[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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Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
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Date of filing:	August 9, 2013
Quarterly accounting period:	First quarter of the 29th term (from April 1, 2013 to June 30, 2013)
Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director
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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. Chiba Sales Office (5-13, Tsubakimori 5-chome, Chuo-ku, Chiba-shi, Chiba)
	Japan Tobacco Inc. Yokohama Sales Office (3-1, Kinkocho, Kanagawa-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (1-30, Hamabe-dori 2-chome, Chuo-ku, Kobe-shi, Hyogo)
	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the JT Group

1. Trends in principal management benchmarks

Term	Three months ended June 30, 2012	Three months ended June 30, 2013	28th term
Accounting period	From April 1, 2012 to June 30, 2012	From April 1, 2013 to June 30, 2013	From April 1, 2012 to March 31, 2013
Revenue (Millions of yen)	512,108	547,937	2,120,196
Profit before income taxes (Millions of yen)	124,345	141,591	509,355
Profit for the period (Millions of yen)	86,394	99,907	351,448
Profit attributable to owners of the parent company (Millions of yen)	84,519	98,104	343,596
Comprehensive income (loss) for the period (Millions of yen)	237,631	184,655	544,407
Total equity (Millions of yen)	1,895,882	2,007,484	1,892,431
Total assets (Millions of yen)	3,857,490	4,024,290	3,852,567
Basic earnings per share (Yen)	44.38	53.98	181.07
Diluted earnings per share (Yen)	44.36	53.95	180.98
Ratio of equity attributable to owners of the parent company to total assets (%)	46.99	47.72	46.89
Net cash flows from (used in) operating activities (Millions of yen)	98,124	3,867	466,608
Net cash flows from (used in) investing activities (Millions of yen)	(26,419)	(15,309)	(147,928)
Net cash flows from (used in) financing activities (Millions of yen)	(140,501)	(4,122)	(569,473)
Cash and cash equivalents at the end of the period (Millions of yen)	340,700	130,813	142,713

Notes:
1. 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.
6. The JT Group made a partial change to its accounting policies effective from the first quarter ended June 30, 2013. Principal management benchmarks for the three months ended June 30, 2012, and the fiscal year ended March 31, 2013, have been adjusted retrospectively to reflect the change. For details, please refer to "IV. Accounting, 1. condensed interim consolidated financial statements, [Notes to Condensed interim consolidated financial statements], 3. Significant accounting policies, (Changes in accounting policies)."

2. Business description

During the three months ended June 30, 2013, there were neither material changes in the business of the JT Group (JT, 228 consolidated subsidiaries and 12 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

II. Review of operations

1. Business and other risks

During the three months ended June 30, 2013, there were no new business or other risks.

There were no material changes to the items regarding business and other risks mentioned in the previous fiscal year's Annual Securities Report.

2. Important operational contracts, etc.

No important operational contracts were decided or entered into during the first quarter ended June 30, 2013.

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 June 30, 2013.

(Non-GAAP financial measures)

The JT Group discloses certain additional financial measures that are not required or defined under IFRS, which is the accounting standard JT adopted. 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 and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, and restructuring-related income and costs.

Furthermore, adjusted EBITDA growth rate at constant rates of exchange in the consolidated performance is also presented as additional information. This is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted EBITDA for the current period in the international tobacco business using the foreign exchange rates of the same period of the previous fiscal year.

(1) Operating results

<Revenue>

Revenue increased by ¥35.8 billion or 7.0%, from the same period of the previous fiscal year to ¥547.9 billion. This was mainly the result of favorable pricing in the international tobacco business and depreciation in the yen.

	Three months ended June 30, 2012	Three months ended June 30, 2013	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	512.1	547.9	35.8	7.0
Domestic Tobacco Business	173.1	173.0	(0.1)	(0.1)
Of which, core revenue	165.3	165.2	(0.1)	(0.1)
International Tobacco Business	233.6	271.1	37.5	16.0
Of which, core revenue	216.7	252.3	35.6	16.4
Pharmaceutical Business	12.7	16.8	4.1	32.7
Beverage Business	46.5	45.9	(0.6)	(1.3)
Processed Food Business	42.0	37.4	(4.6)	(10.9)

* 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.”

* Revenue of the processed food business for the three months ended June 30, 2012, includes revenue of the processed fishery products business, from which JT withdrew in December 2012. With this revenue excluded, revenue of the processed food business was ¥36.9 billion for that period. Therefore, revenue of the processed food business excluding that of the processed fishery products business increased by ¥0.5 billion year on year.

<Operating profit and adjusted EBITDA>

Operating profit increased by ¥17.9 billion or 13.9%, from the same period of the previous fiscal year to ¥146.5 billion. This was mainly the result of favorable pricing in the international tobacco business and depreciation in the yen. Furthermore, adjusted EBITDA excluding depreciation and amortization, etc. increased by ¥21.2 billion or 13.6%, from the same period of the previous fiscal year to ¥177.2 billion. Adjusted EBITDA at constant rates of exchange grew by 4.0% from the same period of the previous fiscal year.

	Three months ended June 30, 2012	Three months ended June 30, 2013	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Adjusted EBITDA	156.0	177.2	21.2	13.6
Domestic Tobacco Business	76.6	75.8	(0.8)	(1.1)
International Tobacco Business	80.0	99.0	19.0	23.8
Pharmaceutical Business	(3.5)	(0.1)	3.4	–
Beverage Business	2.6	1.0	(1.6)	(61.7)
Processed Food Business	1.8	1.8	0.0	0.3
Operating profit	128.6	146.5	17.9	13.9

* 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 attributable to owners of the parent company increased by ¥13.6 billion, or 16.1%, from the same period of the previous fiscal year to ¥98.1 billion due to an increase in operating profit.

Operating results by segment are as follows.

Domestic Tobacco Business

In the three months ended June 30, 2013, JT worked to enhance brand equity further by such means as launching three products in the "Mevius Premium Menthol Option" lineup, which feature the "aroma-changing capsule." The products are under the brand name of Mevius, into which the Mild Seven brand was renewed. Sales were strong in this business as a result of vigorous sales promotions, and our market share for the three-month period rose steadily to 60.5% from 59.6% for the previous fiscal year.

As a result, although total demand for domestic cigarettes decreased by 2.0%, total sales volume was about level with the same period of the previous fiscal year at 29.3 billion cigarettes(Note), with a year-on-year decline of 0.2%.

Revenue in the three months ended June 30, 2013, was about level with the same period of the previous fiscal year at ¥173.0 billion, with a year-on-year decline of 0.1%. Core revenue was also about level with the same period of the previous fiscal year at ¥165.2 billion, with a year-on-year decline of 0.1%. Domestic cigarette revenue per 1,000 cigarettes was ¥5,491.

Concerning profits, adjusted EBITDA decreased by ¥0.8 billion or 1.1%, from the same period of the previous fiscal year to ¥75.8 billion. JT is steadily channeling investment into the Mevius brand.

Note: In addition to the figure stated above, during the three months ended June 30, 2013, 0.9 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 three months ended June 30, 2013, shipment volumes of Winston grew in Russia and Caucasia, while shipment volumes of LD increased in Turkey and Kazakhstan. Even so, as a result of a decrease in total demand due to recession in Europe and negative effects from trade inventory adjustments in several markets, overall shipment volume decreased by 2.7 billion cigarettes, or 4.5%, from the same period of the previous fiscal year to 58.4 billion cigarettes. Furthermore, total shipment volume including GFBs decreased by 6.3 billion cigarettes, or 6.4%, from the same period of the previous fiscal year to 92.6 billion cigarettes, despite increased market shares in key markets excluding Russia and the effects of the acquisition of Gryson NV, a major RYO/MYO(Note 2) tobacco company.

Although there was an impact from the decline in shipment volume, this was mostly offset by favorable pricing. As a result, dollar-based revenue decreased by $12 million, or 0.4%, from the same period of the previous fiscal year to $2,932 million, while dollar-based core revenue decreased by $2 million or 0.1% from the same period of the previous fiscal year to $2,729 million. Adjusted EBITDA increased by $63 million, or 6.2%, versus the same period of the previous fiscal year, to reach $1,070 million, because the effect of favorable pricing was greater than the impact of the decline in shipment volume.

As a result of the effects of a weaker yen when making conversions to that currency, in the three months ended June 30, 2013, revenue increased by ¥37.5 billion, or 16.0%, from the same period of the previous fiscal year to ¥271.1 billion, core revenue increased by ¥35.6 billion, or 16.4%, from the same period of the previous fiscal year to ¥252.3 billion, and adjusted EBITDA increased by ¥19.0 billion, or 23.8%, from the same period of the previous fiscal year to ¥99.0 billion.

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

Note 2: RYO, which is an abbreviation of Roll Your Own, signifies fine cut tobacco to be used by a customer to roll a cigarette by hand, using rolling paper. MYO, which is an abbreviation of Make Your Own, signifies fine cut tobacco to be used by a customer to make a cigarette, using a specialized tool and cigarette tubes.

* The foreign exchange rate in the three months ended June 30, 2013 was ¥92.46 per U.S. dollar, representing a ¥13.11 year-on-year yen depreciation, compared with ¥79.35 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	Three months ended June 30, 2012	Three months ended June 30, 2013
Ruble	30.15 rubles	30.40 rubles
Pounds sterling	0.64 pounds sterling	0.64 pounds sterling
Euro	0.76 euros	0.76 euros

Pharmaceutical Business

In the pharmaceutical business, we are striving to establish a stronger profit platform by having rapid and efficient market launches of compounds in late phases of clinical trials and maximizing the value of each product.

"Stribild® Combination Tablets," which contains anti-HIV drug JTK-303, was launched in Japan by our subsidiary Torii Pharmaceutical Co., Ltd. in May 2013 following the approval of our application to manufacture and market the combination tablet. Following on from approval in the US, Gilead Sciences, Inc., which is the licensee for JTK-303, obtained marketing approval for the combination tablet from the European Medicines Agency (hereinafter, "EMA") in May 2013, and has launched it in various European countries. Gilead Sciences, Inc. has also submitted a marketing application for JTK-303 as mono agent to the U.S. Food and Drug Administration (hereinafter, "FDA") and EMA, among others.

In addition, marketing approval for an MEK inhibitor compound (trametinib) for melanoma was obtained by GlaxoSmithKline, the licensee, from the FDA in May 2013. The compound was launched in the US in June, and a marketing application has also been submitted to the EMA.

In Japan, respective applications for manufacturing and marketing approval were filed by JT for JTT-751, a hyperphosphatemia drug, and by Torii Pharmaceutical Co., Ltd. for TO-194SL, a sublingual immunotherapy drug for Japanese cedar pollinosis, in the fiscal year ended March 31, 2013.

Revenue in the three months ended June 30, 2013, increased by ¥4.1 billion, or 32.7%, from the same period of the previous fiscal year to ¥16.8 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 improved by ¥3.4 billion to negative ¥0.1 billion (compared to negative ¥3.5 billion in the same period of the previous fiscal year) because of the increase in revenue.

Beverage Business

In the three months ended June 30, 2013, we actively implemented various product launches. In the flagship coffee brand "Roots," we launched renewals of "Aroma Black" and "Aroma Revolut Low Sugar," for which the aromatic flavor has been enhanced further, and launched a renewal of the 400g bottle can of "Aroma Black" in a long bottle size. In the "Momono Tennen sui" brand, we launched "Momono Tennen sui CLEAR," a water containing fiber that features a subtle peach flavor and refreshing aftertaste.

Although sales of "Momono Tennen sui" grew year on year, revenue in the beverage business in the three months ended June 30, 2013 decreased by ¥0.6 billion, or 1.3%, from the same period of the previous fiscal year to ¥45.9 billion. This was partly because of a decline in revenue from cup vending machines in the vending machines sales channel and intensification of competition in the bottle-type can coffee segment. Adjusted EBITDA decreased by ¥1.6 billion, or 61.7%, from the same period of the previous fiscal year to ¥1.0 billion. This was mainly due to the revenue decline in addition to an increase in expenses for efforts to strengthen sales capabilities such as further strengthening of high-quality vending machine operations and expansion of sales channels.

Processed Food Business

In the three months ended June 30, 2013, we continued working to expand product sales with an emphasis on staple food products such as frozen noodles, frozen rice, packed rice and baked frozen bread. Specifically, we actively implemented launches of products including "Frozen Croissant," a sweet bakery product that is eaten frozen for a new taste sensation, while in the new "Udon DELI" series of noodles, which combine the tastiness of udon noodles with the attractive features of pasta, we launched "Udon DELI Gochujang-Style," in which vegetables are combined with a rich, savory Korean-style flavor.

Revenue in the three months ended June 30, 2013 decreased by ¥4.6 billion, or 10.9% from the same period of the previous fiscal year to ¥37.4 billion, despite sales growth in staple food products, mainly due to our withdrawal from the processed fishery products business in December 2012. If the impact of our withdrawal from the processed fishery products business is excluded, revenue increased by ¥0.5 billion year on year.

There was a slight year-on-year increase in adjusted EBITDA of 0.3% to ¥1.8 billion, partly because of growth in sales of staple food products, despite the impact of a rise in cost prices in line with the yen's depreciation.

(2) Operational and financial issues to be addressed

During the three months ended June 30, 2013, 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 three months ended June 30, 2013 were ¥13.9 billion.

During the three months ended June 30, 2013, 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, the payment of interest and dividends, the acquisition of treasury shares and the payment of 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 first quarter ended June 30, 2013 decreased by ¥11.9 billion from the end of the previous fiscal year to ¥130.8 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥340.7 billion.

* In Japan, the end of the same period of the previous fiscal year (June 30, 2012), the end of the previous fiscal year (March 31, 2013) and the end of the current first quarter (June 30, 2013) 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 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 first quarter were ¥162.6 billion, ¥136.6 billion and ¥160.5 billion, respectively.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the three months ended June 30, 2013 were ¥3.9 billion, compared with ¥98.1 billion provided in the same period of the previous fiscal year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite the payment of income taxes and bonuses.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the three months ended June 30, 2013 were ¥15.3 billion, compared with ¥26.4 billion used in the same period of the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the three months ended June 30, 2013 were ¥4.1 billion, compared with ¥140.5 billion used in the same period of the previous fiscal year. This was mainly due to the payment of cash dividends, despite proceeds from borrowings.

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of March 31, 2013 and as of June 30, 2013 accounted for ¥237.2 billion and ¥240.1 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥53.6 billion and ¥55.1 billion respectively. Long-term lease obligations totaled ¥8.2 billion as of March 31, 2013 and ¥8.7 billion as of June 30, 2013.

Short-term debt

Short-term borrowings from financial institutions totaled ¥23.8 billion as of March 31, 2013 and ¥91.5 billion as of June 30, 2013, respectively. There was no commercial paper outstanding as of March 31, 2013 and as of June 30, 2013. Short-term lease obligations totaled ¥4.3 billion as of March 31, 2013 and ¥4.2 billion as of June 30, 2013.

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. On June 30, 2013, we had committed lines of credit from major financial institutions both domestic and international. In addition, we have a domestic commercial paper program, uncommitted lines of credit, and a domestic bond shelf registration.

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 June 30, 2013)	Number of shares issued (Share; as of the date of filing: August 9, 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)	(Note 2)
Total	2,000,000,000	2,000,000,000	–	–

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

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

(2) Status of subscription rights to shares

There were no subscription rights to shares newly issued during the first quarter ended June 30, 2013.

(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)
April 1, 2013 to June 30, 2013	–	2,000,000	–	100,000	–	736,400

(6) Status of major shareholders

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

(7) Status of voting rights

a. Shares issued

(As of June 30, 2013)

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 182,509,700	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,817,476,300	18,174,763	(Note 2)
Shares less than one unit	Ordinary shares 14,000	–	–
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	18,174,763	–

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.

3. The number of “Shares less than one unit” includes 88 shares of treasury stock.

b. Treasury stock, etc.

(As of June 30, 2013)

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	182,509,700	–	182,509,700	9.13
Total	–	182,509,700	–	182,509,700	9.13

2. Status of officers

After filing of the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the three months ended June 30, 2013.

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 accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for this first quarter period (from April 1, 2013 to June 30, 2013) and for the three months ended June 30, 2013 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, 2013 Restated*	As of June 30, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 6)	142,713	130,813
Trade and other receivables	387,837	395,372
Inventories	473,042	490,272
Other financial assets	29,103	21,648
Other current assets	177,858	244,138
Subtotal	1,210,552	1,282,243
Non-current assets held-for-sale	2,594	2,505
Total current assets	1,213,146	1,284,748
Non-current assets		
Property, plant and equipment (Note 7)	672,316	696,917
Goodwill (Notes 7)	1,316,476	1,378,470
Intangible assets (Note 7)	348,813	353,344
Investment property	58,995	58,631
Retirement benefit assets	14,825	15,859
Investments accounted for using the equity method	22,940	23,524
Other financial assets	71,781	75,544
Deferred tax assets	133,276	137,252
Total non-current assets	2,639,421	2,739,543
Total assets	3,852,567	4,024,290

(Millions of yen)

	As of March 31, 2013 Restated*	As of June 30, 2013
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	312,741	289,731
Bonds and borrowings	44,301	271,903
Income tax payables	85,714	43,211
Other financial liabilities	8,550	10,187
Provisions	5,256	4,214
Other current liabilities	656,305	699,593
Subtotal	1,112,867	1,318,840
Liabilities directly associated with non-current assets held-for-sale	101	101
Total current liabilities	1,112,968	1,318,941
Non-current liabilities		
Bonds and borrowings	270,399	114,682
Other financial liabilities	18,844	19,345
Retirement benefit liabilities	342,604	348,464
Provisions	4,786	4,971
Other non-current liabilities	113,226	110,264
Deferred tax liabilities	97,309	100,139
Total non-current liabilities	847,168	697,865
Total liabilities	1,960,137	2,016,806
Equity		
Share capital	100,000	100,000
Capital surplus	736,411	736,411
Treasury shares	(344,573)	(344,572)
Other components of equity	(155,420)	(70,486)
Retained earnings	1,470,125	1,499,125
Equity attributable to owners of the parent company	1,806,543	1,920,479
Non-controlling interests	85,887	87,005
Total equity	1,892,431	2,007,484
Total liabilities and equity	3,852,567	4,024,290

* See Note “3. Significant accounting policies.”

(2) 【Condensed interim consolidated statement of income】

(Millions of yen)

	Three months ended June 30, 2012 Restated*	Three months ended June 30, 2013
Revenue (Notes 5, 9)	512,108	547,937
Cost of sales	(216,819)	(220,522)
Gross profit	295,289	327,415
Other operating income (Note 10)	3,027	4,748
Share of profit in investments accounted for using the equity method	246	274
Selling, general and administrative expenses (Note 11)	(169,991)	(185,954)
Operating profit (Note 5)	128,570	146,483
Financial income (Note 12)	1,085	1,444
Financial costs (Note 12)	(5,310)	(6,336)
Profit before income taxes	124,345	141,591
Income taxes	(37,951)	(41,684)
Profit for the period	86,394	99,907
Attributable to:		
Owners of the parent company	84,519	98,104
Non-controlling interests	1,875	1,803
Profit for the period	86,394	99,907
Interim earnings per share		
Basic (Yen) (Note 13)	44.38	53.98
Diluted (Yen) (Note 13)	44.36	53.95

Reconciliation from "Operating profit" to "Adjusted EBITDA"

(Millions of yen)

	Three months ended June 30, 2012 Restated*	Three months ended June 30, 2013
Operating profit	128,570	146,483
Depreciation and amortization	28,166	32,181
Adjustment items (income)	(1,228)	(1,624)
Adjustment items (costs)	469	128
Adjusted EBITDA (Note 5)	155,978	177,169

* See Note "3. Significant accounting policies."

(3) 【Condensed interim consolidated statement of comprehensive income】

(Millions of yen)

	Three months ended June 30, 2012 Restated*	Three months ended June 30, 2013
Profit for the period	86,394	99,907
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(769)	900
Remeasurements of defined benefit retirement plans	(87)	(26)
Total items that will not be reclassified to profit or loss	(857)	874
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	152,136	83,856
Net gain (loss) on derivatives designated as cash flow hedges	(43)	19
Total items that may be reclassified subsequently to profit or loss	152,093	83,874
Other comprehensive income (loss), net of taxes	151,237	84,748
Comprehensive income (loss) for the period	237,631	184,655
Attributable to:		
Owners of the parent company	235,447	182,942
Non-controlling interests	2,185	1,713
Comprehensive income (loss) for the period	237,631	184,655

* See Note “3. Significant accounting policies.”

(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 shares	Exchange differences on translation of foreign operations*	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of April 1, 2012	100,000	736,410	(94,574)	1,028	(387,228)	(309)	10,146
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	151,835	(43)	(779)
Comprehensive income (loss) for the period	—	—	—	—	151,835	(43)	(779)
Acquisition of treasury shares	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—
Share-based payments	—	—	—	72	—	—	—
Dividends (Note 8)	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(0)
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	—	—	72	—	—	(0)
As of June 30, 2012	100,000	736,410	(94,574)	1,101	(235,394)	(352)	9,367
As of April 1, 2013	100,000	736,411	(344,573)	1,274	(171,341)	(187)	14,835
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	83,978	19	901
Comprehensive income (loss) for the period	—	—	—	—	83,978	19	901
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	0	1	(1)	—	—	—
Share-based payments	—	—	—	58	—	—	—
Dividends (Note 8)	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(21)
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	0	0	57	—	—	(21)
As of June 30, 2013	100,000	736,411	(344,572)	1,331	(87,363)	(169)	15,715

*The prior-year comparatives have been restated to reflect changes in accounting policies. (See Note “3. Significant accounting policies.”)

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity					
	Remeasurements of defined benefit retirement plans*	Total*	Retained earnings*	Total*	Non-controlling interests*	Total equity*
As of April 1, 2012	—	(376,363)	1,268,944	1,634,418	80,576	1,714,994
Profit for the period	—	—	84,519	84,519	1,875	86,394
Other comprehensive income (loss)	(87)	150,927	—	150,927	310	151,237
Comprehensive income (loss) for the period	(87)	150,927	84,519	235,447	2,185	237,631
Acquisition of treasury shares	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Share-based payments	—	72	—	72	—	72
Dividends (Note 8)	—	—	(57,129)	(57,129)	(414)	(57,543)
Transfer from other components of equity to retained earnings	87	87	(87)	—	—	—
Other increase (decrease)	—	—	—	—	728	728
Total transactions with the owners	87	159	(57,215)	(57,057)	314	(56,743)
As of June 30, 2012	—	(225,277)	1,296,249	1,812,807	83,075	1,895,882
As of April 1, 2013	—	(155,420)	1,470,125	1,806,543	85,887	1,892,431
Profit for the period	—	—	98,104	98,104	1,803	99,907
Other comprehensive income (loss)	(60)	84,838	—	84,838	(90)	84,748
Comprehensive income (loss) for the period	(60)	84,838	98,104	182,942	1,713	184,655
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(1)	—	0	—	0
Share-based payments	—	58	—	58	—	58
Dividends (Note 8)	—	—	(69,065)	(69,065)	(1,755)	(70,819)
Transfer from other components of equity to retained earnings	60	39	(39)	—	—	—
Other increase (decrease)	—	—	—	—	1,160	1,160
Total transactions with the owners	60	96	(69,104)	(69,007)	(595)	(69,602)
As of June 30, 2013	—	(70,486)	1,499,125	1,920,479	87,005	2,007,484

(5) 【Condensed interim consolidated statement of cash flows】

(Millions of yen)

	Three months ended June 30, 2012 Restated*	Three months ended June 30, 2013
Cash flows from operating activities		
Profit before income taxes	124,345	141,591
Depreciation and amortization	28,166	32,181
Impairment losses	168	146
Interest and dividend income	(949)	(1,244)
Interest expense	2,689	2,235
Share of profit in investments accounted for using the equity method	(246)	(274)
(Gain) loss on sale and disposal of property, plant and equipment, intangible assets and investment property	(892)	(730)
(Increase) decrease in trade and other receivables	(14,056)	(1,917)
(Increase) decrease in inventories	7,300	4,593
Increase (decrease) in trade and other payables	(7,618)	(21,722)
Increase (decrease) in retirement benefit liabilities	(1,776)	(505)
(Increase) decrease in prepaid tobacco excise taxes	(30,821)	(42,817)
Increase (decrease) in tobacco excise tax payables	71,549	59,608
Increase (decrease) in consumption tax payables	(9,400)	(9,220)
Other	(39,683)	(72,586)
Subtotal	128,774	89,337
Interest and dividends received	1,464	2,123
Interest paid	(2,474)	(1,944)
Income taxes paid	(29,641)	(85,649)
Net cash flows from operating activities	98,124	3,867
Cash flows from investing activities		
Purchase of securities	(440)	(434)
Proceeds from sale and redemption of securities	417	4,129
Purchase of property, plant and equipment	(22,577)	(22,963)
Proceeds from sale of investment property	1,220	9,319
Purchase of intangible assets	(5,547)	(9,977)
Payments into time deposits	(7,230)	(162)
Proceeds from withdrawal of time deposits	7,260	4,198
Other	477	581
Net cash flows from investing activities	(26,419)	(15,309)

(Millions of yen)

	Three months ended June 30, 2012 Restated*	Three months ended June 30, 2013
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 8)	(56,601)	(66,508)
Dividends paid to non-controlling interests	(414)	(1,109)
Increase (decrease) in short-term borrowings and commercial paper	(1,559)	64,899
Proceeds from long-term borrowings	532	70
Repayments of long-term borrowings	(81,214)	(185)
Redemption of bonds	(50)	—
Repayments of finance lease obligations	(1,195)	(1,288)
Acquisition of treasury shares	—	(0)
Other	—	0
Net cash flows from financing activities	(140,501)	(4,122)
Net increase (decrease) in cash and cash equivalents	(68,796)	(15,565)
Cash and cash equivalents at the beginning of the period	404,740	142,713
Effect of exchange rate changes on cash and cash equivalents	4,756	3,665
Cash and cash equivalents at the end of the period (Note 6)	340,700	130,813

* See Note “3. Significant accounting policies.”

【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 June 30, 2013 of the Company and its subsidiaries (hereinafter referred to as the “Group”) were approved on August 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, 2013.

The fiscal year end date of JT International Holding B.V. 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 three-month period from January 1, 2013 to March 31, 2013 into the Group’s consolidated financial results for the three-month period ended June 30, 2013.

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, 2013 except the following items.

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

(Changes in accounting policies)

The standards that the Company adopted from this interim period are as follows:

IFRS		Description of New Standards/Amendments
IFRS 7	Financial Instruments: Disclosures	Disclosure related to offsetting of financial assets and liabilities
IFRS 10	Consolidated Financial Statements	Amendment for definition of control, elements of control and basis of existence of control to be applied, regardless of the nature of the investee
IFRS 11	Joint Arrangements	Regarding arrangements of which two or more parties have joint control, provide the classification of a joint arrangement based on legal form, contractual arrangement on assets or liabilities and other facts and conditions, not based on only legal form of the arrangement Provide accounting treatment for each classification
IFRS 12	Disclosure of Interests in Other Entities	Expansion of the scope of the disclosure of ownership of interests in other entities, including unconsolidated structured entities
IFRS 13	Fair Value Measurement	Guidance of fair value measurement to be applied by all standards and unify the definition of fair value which was previously provided separately in each standard
IAS 1	Presentation of Financial Statements	Revision to the presentation of items in other comprehensive income
IAS 19	Employee Benefits	Revision to recognition and presentation of actuarial gains and losses, past service cost, interest cost and others, and revision to disclosure of retirement benefits
IAS 28	Investments in Associates and Joint Ventures	Amendments based on IFRS 10, IFRS 11 and IFRS 12

The adoption of all of the above standards did not have a material impact on the condensed interim consolidated financial statements.
For IAS 19, the comparative information was retrospectively adjusted in accordance with the transitional provisions.

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, 2013.

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 “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 frozen and room-temperature processed foods, bakery products 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 three months ended June 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	173,084	233,632	12,695	46,535	42,005	507,951	4,157	—	512,108
Intersegment revenue	7,331	7,688	—	34	143	15,196	2,335	(17,530)	—
Total revenue	180,415	241,319	12,695	46,569	42,148	523,147	6,492	(17,530)	512,108
Segment profit (loss)									
Adjusted EBITDA (Note 1)	76,608	79,965	(3,516)	2,624	1,774	157,455	(1,166)	(312)	155,978

For the three months ended June 30, 2013

(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)	172,984	271,092	16,845	45,929	37,425	544,276	3,662	—	547,937
Intersegment revenue	5,462	8,731	—	33	204	14,430	2,518	(16,949)	—
Total revenue	178,446	279,823	16,845	45,963	37,629	558,706	6,180	(16,949)	547,937
Segment profit (loss)									
Adjusted EBITDA (Note 1)	75,780	98,962	(76)	1,006	1,779	177,451	(129)	(153)	177,169

Reconciliation from "Adjusted EBITDA" to "Profit before income taxes"

For the three months ended June 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	76,608	79,965	(3,516)	2,624	1,774	157,455	(1,166)	(312)	155,978
Depreciation and amortization	(9,624)	(12,601)	(820)	(2,483)	(1,762)	(27,290)	(954)	78	(28,166)
Adjustment items (income) (Note 5)	1,200	5	–	–	–	1,205	23	–	1,228
Adjustment items (costs) (Note 5)	(4)	(258)	–	–	–	(262)	(207)	–	(469)
Operating profit (loss)	68,179	67,111	(4,335)	141	12	131,108	(2,304)	(234)	128,570
Financial income									1,085
Financial costs									(5,310)
Profit before income taxes									124,345

For the three months ended June 30, 2013

(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)	75,780	98,962	(76)	1,006	1,779	177,451	(129)	(153)	177,169
Depreciation and amortization	(11,136)	(15,096)	(873)	(2,595)	(1,682)	(31,383)	(876)	77	(32,181)
Adjustment items (income) (Note 5)	1,044	–	–	–	126	1,171	454	–	1,624
Adjustment items (costs) (Note 5)	–	17	–	–	(71)	(53)	(75)	–	(128)
Operating profit (loss)	65,688	83,883	(949)	(1,589)	153	147,185	(626)	(76)	146,483
Financial income									1,444
Financial costs									(6,336)
Profit before income taxes									141,591

(Note 1) For adjusted EBITDA, depreciation and amortization, impairment losses on goodwill, and adjustment items (income and costs) are excluded from operating profit (loss).

(Note 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 March 31 is included in the three months ended June 30, 2012 and 2013, respectively.

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

(Note 4) Core revenue as part of the "Domestic Tobacco Business" and the "International Tobacco Business" is as follows:

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Domestic Tobacco	165,284	165,164
International Tobacco	216,705	252,291

(Note 5) "Adjustment items (income)" include restructuring income of gain on sale of real estates. "Adjustment items (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 "10. Other operating income" and the breakdown of restructuring costs is described in "11. Selling, general and administrative expenses."

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Restructuring costs	465	128
Cooperation fee for terminating leaf tobacco farming	4	—
Adjustment items (costs)	469	128

Restructuring costs for the three months ended June 30, 2012 include expenses related to payment of special termination benefits in the "International Tobacco Business."

6. Cash and cash equivalents

Included in "Cash and cash equivalents" as of June 30, 2013 is ¥18,735 million (IRR 6,792.9 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.

7. 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, 2013	672,316	1,316,476	348,813
Individual acquisition	20,775	5	5,683
Capitalization of borrowing costs	52	—	—
Transfer to investment property	(1,425)	—	—
Depreciation or amortization	(21,268)	—	(10,290)
Impairment losses	(126)	—	—
Sale or disposal	(1,091)	—	(74)
Exchange differences on translation of foreign operations	14,491	61,990	10,680
Other	13,193	—	(1,467)
As of June 30, 2013	696,917	1,378,470	353,344

8. Dividends

Dividends paid for each interim period are as follows:

For the three months ended June 30, 2012

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

For the three months ended June 30, 2013

	Class of shares	Total dividends (millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution)					
Annual Shareholders Meeting (June 21, 2013)	Ordinary shares	69,065	38	March 31, 2013	June 24, 2013

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, 2013 (April 1, 2012), dividends per share resolved at the Annual Shareholders Meeting on June 22, 2012 would have been ¥30.

9. Revenue

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Gross turnover	1,622,191	1,718,620
Tobacco excise taxes and agency transaction amount	(1,110,082)	(1,170,683)
Revenue	512,108	547,937

10. Other operating income

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property (Note 1)	1,646	1,745
Other (Note 1)	1,380	3,003
Total	3,027	4,748

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property	1,223	1,486
Other	5	138
Total	1,228	1,624

11. Selling, general and administrative expenses

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Advertising expenses	3,818	4,519
Promotion expenses	27,545	29,840
Shipping, warehousing expenses	6,840	6,624
Commission	9,481	10,219
Employee benefits expenses (Note 1)	61,624	67,203
Research and development expenses	13,346	13,868
Depreciation and amortization	14,307	16,877
Impairment losses on other than financial assets (Note 1)	168	146
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 1)	1,198	1,260
Other (Note 1)	31,663	35,400
Total	169,991	185,954

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

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Employee benefits expenses	164	—
Impairment losses on other than financial assets	168	20
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	132	71
Other	—	38
Total	465	128

12. 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	Three months ended June 30, 2012	Three months ended June 30, 2013
Dividend income	318	340
Interest income	631	904
Other	136	199
Total	1,085	1,444

(Millions of yen)

Financial Costs	Three months ended June 30, 2012	Three months ended June 30, 2013
Interest expenses (Note 2)	2,689	2,235
Foreign exchange losses (Note 1)	535	2,053
Employee benefits expenses (Note 3)	1,457	1,398
Other	629	651
Total	5,310	6,336

(Note 1) Valuation gain (loss) of currency derivatives is included in the foreign exchange losses.

(Note 2) Valuation gain (loss) of interest rate derivatives is included in interest expenses.

(Note 3) The employee benefits expenses are the net amount of interest cost and interest income related to employee benefits.

13. Interim earnings per share

(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 June 30, 2012	Three months ended June 30, 2013
Profit for the period attributable to owners of the parent company	84,519	98,104
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	84,519	98,104

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

(Thousands of shares)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Weighted-average number of shares during the period	1,904,295	1,817,490

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Profit for the period used for calculation of basic interim earnings per share	84,519	98,104
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	84,519	98,104

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

(Thousands of shares)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Weighted-average number of ordinary shares during the period	1,904,295	1,817,490
Increased number of ordinary shares under subscription rights to share	824	969
Weighted-average number of diluted ordinary shares during the period	1,905,119	1,818,459

The weighted-average number of ordinary shares and the weighted-average number of diluted ordinary shares for the three months ended June 30, 2012 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.

14. Financial Instruments

(Fair Value of Financial Instruments)

The carrying amount and fair value of financial instruments as of June 30, 2013 are as follows:

(Millions of yen)

	As of June 30, 2013	
	Carrying amount	Fair value
Long-term borrowings (Note)	55,059	55,064
Bonds (Note)	240,051	246,695

(Note) Current portion is included.

With regard to short-term financial assets and short-term financial liabilities measured at amortized cost, their fair value approximates the carrying amount.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value of bonds issued by the Group is based on the market price for those having market prices, and based on the present value that is obtained by discounting the total of principal and interest by the interest rate, for which the remaining period and credit risk of such bonds are taken into consideration.

The fair value hierarchy of financial instruments is categorized as follows from Level 1 to Level 3:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include input that is not based on observable market data

As of June 30, 2013

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	—	5,672	—	5,672
Equity securities	44,312	—	3,725	48,037
Other	149	—	1,196	1,345
Total	44,460	5,672	4,922	55,054
Derivative liabilities	—	5,503	—	5,503
Total	—	5,503	—	5,503

15. Commitments

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

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
Acquisition of property, plant and equipment	78,802	84,851

16. Contingencies

As of June 30, 2013, there are no significant changes to the matters described in the consolidated financial statements for the fiscal year ended March 31, 2013.

17. Subsequent events

The Company has issued USD denominated senior notes on July 23, 2013 as follows:

1. Type of notes:	USD denominated senior notes
2. Total amount of issue:	USD 500 million
3. Interest rate:	2.100% per annum
4. Offering price:	USD 99.891 per face value of USD 100
5. Redemption price:	USD 100 per face value of USD 100
6. Issuance date:	July 23, 2013
7. Maturity date:	July 23, 2018
8. Method of redemption:	Bullet maturity. The Company may repurchase the notes after issuance, and the notes have optional redemption and optional tax redemption.
9. Status of the notes：	Under the Japan Tobacco Inc. Act, the holders of the notes have the preferential right to be paid prior to other unsecured indebtedness of the Company
10. Use of proceeds:	Proceeds are to be used for the refinancing of short-term debts.

2. Other

No items to report.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 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 its consolidated subsidiaries as of June 30, 2013, and the related condensed interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 accordance 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 accordance with quarterly review standards generally accepted in Japan.

A review consists primarily 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 accordance 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 its consolidated subsidiaries as of June 30, 2013, and the consolidated results of their operations and their cash flows for the three-month period then ended in accordance 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.