353,970
Non-current assets held-for-sale	1,401	5,193
Total current assets	1,331,050	1,359,162
Non-current assets		
Property, plant and equipment (Note 8)	619,536	633,459
Goodwill (Notes 6, 8)	1,110,046	1,160,357
Intangible assets (Note 8)	306,448	311,580
Investment property	67,387	60,208
Retirement benefit assets	14,371	16,379
Investments accounted for using the equity method	18,447	20,635
Other financial assets	67,548	67,790
Deferred tax assets	132,174	122,987
Total non-current assets	2,335,957	2,393,395
Total assets	3,667,007	3,752,557

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	298,663	288,588
Bonds and borrowings	211,766	85,905
Income tax payables	42,501	66,179
Other financial liabilities	8,039	7,340
Provisions	5,686	5,864
Other current liabilities	590,717	632,571
Subtotal	1,157,373	1,086,447
Liabilities directly associated with non-current assets held-for-sale	101	281
Total current liabilities	1,157,474	1,086,728
Non-current liabilities		
Bonds and borrowings	279,750	260,767
Other financial liabilities	20,994	20,971
Retirement benefit liabilities (Note 9)	315,020	327,890
Provisions	4,448	6,962
Other non-current liabilities	92,235	97,047
Deferred tax liabilities	82,460	87,403
Total non-current liabilities	794,906	801,040
Total liabilities	1,952,380	1,887,769
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)	(366,998)
Retained earnings	1,268,577	1,408,350
Equity attributable to owners of the parent company	1,634,050	1,783,188
Non-controlling interests	80,576	81,601
Total equity	1,714,626	1,864,788
Total liabilities and equity	3,667,007	3,752,557

(2) Condensed interim consolidated statement of income

(For the nine-month period)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Revenue (Notes 5,11)	1,546,177	1,608,399
Cost of sales	(678,117)	(684,081)
Gross profit	868,060	924,317
Other operating income (Note 12)	27,923	18,241
Share of profit in investments accounted for using the equity method	1,769	2,649
Selling, general and administrative expenses (Note 13)	(534,182)	(533,551)
Operating profit (Note 5)	363,570	411,656
Financial income (Note 14)	4,665	3,370
Financial costs (Note 14)	(16,405)	(22,984)
Profit before income taxes	351,830	392,042
Income taxes	(114,013)	(123,409)
Profit for the period	237,818	268,633
Attributable to:		
Owners of the parent company	231,961	263,701
Non-controlling interests	5,857	4,933
Profit for the period	237,818	268,633
Interim earnings per share		
Basic (Yen) (Note 16)	121.81	138.48
Diluted (Yen) (Note 16)	121.76	138.41

Reconciliation from operating profit to Adjusted EBITDA

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Operating profit	363,570	411,656
Depreciation and amortization	90,001	86,009
Restructuring-related income	(21,234)	(14,368)
Restructuring-related costs	23,596	11,252
Adjusted EBITDA (Note 5)	455,933	494,549

(For the three-month period)

	Three months ended December 31, 2011	Three months ended December 31, 2012
		(Millions of yen)
Revenue (Note 5)	548,482	551,008
Cost of sales	(237,463)	(239,529)
Gross profit	311,019	311,478
Other operating income	15,703	13,731
Share of profit in investments accounted for using the equity method	510	295
Selling, general and administrative expenses	(175,292)	(179,447)
Operating profit (Note 5)	151,940	146,057
Financial income	885	1,407
Financial costs	(9,977)	(7,528)
Profit before income taxes	142,848	139,936
Income taxes	(52,295)	(43,138)
Profit for the period	90,553	96,798
Attributable to:		
Owners of the parent company	88,323	94,935
Non-controlling interests	2,231	1,863
Profit for the period	90,553	96,798
Interim earnings per share		
Basic (Yen) (Note 16)	46.38	49.85
Diluted (Yen) (Note 16)	46.36	49.83

Reconciliation from operating profit to Adjusted EBITDA

	Three months ended December 31, 2011	Three months ended December 31, 2012
		(Millions of yen)
Operating profit	151,940	146,057
Depreciation and amortization	31,106	29,159
Restructuring-related income	(13,604)	(13,140)
Restructuring-related costs	567	3,402
Adjusted EBITDA (Note 5)	170,009	165,478

(3) Condensed interim consolidated statement of comprehensive income

(For the nine-month period)

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Profit for the period	237,818	268,633
Other comprehensive income		
Exchange differences on translation of foreign operations	(114,774)	7,326
Net gain (loss) on derivatives designated as cash flow hedges	(389)	102
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	2,493	1,901
Actuarial gains (losses) on defined benefit retirement plans (Note 15)	(2,663)	(9,693)
Other comprehensive income (loss), net of taxes	(115,332)	(364)
Comprehensive income (loss) for the period	122,485	268,270
Attributable to:		
Owners of the parent company	116,882	263,183
Non-controlling interests	5,604	5,087
Comprehensive income (loss) for the period	122,485	268,270

(For the three-month period)

	Three months ended December 31, 2011	Three months ended December 31, 2012
		(Millions of yen)
Profit for the period	90,553	96,798
Other comprehensive income		
Exchange differences on translation of foreign operations	(186,118)	25,159
Net gain (loss) on derivatives designated as cash flow hedges	(169)	55
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,146	2,471
Actuarial gains (losses) on defined benefit retirement plans	(2,498)	83
Other comprehensive income (loss), net of taxes	(187,639)	27,768
Comprehensive income (loss) for the period	(97,085)	124,566
Attributable to:		
Owners of the parent company	(98,788)	122,393
Non-controlling interests	1,702	2,173
Comprehensive income (loss) for the period	(97,085)	124,566

(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)	–	–	–	–	(114,530)	(389)	–
Comprehensive income (loss) for the period	–	–	–	–	(114,530)	(389)	–
Share-based payments	–	–	–	193	–	–	–
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	–	–	–	193	–	–	–
As of December 31, 2011	100,000	736,410	(94,574)	956	(371,793)	(531)	–
As of April 1, 2012	100,000	736,410	(94,574)	1,028	(387,228)	(309)	–
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	7,172	102	–
Comprehensive income (loss) for the period	–	–	–	–	7,172	102	–
Share-based payments	–	–	–	189	–	–	–
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	–	–	–	189	–	–	–
As of December 31, 2012	100,000	736,410	(94,574)	1,217	(380,056)	(206)	–

(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	–	–	–	231,961	231,961	5,857	237,818
Other comprehensive income (loss)	2,486	(2,646)	(115,079)	–	(115,079)	(253)	(115,332)
Comprehensive income (loss) for the period	2,486	(2,646)	(115,079)	231,961	116,882	5,604	122,485
Share-based payments	–	–	193	–	193	–	193
Dividends (Note 10)	–	–	–	(76,172)	(76,172)	(1,782)	(77,954)
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	(370)	(370)	(137)	(507)
Transfer from other components of equity to retained earnings	(63)	2,646	2,583	(2,583)	–	–	–
Other increase (decrease)	–	–	–	–	–	(359)	(359)
Total transactions with the owners	(63)	2,646	2,775	(79,124)	(76,349)	(2,278)	(78,627)
As of December 31, 2011	7,974	–	(363,393)	1,186,988	1,565,431	79,538	1,644,970
As of April 1, 2012	10,146	–	(376,363)	1,268,577	1,634,050	80,576	1,714,626
Profit for the period	–	–	–	263,701	263,701	4,933	268,633
Other comprehensive income (loss)	1,902	(9,693)	(517)	–	(517)	154	(364)
Comprehensive income (loss) for the period	1,902	(9,693)	(517)	263,701	263,183	5,087	268,270
Share-based payments	–	–	189	–	189	–	189
Dividends (Note 10)	–	–	–	(114,258)	(114,258)	(3,747)	(118,004)
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	23	23	(528)	(505)
Transfer from other components of equity to retained earnings	(0)	9,693	9,693	(9,693)	–	–	–
Other increase (decrease)	–	–	–	–	–	213	213
Total transactions with the owners	(0)	9,693	9,882	(123,928)	(114,046)	(4,062)	(118,108)
As of December 31, 2012	12,047	–	(366,998)	1,408,350	1,783,188	81,601	1,864,788

(5) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Cash flows from operating activities		
Profit before income taxes	351,830	392,042
Depreciation and amortization	90,001	86,009
Impairment losses	4,729	2,540
Interest and dividend income	(2,378)	(3,177)
Interest expense	11,255	7,521
Share of profit in investments accounted for using the equity method	(1,769)	(2,649)
(Gain) loss on sale and disposal of property, plant and equipment, intangible assets and investment property	(17,361)	(11,775)
(Increase) decrease in trade and other receivables	(46,347)	(51,869)
(Increase) decrease in inventories	2,659	(6,265)
Increase (decrease) in trade and other payables	(2,970)	(57)
Increase (decrease) in retirement benefit liabilities	1,359	(303)
(Increase) decrease in prepaid tobacco excise taxes	(2,970)	(13,551)
Increase (decrease) in tobacco excise tax payables	205,368	49,371
Increase (decrease) in consumption tax payables	17,470	867
Other	(22,686)	(14,587)
Subtotal	588,190	434,118
Interest and dividends received	4,444	4,549
Interest paid	(13,885)	(8,546)
Income taxes paid	(111,662)	(85,407)
Net cash flows from operating activities	467,088	344,714
Cash flows from investing activities		
Purchase of securities	(5,637)	(4,133)
Proceeds from sale and redemption of securities	20,536	2,568
Purchase of property, plant and equipment	(65,032)	(77,554)
Proceeds from sale of investment property	26,326	14,909
Purchase of intangible assets	(12,285)	(14,453)
Payments into time deposits	(30,546)	(26,466)
Proceeds from withdrawal of time deposits	22,707	30,530
Purchase of investments in subsidiaries (Note 6)	(33,443)	(45,376)
Other	1,257	2,279
Net cash flows from investing activities	(76,117)	(117,696)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
		(Millions of yen)
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 10)	(76,126)	(114,172)
Dividends paid to non-controlling interests	(1,782)	(3,344)
Capital contribution from non-controlling interests	340	215
Increase (decrease) in short-term borrowings and commercial paper	(2,124)	(9,955)
Proceeds from long-term borrowings	79	514
Repayments of long-term borrowings	(28,431)	(80,586)
Redemption of bonds	(134,184)	(60,350)
Repayments of finance lease obligations	(4,015)	(3,598)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(507)	(505)
Net cash flows from financing activities	(246,749)	(271,781)
Net increase (decrease) in cash and cash equivalents	144,222	(44,762)
Cash and cash equivalents at the beginning of the period	244,240	404,740
Effect of exchange rate changes on cash and cash equivalents	(9,373)	(16,459)
Cash and cash equivalents at the end of the period (Note 7)	379,089	343,519

[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 December 31, 2012 and for the nine-month period ended December 31, 2012 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on February 8, 2013 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 nine-month period from January 1, 2012 to September 30, 2012 into the Group's consolidated financial results for the nine-month period ended December 31, 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, separate segment disclosures for the “Beverage Business” and the “Processed Food Business” have been included in the segment information since the second quarter ended September 30, 2012. The comparative segment information for the three months ended December 31, 2011 and for the nine months ended December 31, 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 nine-month period)

For the nine months ended December 31, 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)	485,270	736,374	36,940	145,947	130,500	1,535,031	11,146	―	1,546,177
Intersegment revenue	20,598	21,809	―	64	544	43,015	6,994	(50,009)	―
Total revenue	505,868	758,183	36,940	146,012	131,044	1,578,046	18,140	(50,009)	1,546,177
Segment profit (loss)									
Adjusted EBITDA (Note 1)	200,154	255,216	(5,582)	11,396	1,632	462,816	(6,022)	(860)	455,933

For the nine months ended December 31, 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)	526,628	752,678	41,193	144,453	131,869	1,596,821	11,577	―	1,608,399
Intersegment revenue	20,844	23,379	―	90	524	44,837	6,932	(51,770)	―
Total revenue	547,473	776,057	41,193	144,543	132,393	1,641,659	18,510	(51,770)	1,608,399
Segment profit (loss)									
Adjusted EBITDA (Note 1)	226,868	266,045	(8,551)	10,514	5,212	500,089	(5,089)	(450)	494,549

Reconciliation from Adjusted EBITDA to profit before income taxes

For the nine months ended December 31, 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)	200,154	255,216	(5,582)	11,396	1,632	462,816	(6,022)	(860)	455,933
Depreciation and amortization	(29,516)	(42,712)	(2,571)	(7,592)	(5,542)	(87,933)	(2,307)	239	(90,001)
Restructuring-related income (Note 5)	–	–	–	–	–	–	21,234	–	21,234
Restructuring-related costs (Note 5)	(12,863)	(8,883)	–	–	(292)	(22,038)	(1,558)	–	(23,596)
Operating profit (loss)	157,775	203,621	(8,152)	3,803	(4,203)	352,844	11,347	(621)	363,570
Financial income									4,665
Financial costs									(16,405)
Profit before income taxes									351,830

For the nine months ended December 31, 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)	226,868	266,045	(8,551)	10,514	5,212	500,089	(5,089)	(450)	494,549
Depreciation and amortization	(30,036)	(37,905)	(2,547)	(7,507)	(5,344)	(83,339)	(2,905)	235	(86,009)
Restructuring-related income (Note 5)	1,200	396	–	–	–	1,596	12,772	–	14,368
Restructuring-related costs (Note 5)	(101)	(2,670)	–	–	(6,415)	(9,186)	(2,066)	–	(11,252)
Operating profit (loss)	197,931	225,866	(11,098)	3,007	(6,546)	409,160	2,712	(215)	411,656
Financial income									3,370
Financial costs									(22,984)
Profit before income taxes									392,042

Notes: 1. For Adjusted EBITDA, 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 September 30 is included in the nine months ended December 31, 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" is as follows:

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Domestic Tobacco	456,329	502,759
International Tobacco	682,300	702,859

5. "Restructuring-related income" includes restructuring income of gain on sale of real estates. "Restructuring-related costs" include 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 ¥4,143 million and ¥7,105 million, respectively, for the nine months ended December 31, 2012. The breakdown of restructuring costs in "Selling, general and administrative expenses" is described in "13. Selling, general and administrative expenses."

The breakdown of restructuring-related costs is as follows:

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Restructuring costs	11,209	11,248
Cooperation fee for terminating leaf tobacco farming	12,387	4
Restructuring-related costs	23,596	11,252

Restructuring costs for the nine months ended December 31, 2011 include costs of closing down of the Hofu factory in the "Domestic Tobacco Business" and the Hainburg factory in the "International Tobacco Business."

Restructuring costs for the nine months ended December 31, 2012 include costs of rationalization measures in the "International Tobacco Business" and the dissolution of the processed fishery products business in the "Processed Food Business."

(For the three-month period)

For the three months ended December 31, 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)	178,302	259,763	14,166	46,573	46,193	544,997	3,485	−	548,482
Intersegment revenue	5,645	5,842	−	22	129	11,637	2,327	(13,965)	−
Total revenue	183,947	265,604	14,166	46,595	46,323	556,635	5,813	(13,965)	548,482
Segment profit (loss)									
Adjusted EBITDA (Note 1)	76,185	92,956	(19)	3,542	2,008	174,672	(4,380)	(283)	170,009

For the three months ended December 31, 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)	175,955	262,438	14,677	46,256	47,993	547,319	3,688	−	551,008
Intersegment revenue	5,602	6,481	−	26	162	12,272	2,332	(14,604)	−
Total revenue	181,557	268,920	14,677	46,282	48,155	559,591	6,021	(14,604)	551,008
Segment profit (loss)									
Adjusted EBITDA (Note 1)	72,661	93,139	(2,489)	3,192	2,501	169,004	(3,424)	(102)	165,478

Reconciliation from Adjusted EBITDA to profit before income taxes

For the three months ended December 31, 2011

(Millions of yen)

	Reportable Segments								
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total	Other (Note 3)	Elimination	Consolidated
Adjusted EBITDA (Note 1)	76,185	92,956	(19)	3,542	2,008	174,672	(4,380)	(283)	170,009
Depreciation and amortization	(10,400)	(14,606)	(870)	(2,494)	(1,906)	(30,277)	(909)	80	(31,106)
Restructuring-related income (Note 5)	–	–	–	–	–	–	13,604	–	13,604
Restructuring-related costs (Note 5)	(50)	(152)	–	–	(161)	(362)	(205)	–	(567)
Operating profit (loss)	65,736	78,198	(889)	1,047	(59)	144,033	8,110	(203)	151,940
Financial income									885
Financial costs									(9,977)
Profit before income taxes									142,848

For the three months ended December 31, 2012

(Millions of yen)

	Reportable Segments								
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total	Other (Note 3)	Elimination	Consolidated
Adjusted EBITDA (Note 1)	72,661	93,139	(2,489)	3,192	2,501	169,004	(3,424)	(102)	165,478
Depreciation and amortization	(10,413)	(12,599)	(888)	(2,537)	(1,805)	(28,242)	(995)	78	(29,159)
Restructuring-related income (Note 5)	–	391	–	–	–	391	12,749	–	13,140
Restructuring-related costs (Note 5)	(5)	114	–	–	(3,686)	(3,577)	174	–	(3,402)
Operating profit (loss)	62,243	81,046	(3,377)	655	(2,990)	137,577	8,504	(24)	146,057
Financial income									1,407
Financial costs									(7,528)
Profit before income taxes									139,936

Notes: 1. For Adjusted EBITDA, 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 July 1 to September 30 is included in the three months ended December 31, 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” is as follows:

(Millions of yen)

	Three months ended December 31, 2011	Three months ended December 31, 2012
Domestic Tobacco	169,377	167,741
International Tobacco	241,722	245,901

5. “Restructuring-related income” includes restructuring income of gain on sale of real estates. “Restructuring-related costs” include 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 December 31, 2011	Three months ended December 31, 2012
Restructuring costs	533	3,402
Cooperation fee for terminating leaf tobacco farming	34	—
Restructuring-related costs	567	3,402

Restructuring costs for the three months ended December 31, 2012 include costs of rationalization measures in the “International Tobacco Business” and the dissolution of the processed fishery products business in the “Processed Food Business.”

6. 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

Since the acquisition date, the acquired business has contributed to consolidated revenue of ¥984 million and consolidated operating profit of ¥416 million. Had the business been acquired on January 1, 2012, the Group estimates that total consolidated revenue would have increased by ¥5,597 million to ¥1,613,996 million and total consolidated operating profit would have increased by ¥2,073 million to ¥413,729 million.

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

(Millions of yen)

	Consideration
Cash	47,512
Consideration adjustment (Note 1)	1,580
Total Consideration	49,092

(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 the acquisition date. The amount of consideration adjustment is provisional and will change during the measurement period (one year from the acquisition date). The 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	47,512
Cash and cash equivalents in subsidiaries acquired	(3,159)
Net cash out for the acquisition of subsidiaries	44,353

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

	(Millions of yen) Fair Value
Current assets	9,459
Non-current assets	8,434
Total assets acquired	17,893
Current liabilities	(746)
Non-current liabilities	(3,635)
Total liabilities assumed	(4,381)
Total equity	13,512
Goodwill	35,580

Goodwill of ¥35,580 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 will change 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 December 31, 2012 is ¥12,031 million (IRR 4,550.2 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	77,333	－	14,165
Capitalization of borrowing costs	44	－	－
Acquisition through business combinations	2,201	36,401	6,411
Transfer to investment property	(2,303)	－	－
Transfer to non-current assets held-for-sale	(157)	－	－
Depreciation or amortization	(58,767)	－	(25,258)
Impairment losses	(623)	－	(63)
Sale or disposal	(3,496)	－	(465)
Exchange differences on translation of foreign operations	(1,242)	13,910	9,305
Other	931	－	1,037
As of December 31, 2012	633,459	1,160,357	311,580

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 nine months ended December 31, 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
Board of Directors (October 31, 2011)	Ordinary shares	38,086	4,000	September 30, 2011	December 1, 2011

For the nine months ended December 31, 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
Board of Directors (October 30, 2012)	Ordinary shares	57,129	30	September 30, 2012	November 30, 2012

Dividends per share for which the 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, 2012 (April 1, 2011), 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)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Gross turnover	5,047,665	5,057,596
Tobacco excise taxes and agency transaction amount	(3,501,488)	(3,449,197)
Revenue	1,546,177	1,608,399

12. Other operating income

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

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Gain on sale of property, plant and equipment, intangible assets and investment property (Note 1)	21,857	15,088
Other (Note 1)	6,066	3,152
Total	27,923	18,241

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

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Gain on sale of property, plant and equipment, intangible assets and investment property	21,234	14,363
Other	—	5
Total	21,234	14,368

13. Selling, general and administrative expenses

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

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Advertising expenses	14,705	13,871
Promotion expenses	88,845	94,609
Shipping, warehousing expenses	21,513	20,752
Commission	28,679	29,293
Employee benefits expenses (Note 1)	177,163	182,635
Research and development expenses	37,844	42,204
Depreciation and amortization	43,674	43,625
Impairment losses on other than financial assets (Note 1)	4,729	2,540
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 1)	5,759	5,131
Other (Note 1)	111,270	98,891
Total	534,182	533,551

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

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Employee benefits expenses	5,551	3,389
Impairment losses on other than financial assets	3,969	2,524
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	1,531	917
Other	158	276
Total	11,209	7,105

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	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Dividend income	600	577
Interest income	1,778	2,600
Other	2,288	193
Total	4,665	3,370

(Millions of yen)

Financial Costs	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Interest expenses	11,255	7,521
Foreign exchange losses	681	10,237
Employee benefits expenses	4,166	4,279
Other	303	947
Total	16,405	22,984

15. Other comprehensive income

“Actuarial gains (losses) on defined benefit retirement plans” for the nine months ended December 31, 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 nine-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the Parent Company

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Profit for the period attributable to owners of the parent company	231,961	263,701
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	231,961	263,701

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

(Thousands of shares)

	Nine months ended December 31, 2011	Nine months ended December 31, 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)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Profit for the period used for calculation of basic interim earnings per share	231,961	263,701
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	231,961	263,701

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

(Thousands of shares)

	Nine months ended December 31, 2011	Nine months ended December 31, 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	703	890
Weighted-average number of diluted ordinary shares during the period	1,904,997	1,905,185

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 December 31, 2011	Three months ended December 31, 2012
Profit for the period attributable to owners of the parent company	88,323	94,935
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	88,323	94,935

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

(Thousands of shares)

	Three months ended December 31, 2011	Three months ended December 31, 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 December 31, 2011	Three months ended December 31, 2012
Profit for the period used for calculation of basic interim earnings per share	88,323	94,935
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	88,323	94,935

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

(Thousands of shares)

	Three months ended December 31, 2011	Three months ended December 31, 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	745	919
Weighted-average number of diluted ordinary shares during the period	1,905,040	1,905,214

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 third quarter end closing date are as follows:

(Millions of yen)

	As of March 31, 2012	As of December 31, 2012
Acquisition of property, plant and equipment	32,541	65,935

18. Contingencies

Contingent Liabilities

Contingent liabilities newly occurred for the nine months ended December 31, 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.

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, significant changes to the contingent liabilities described in the consolidated financial statements for the fiscal year ended March 31, 2012 are as follows:

1. SMOKING AND HEALTH RELATED LITIGATION

a. Class Actions

Canada Quebec Class Action (Cecilia Letourneau):

In respect of the class action brought in September 1998, against the three Canadian tobacco manufacturers including JTI-Mac, the defendants filed a third-party claim against the Government of Canada seeking contribution and indemnity on the grounds that the Canadian government was highly involved in the tobacco industry in respect of smoking and health related matters. The court of first instance dismissed the Government of Canada’s motion to dismiss such third-party claim in February 2012. The Court of Appeal thereafter granted the Government of Canada’s appeal of the aforesaid decision of the court of first instance in November 2012. The defendants have decided not to appeal that decision to the Supreme Court of Canada. The Government of Canada is therefore no longer a party in this case.

Canada Quebec Class Action (Conseil Québécois sur le tabac et la santé):

In respect of the class action brought in November 1998, against the three Canadian tobacco manufacturers including JTI-Mac, the defendants filed a third-party claim against the Government of Canada seeking contribution and indemnity on the grounds that the Canadian government was highly involved in the tobacco industry in respect of smoking and health related matters. The court of first instance dismissed the Government of Canada’s motion to dismiss such third-party claim in February 2012. The Court of Appeal thereafter granted the Government of Canada’s appeal of the aforesaid decision of the court of first instance in November 2012. The defendants have decided not to appeal that decision to the Supreme Court of Canada. The Government of Canada is therefore no longer a party in this case.

2. 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 have been 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

February 8, 2013

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 December 31, 2012 and the related condensed interim consolidated statements of income, and comprehensive income for the three-month and nine-month periods then ended, and changes in equity, and cash flows for the nine-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 December 31, 2012, and the consolidated results of their operations for the three-month and nine-month periods then ended, and their cash flows for the nine-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.