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

[Cover]

Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	November 12, 2013
Quarterly accounting period:	Second quarter of the 29th term (from July 1, 2013 to September 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
Location of head office:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yuki Maeda, Senior Vice President and Chief Communications Officer
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Contact person:	Yuki Maeda, Senior Vice President and Chief Communications Officer
Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. 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	Six months ended September 30, 2012	Six months ended September 30, 2013	28th term
Accounting period	From April 1, 2012 to September 30, 2012	From April 1, 2013 to September 30, 2013	From April 1, 2012 to March 31, 2013
Revenue [Second quarter] (Millions of yen)	1,057,391 [545,283]	1,159,116 [611,179]	2,120,196
Profit before income taxes (Millions of yen)	252,016	339,075	509,355
Profit for the period [Second quarter] (Millions of yen)	171,814 [85,420]	241,057 [141,150]	351,448
Profit attributable to owners of the parent company (Millions of yen)	168,764	237,147	343,596
Comprehensive income (loss) for the period (Millions of yen)	143,317	411,292	544,407
Total equity (Millions of yen)	1,799,462	2,233,255	1,892,431
Total assets (Millions of yen)	3,648,226	4,101,120	3,852,567
Basic earnings per share [Second quarter] (Yen)	88.62 [44.24]	130.48 [76.50]	181.07
Diluted earnings per share (Yen)	88.58	130.41	180.98
Ratio of equity attributable to owners of the parent company to total assets (%)	47.09	52.31	46.89
Net cash flows from (used in) operating activities (Millions of yen)	259,269	23,211	466,608
Net cash flows from (used in) investing activities (Millions of yen)	(96,279)	7,839	(147,928)
Net cash flows from (used in) financing activities (Millions of yen)	(214,900)	(40,330)	(569,473)
Cash and cash equivalents at the end of the period (Millions of yen)	344,309	140,288	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 six months ended September 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 six months ended September 30, 2013, there were neither material changes in the business of the JT Group (JT, 226 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 six months ended September 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 second quarter ended September 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 September 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 ¥101.7 billion or 9.6%, from the same period of the previous fiscal year to ¥1,159.1 billion. This was mainly the result of favorable pricing exceeding the decline in total shipment volume in the international tobacco business and depreciation in the yen.

(Billions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Revenue	1,057.4	1,159.1	101.7	9.6%
Domestic Tobacco Business	350.7	352.3	1.7	0.5%
Of which, core revenue	335.0	335.8	0.7	0.2%
International Tobacco Business	490.2	596.2	106.0	21.6%
Of which, core revenue	457.0	559.7	102.7	22.5%
Pharmaceutical Business	26.5	30.4	3.9	14.7%
Beverage Business	98.2	97.2	(1.0)	(1.0)%
Processed Food Business	83.9	75.8	(8.0)	(9.6)%

* 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 six months ended September 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 ¥73.4 billion for that period. Therefore, revenue of the processed food business excluding that of the processed fishery products business increased by ¥2.5 billion year on year.

<Operating profit, adjusted EBITDA and profit attributable to owners of the parent company>

Adjusted EBITDA rose by ¥42.7 billion, or 13.0%, from the same period of the previous fiscal year to ¥371.7 billion. This was mainly the results of favorable pricing in the international tobacco business and depreciation in the yen. Adjusted EBITDA at constant rates of exchange grew by 0.7% from the same period of the previous fiscal year.

Operating profit rose by ¥81.8 billion, or 30.8%, from the same period of the previous fiscal year to ¥347.4 billion. This was mainly due to an increase in gain on sales of non-current assets.

Profit attributable to owners of the parent company increased by ¥68.4 billion, or 40.5%, from the same period of the previous fiscal year to ¥237.1 billion due to an increase in operating profit.

(Billions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Adjusted EBITDA	329.0	371.7	42.7	13.0%
Domestic Tobacco Business	154.2	153.3	(0.9)	(0.6)%
International Tobacco Business	172.9	217.8	45.0	26.0%
Pharmaceutical Business	(6.1)	(3.6)	2.4	–
Beverage Business	7.3	4.5	(2.8)	(37.8)%
Processed Food Business	2.7	3.0	0.3	10.4%
Operating profit	265.5	347.4	81.8	30.8%
Profit attributable to owners of the parent company	168.8	237.1	68.4	40.5%

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

Operating results by segment are as follows.

Domestic Tobacco Business

In the six months ended September 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 market share of Mevius was strong as a result of vigorous sales promotions, and our total market share for the six-month period rose steadily to 60.6% from 59.6% for the previous fiscal year.

As a result, although total demand for domestic cigarettes decreased by 1.6%, total sales volume was about level with the same period of the previous fiscal year.

(Billions of cigarettes)

Domestic Tobacco Business	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Sales volume (Note)	59.6	59.6	0.1	0.1%

Note: In addition to the figure stated above, during the six months ended September 30, 2013, 1.7 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 (this amount was 1.5 billion cigarettes in the same period of the previous fiscal year).

Core revenue was at the same level as the same period of the previous fiscal year as a result of the firm sales volume. Domestic cigarette revenue per 1,000 cigarettes was ¥5,488.

Concerning profits, adjusted EBITDA was at the same level as the same period of the previous fiscal year.

(Billions of yen)

Domestic Tobacco Business	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Revenue	350.7	352.3	1.7	0.5%
Of which, core revenue	335.0	335.8	0.7	0.2%
Adjusted EBITDA	154.2	153.3	(0.9)	(0.6)%

International Tobacco Business

Among GFBs(Note 1) in the six months ended September 30, 2013, shipment volumes of Winston grew in Russia and Caucasus, while shipment volumes of LD increased in Kazakhstan and Hungary. Even so, as a result of a decrease in total demand, mainly in Russia and Europe, and negative effects from trade inventory adjustments in several markets, overall shipment volume decreased by 2.3% from the same period of the previous fiscal year. Furthermore, total shipment volume including GFBs decreased by 5.1%, from the same period of the previous fiscal year, 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.

(Billions of cigarettes)

International Tobacco Business	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Shipment volume	212.4	201.6	(10.8)	(5.1)%
Of which, GFBs	130.8	127.9	(3.0)	(2.3)%

Although there was an impact from the decline in shipment volume, this was exceeded by favorable pricing. As a result, dollar-based core revenue rose 2.0%, and adjusted EBITDA increased 4.9% even with increased investment in promotion.

(Millions of U.S. dollar)

International Tobacco Business (U.S. dollar-based)	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Revenue	6,146	6,223	78	1.3%
Of which, core revenue	5,728	5,840	112	2.0%
Adjusted EBITDA	2,167	2,274	107	4.9%

As a result of the effects of a weaker yen when making conversions to that currency, yen-based core revenue increased 22.5% and adjusted EBITDA increased 26.0%.

(Billions of yen)

International Tobacco Business	Six months ended September 30, 2012	Six months ended September 30, 2013	Change	
Revenue	490.2	596.2	106.0	21.6%
Of which, core revenue	457.0	559.7	102.7	22.5%
Adjusted EBITDA	172.9	217.8	45.0	26.0%

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.

* In the six months ended September 30, 2013, the exchange rates of major currencies against the U.S. dollar were as follows.

Foreign exchange rate per U.S. dollar	Six months ended September 30, 2012	Six months ended September 30, 2013
Yen	79.77 yen	95.73 yen
Ruble	30.60 rubles	31.03 rubles
Pounds sterling	0.63 pounds sterling	0.65 pounds sterling
Euro	0.77 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. The number of compounds developed in-house that are under clinical development is now 9. Since the previous announcement (July 30, 2013), JTZ-951, a treatment for anemia associated with chronic kidney disease, has advanced to Phase 2 in Japan.

Concerning the general status of compounds in the late phases of clinical trials, 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. As for original JT compounds that have been out-licensed, Gilead Sciences, Inc. has submitted a marketing application for anti-HIV drug JTK-303 to the US Food and Drug Administration and European Medicines Agency (EMA). In addition, GlaxoSmithKline has submitted a marketing application to the EMA for an MEK-inhibitor compound (trametinib) for metastatic melanoma.

Revenue in the six months ended September 30, 2013 increased by ¥3.9 billion, or 14.7%, from the same period of the previous fiscal year to ¥30.4 billion, mainly due to the 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 an increase in milestone revenue related to progress in development of an original JT compound that has been out-licensed and an increase in royalty income accompanying sales expansion. Adjusted EBITDA improved by ¥2.4 billion to negative ¥3.6 billion (compared to negative ¥6.1 billion in the same period of the previous fiscal year) because of the increase in revenue.

* Products released to the market since the fiscal year ended March 31, 2013

- Anti-HIV drug "Stribild® Combination Tablets": Sold in Japan by Torii Pharmaceutical Co., Ltd. and outside Japan as "Stribild" by Gilead Sciences, Inc., mainly in the US and Europe.
- MEK-inhibitor "Mekinist" (for metastatic melanoma): Sold in the US by GlaxoSmithKline.

Beverage Business

In the six months ended September 30, 2013, we actively implemented various product launches. In the flagship coffee brand "Roots," we launched renewals such as "Aroma Black Hot Blend," whose rich but soothing taste has been achieved through JT's original roasting technology. In addition, we also launched three 185g products such as "Roots Special Blend Low Sugar" based on JT's original "AROMA & TASTY manufacturing process," which boasts a rich taste with pleasant aftertaste, as well as Roots "AROMA STAGE & Coffee" and "AROMA STAGE & Milk" based on the concepts of "aroma" and "strength." Moreover, aiming to further boost the value of the Roots brand, we entered into collaborations with other companies in the food industry with the aim of developing the brand into new categories outside the framework of canned coffee.

Revenue in the six months ended September 30, 2013 decreased by ¥1.0 billion, or 1.0%, from the same period of the previous fiscal year to ¥97.2 billion, mainly due to a decline in revenue from vending machines despite an increase in sales volume of JT's products due to the growth of "Momono Tennen Sui." Adjusted EBITDA decreased by ¥2.8 billion, or 37.8%, from the same period of the previous fiscal year to ¥4.5 billion. This was mainly due to increased expenses for efforts to further strengthen high-quality vending machine operations and strengthen brand power.

Processed Food Business

In the six months ended September 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, having identified “convenience” “health conscious” and “authenticity” as keywords to define the needs of our consumers, we actively launched products such as “Tannen-jikomi Authentic Sanuki Udon Noodles,” which aims for a “strong-bodied noodle” that “is easy to swallow” with a “sticky chewiness,” and the “Zeitaku Zanmai” series such as “Zeitaku Zanmai Sukiyakifu Niku Udon Noodles,” which is a noodle product with ready-made sauce aiming for “quality” and “satisfaction.”

Revenue in the six months ended September 30, 2013 decreased by ¥8.0 billion, or 9.6% from the same period of the previous fiscal year to ¥75.8 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 ¥2.5 billion year on year. There was a year-on-year increase in adjusted EBITDA of ¥0.3 billion, or 10.4% to ¥3.0 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 six months ended September 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 six months ended September 30, 2013 were ¥28.4 billion.

During the six months ended September 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 second quarter ended September 30, 2013 decreased by ¥2.4 billion from the end of the previous fiscal year to ¥140.3 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥344.3 billion.

* In Japan, the end of the same period of the previous fiscal year (September 30, 2012) and the end of the previous fiscal year (March 31, 2013) were both 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 and the end of the previous fiscal year were ¥167.1 billion and ¥136.6 billion, respectively.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the six months ended September 30, 2013 were ¥23.2 billion, compared with ¥259.3 billion provided in the same period of the previous fiscal year. This was mainly due to the amount of national tobacco excise tax payable being for 7 months as a result of holidays for financial institutions, despite the generation of a stable cash inflow from the tobacco business.

Cash flows from (used in) investing activities

Net cash flows from investing activities during the six months ended September 30, 2013 were ¥7.8 billion, compared with ¥96.3 billion used in the same period of the previous fiscal year. This was mainly due to proceeds from the sale of investment property, despite the purchase of property, plant and equipment.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the six months ended September 30, 2013 were ¥40.3 billion, compared with ¥214.9 billion used in the same period of the previous fiscal year. This was mainly due to the payment of cash dividends and the repayments of borrowings, despite the issuance of bonds.

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of March 31, 2013 and as of September 30, 2013 accounted for ¥237.2 billion and ¥292.8 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥53.6 billion and ¥34.7 billion respectively. Long-term lease obligations totaled ¥8.2 billion as of March 31, 2013 and ¥10.1 billion as of September 30, 2013.

Short-term debt

Short-term borrowings from financial institutions totaled ¥23.8 billion as of March 31, 2013 and ¥34.7 billion as of September 30, 2013, respectively. There was no commercial paper outstanding as of March 31, 2013 and as of September 30, 2013. Short-term lease obligations totaled ¥4.3 billion as of March 31, 2013 and ¥4.4 billion as of September 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 September 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 September 30, 2013)	Number of shares issued (Share; as of the date of filing: November 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)	(Note 2)
Total	2,000,000,000	2,000,000,000	–	–

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

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

(2) Status of subscription rights to shares

There were no subscription rights to shares newly issued during the second quarter ended September 30, 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)
July 1, 2013 to September 30, 2013	–	2,000,000	–	100,000	–	736,400

(6) Status of major shareholders

(As of September 30, 2013)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	666,931,800	33.35
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	55,404,300	2.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	55,021,000	2.75
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O. BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	42,778,207	2.14
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	33,800,000	1.69
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	P.O. BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	33,359,022	1.67
JPMorgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	27,842,393	1.39
HSBC BANK PLC A/C THE CHILDRENS INVESTMENT MASTER FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	8 CANADA SQUARE, LONDON E14 5HQ (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	21,069,000	1.05
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	P.O. BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	19,737,852	0.99
Goldman Sachs and Company Regular Account (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK, NY, USA (Roppongi Hills Mori Tower, 10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan)	18,307,198	0.92
Total	–	974,250,772	48.71

Note: In addition to the above, JT held 182,508,188 shares of ordinary shares as treasury stock.

(7) Status of voting rights

a. Shares issued

(As of September 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 182,508,100	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,817,476,400	18,174,764	(Note 2)
Shares less than one unit	Ordinary shares 15,500	–	–
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	18,174,764	–

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 September 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	182,508,100	–	182,508,100	9.13
Total	–	182,508,100	–	182,508,100	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 six months ended September 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 second quarter period (from July 1, 2013 to September 30, 2013) and for the six months ended September 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 September 30, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 6)	142,713	140,288
Trade and other receivables	387,837	407,402
Inventories	473,042	504,383
Other financial assets	29,103	10,470
Other current assets	177,858	203,972
Subtotal	1,210,552	1,266,515
Non-current assets held-for-sale	2,594	2,399
Total current assets	1,213,146	1,268,915
Non-current assets		
Property, plant and equipment (Note 7)	672,316	721,046
Goodwill (Notes 7)	1,316,476	1,438,709
Intangible assets (Note 7)	348,813	361,053
Investment property	58,995	50,744
Retirement benefit assets	14,825	17,379
Investments accounted for using the equity method	22,940	24,172
Other financial assets	71,781	81,618
Deferred tax assets	133,276	137,484
Total non-current assets	2,639,421	2,832,205
Total assets	3,852,567	4,101,120

(Millions of yen)

	As of March 31, 2013 Restated*	As of September 30, 2013
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	312,741	288,971
Bonds and borrowings	44,301	200,151
Income tax payables	85,714	83,434
Other financial liabilities	8,550	10,553
Provisions	5,256	4,693
Other current liabilities	656,305	525,423
Subtotal	1,112,867	1,113,225
Liabilities directly associated with non-current assets held-for-sale	101	108
Total current liabilities	1,112,968	1,113,333
Non-current liabilities		
Bonds and borrowings (Note 8)	270,399	161,982
Other financial liabilities	18,844	19,506
Retirement benefit liabilities	342,604	355,819
Provisions	4,786	5,073
Other non-current liabilities	113,226	108,531
Deferred tax liabilities	97,309	103,620
Total non-current liabilities	847,168	754,532
Total liabilities	1,960,137	1,867,865
Equity		
Share capital	100,000	100,000
Capital surplus	736,411	736,411
Treasury shares	(344,573)	(344,569)
Other components of equity	(155,420)	15,120
Retained earnings	1,470,125	1,638,227
Equity attributable to owners of the parent company	1,806,543	2,145,189
Non-controlling interests	85,887	88,066
Total equity	1,892,431	2,233,255
Total liabilities and equity	3,852,567	4,101,120

* See Note “3. Significant accounting policies.”

(2) 【Condensed interim consolidated statement of income】

(For the six-month period)

(Millions of yen)

	Six months ended September 30, 2012 Restated*	Six months ended September 30, 2013
Revenue (Notes 5, 10)	1,057,391	1,159,116
Cost of sales	(444,567)	(470,797)
Gross profit	612,825	688,319
Other operating income (Note 11)	4,510	47,244
Share of profit in investments accounted for using the equity method	2,354	455
Selling, general and administrative expenses (Note 12)	(354,143)	(388,656)
Operating profit (Note 5)	265,545	347,363
Financial income (Note 13)	1,963	2,703
Financial costs (Note 13)	(15,493)	(10,991)
Profit before income taxes	252,016	339,075
Income taxes	(80,202)	(98,018)
Profit for the period	171,814	241,057
Attributable to:		
Owners of the parent company	168,764	237,147
Non-controlling interests	3,050	3,910
Profit for the period	171,814	241,057
Interim earnings per share		
Basic (Yen) (Note 14)	88.62	130.48
Diluted (Yen) (Note 14)	88.58	130.41

Reconciliation from "Operating profit" to "Adjusted EBITDA"

(Millions of yen)

	Six months ended September 30, 2012 Restated*	Six months ended September 30, 2013
Operating profit	265,545	347,363
Depreciation and amortization	56,850	65,186
Adjustment items (income)	(1,228)	(41,973)
Adjustment items (costs)	7,850	1,142
Adjusted EBITDA (Note 5)	329,017	371,717

* See Note "3. Significant accounting policies."

(For the three-month period)

(Millions of yen)

	Three months ended September 30, 2012 Restated*	Three months ended September 30, 2013
Revenue (Notes 5)	545,283	611,179
Cost of sales	(227,747)	(250,275)
Gross profit	317,536	360,903
Other operating income	1,483	42,497
Share of profit in investments accounted for using the equity method	2,108	181
Selling, general and administrative expenses	(184,152)	(202,702)
Operating profit (Note 5)	136,975	200,879
Financial income	900	1,493
Financial costs	(10,205)	(4,888)
Profit before income taxes	127,670	197,484
Income taxes	(42,251)	(56,334)
Profit for the period	85,420	141,150
Attributable to:		
Owners of the parent company	84,244	139,043
Non-controlling interests	1,175	2,107
Profit for the period	85,420	141,150
Interim earnings per share		
Basic (Yen) (Note 14)	44.24	76.50
Diluted (Yen) (Note 14)	44.22	76.46

Reconciliation from “Operating profit” to “Adjusted EBITDA”

(Millions of yen)

	Three months ended September 30, 2012 Restated*	Three months ended September 30, 2013
Operating profit	136,975	200,879
Depreciation and amortization	28,684	33,004
Adjustment items (income)	(0)	(40,349)
Adjustment items (costs)	7,381	1,014
Adjusted EBITDA (Note 5)	173,040	194,549

* See Note “3. Significant accounting policies.”

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

(For the six-month period)

(Millions of yen)

	Six months ended September 30, 2012 Restated*	Six months ended September 30, 2013
Profit for the period	171,814	241,057
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	(570)	2,935
Remeasurements of defined benefit retirement plans	(10,150)	(26)
Total items that will not be reclassified to profit or loss	(10,719)	2,909
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(17,825)	167,215
Net gain (loss) on derivatives designated as cash flow hedges	47	111
Total items that may be reclassified subsequently to profit or loss	(17,778)	167,326
Other comprehensive income (loss), net of taxes	(28,497)	170,235
Comprehensive income (loss) for the period	143,317	411,292
Attributable to:		
Owners of the parent company	140,423	407,634
Non-controlling interests	2,894	3,659
Comprehensive income (loss) for the period	143,317	411,292

* See Note “3. Significant accounting policies.”

(For the three-month period)

	Three months ended September 30, 2012 Restated*	Three months ended September 30, 2013
		(Millions of yen)
Profit for the period	85,420	141,150
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	200	2,036
Remeasurements of defined benefit retirement plans	(10,063)	–
Total items that will not be reclassified to profit or loss	(9,863)	2,036
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(169,961)	83,360
Net gain (loss) on derivatives designated as cash flow hedges	90	92
Total items that may be reclassified subsequently to profit or loss	(169,871)	83,452
Other comprehensive income (loss), net of taxes	(179,734)	85,487
Comprehensive income (loss) for the period	(94,314)	226,637
Attributable to:		
Owners of the parent company	(95,024)	224,692
Non-controlling interests	710	1,945
Comprehensive income (loss) for the period	(94,314)	226,637

* 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)	—	—	—	—	(17,663)	47	(575)
Comprehensive income (loss) for the period	—	—	—	—	(17,663)	47	(575)
Acquisition of treasury shares	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—
Share-based payments	—	—	—	72	—	—	—
Dividends (Note 9)	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	0
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	—	—	72	—	—	0
As of September 30, 2012	100,000	736,410	(94,574)	1,101	(404,891)	(262)	9,571
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)	—	—	—	—	167,488	111	2,949
Comprehensive income (loss) for the period	—	—	—	—	167,488	111	2,949
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	1	4	(4)	—	—	—
Share-based payments	—	—	—	58	—	—	—
Dividends (Note 9)	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(61)
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	1	3	54	—	—	(61)
As of September 30, 2013	100,000	736,411	(344,569)	1,328	(3,853)	(77)	17,723

*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	－	－	168,764	168,764	3,050	171,814
Other comprehensive income (loss)	(10,150)	(28,341)	－	(28,341)	(156)	(28,497)
Comprehensive income (loss) for the period	(10,150)	(28,341)	168,764	140,423	2,894	143,317
Acquisition of treasury shares	－	－	－	－	－	－
Disposal of treasury shares	－	－	－	－	－	－
Share-based payments	－	72	－	72	－	72
Dividends (Note 9)	－	－	(57,129)	(57,129)	(2,261)	(59,390)
Changes in the ownership interest in a subsidiary without a loss of control	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	10,150	10,150	(10,150)	－	－	－
Other increase (decrease)	－	－	－	－	469	469
Total transactions with the owners	10,150	10,222	(67,279)	(57,057)	(1,792)	(58,848)
As of September 30, 2012	－	(394,481)	1,370,429	1,717,783	81,679	1,799,462
As of April 1, 2013	－	(155,420)	1,470,125	1,806,543	85,887	1,892,431
Profit for the period	－	－	237,147	237,147	3,910	241,057
Other comprehensive income (loss)	(60)	170,487	－	170,487	(252)	170,235
Comprehensive income (loss) for the period	(60)	170,487	237,147	407,634	3,659	411,292
Acquisition of treasury shares	－	－	－	(0)	－	(0)
Disposal of treasury shares	－	(4)	－	0	－	0
Share-based payments	－	58	－	58	－	58
Dividends (Note 9)	－	－	(69,065)	(69,065)	(1,755)	(70,819)
Changes in the ownership interest in a subsidiary without a loss of control	－	－	19	19	(1,628)	(1,610)
Transfer from other components of equity to retained earnings	60	(1)	1	－	－	－
Other increase (decrease)	－	－	－	－	1,903	1,903
Total transactions with the owners	60	53	(69,045)	(68,988)	(1,480)	(70,468)
As of September 30, 2013	－	15,120	1,638,227	2,145,189	88,066	2,233,255

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

(Millions of yen)

	Six months ended September 30, 2012 Restated*	Six months ended September 30, 2013
Cash flows from operating activities		
Profit before income taxes	252,016	339,075
Depreciation and amortization	56,850	65,186
Impairment losses	2,814	331
Interest and dividend income	(1,857)	(2,500)
Interest expense	5,207	4,398
Share of profit in investments accounted for using the equity method	(2,354)	(455)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	805	(39,791)
(Increase) decrease in trade and other receivables	(16,260)	(4,932)
(Increase) decrease in inventories	6,919	3,550
Increase (decrease) in trade and other payables	(4,651)	(23,664)
Increase (decrease) in retirement benefit liabilities	(2,087)	(859)
(Increase) decrease in prepaid tobacco excise taxes	5,869	6,159
Increase (decrease) in tobacco excise tax payables	30,457	(150,344)
Increase (decrease) in consumption tax payables	(4,402)	(7,071)
Other	(19,021)	(60,691)
Subtotal	310,304	128,392
Interest and dividends received	2,850	4,401
Interest paid	(6,539)	(5,744)
Income taxes paid	(47,346)	(103,838)
Net cash flows from operating activities	259,269	23,211
Cash flows from investing activities		
Purchase of securities	(1,113)	(4,458)
Proceeds from sale and redemption of securities	2,313	19,911
Purchase of property, plant and equipment	(44,755)	(50,859)
Proceeds from sale of investment property	1,232	51,359
Purchase of intangible assets	(9,630)	(11,750)
Payments into time deposits	(22,348)	(339)
Proceeds from withdrawal of time deposits	23,368	4,372
Purchase of investments in subsidiaries	(45,593)	—
Other	247	(398)
Net cash flows from investing activities	(96,279)	7,839

(Millions of yen)

	Six months ended September 30, 2012 Restated*	Six months ended September 30, 2013
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 9)	(57,116)	(68,983)
Dividends paid to non-controlling interests	(2,261)	(1,777)
Capital contribution from non-controlling interests	216	59
Increase (decrease) in short-term borrowings and commercial paper	(12,852)	5,365
Proceeds from long-term borrowings	544	70
Repayments of long-term borrowings	(80,679)	(20,320)
Proceeds from issuance of bonds	—	49,395
Redemption of bonds	(60,350)	—
Repayments of finance lease obligations	(2,402)	(2,528)
Acquisition of treasury shares	—	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(1,610)
Other	—	0
Net cash flows from financing activities	(214,900)	(40,330)
Net increase (decrease) in cash and cash equivalents	(51,910)	(9,280)
Cash and cash equivalents at the beginning of the period	404,740	142,713
Effect of exchange rate changes on cash and cash equivalents	(8,522)	6,855
Cash and cash equivalents at the end of the period (Note 6)	344,309	140,288

* See Note “3. Significant accounting policies.”

【Notes to condensed interim consolidated financial statements】

1. Reporting entity

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

The condensed interim consolidated financial statements for the three-month period ended September 30, 2013 and for the six-month period ended September 30, 2013 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on November 11, 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 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 six-month period from January 1, 2013 to June 30, 2013 into the Group's consolidated financial results for the six-month period ended September 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 has adopted since the first quarter 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 six-month period)

For the six months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	350,673	490,240	26,515	98,197	83,876	1,049,502	7,889	－	1,057,391
Intersegment revenue	15,243	16,897	－	64	361	32,565	4,600	(37,165)	－
Total revenue	365,916	507,138	26,515	98,261	84,238	1,082,067	12,489	(37,165)	1,057,391
Segment profit (loss)									
Adjusted EBITDA (Note 1)	154,202	172,868	(6,065)	7,315	2,711	331,030	(1,665)	(348)	329,017

For the six months ended September 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)	352,334	596,225	30,413	97,187	75,841	1,152,000	7,117	－	1,159,116
Intersegment revenue	12,051	18,204	－	60	443	30,758	4,943	(35,701)	－
Total revenue	364,384	614,429	30,413	97,247	76,284	1,182,757	12,060	(35,701)	1,159,116
Segment profit (loss)									
Adjusted EBITDA (Note 1)	153,263	217,827	(3,636)	4,549	2,994	374,997	(2,969)	(310)	371,717

Reconciliation from “Adjusted EBITDA” to “Profit before income taxes”

For the six months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	154,202	172,868	(6,065)	7,315	2,711	331,030	(1,665)	(348)	329,017
Depreciation and amortization	(19,623)	(25,306)	(1,659)	(4,969)	(3,538)	(55,097)	(1,910)	157	(56,850)
Adjustment items (income) (Note 5)	1,200	5	—	—	—	1,205	23	—	1,228
Adjustment items (costs) (Note 5)	(96)	(2,785)	—	—	(2,729)	(5,610)	(2,240)	—	(7,850)
Operating profit (loss)	135,682	144,782	(7,724)	2,345	(3,556)	271,529	(5,792)	(191)	265,545
Financial income									1,963
Financial costs									(15,493)
Profit before income taxes									252,016

For the six months ended September 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)	153,263	217,827	(3,636)	4,549	2,994	374,997	(2,969)	(310)	371,717
Depreciation and amortization	(22,070)	(30,993)	(1,777)	(5,280)	(3,408)	(63,526)	(1,813)	154	(65,186)
Adjustment items (income) (Note 5)	1,044	—	—	—	244	1,288	40,685	—	41,973
Adjustment items (costs) (Note 5)	—	(91)	—	—	(115)	(205)	(937)	—	(1,142)
Operating profit (loss)	132,237	186,744	(5,413)	(730)	(285)	312,554	34,965	(156)	347,363
Financial income									2,703
Financial costs									(10,991)
Profit before income taxes									339,075

(Note 1) For adjusted EBITDA, the depreciation and amortization 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 June 30 is included in the six months ended September 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)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Domestic Tobacco	335,018	335,756
International Tobacco	456,958	559,657

(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 "11. Other operating income." Restructuring costs included in "Cost of sales" are ¥853 million for the six months ended September 30, 2012 and restructuring costs included in "Selling, general and administrative expenses" are ¥6,992 million and ¥1,142 million for the six months ended September 30, 2012 and 2013, respectively. The breakdown of restructuring costs is described in "12. Selling, general and administrative expenses."

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Restructuring costs	7,845	1,142
Cooperation fee for terminating leaf tobacco farming	4	—
Adjustment items (costs)	7,850	1,142

Restructuring costs for the six months ended September 30, 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 September 30, 2012

(Millions of yen)

	Reportable Segments								
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total	Other (Note 3)	Elimination	Consolidated
Revenue									
External revenue (Note 4)	177,589	256,609	13,820	51,662	41,871	541,551	3,732	—	545,283
Intersegment revenue	7,911	9,210	—	30	219	17,370	2,265	(19,635)	—
Total revenue	185,500	265,818	13,820	51,692	42,090	558,921	5,997	(19,635)	545,283
Segment profit (loss)									
Adjusted EBITDA (Note 1)	77,594	92,903	(2,549)	4,690	937	173,575	(499)	(36)	173,040

For the three months ended September 30, 2013

(Millions of yen)

	Reportable Segments								
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total	Other (Note 3)	Elimination	Consolidated
Revenue									
External revenue (Note 4)	179,349	325,133	13,568	51,257	38,415	607,724	3,455	—	611,179
Intersegment revenue	6,589	9,472	—	27	239	16,327	2,425	(18,752)	—
Total revenue	185,938	334,606	13,568	51,284	38,655	624,051	5,880	(18,752)	611,179
Segment profit (loss)									
Adjusted EBITDA (Note 1)	77,483	118,865	(3,560)	3,543	1,215	197,546	(2,840)	(157)	194,549

Reconciliation from “Adjusted EBITDA” to “Profit before income taxes”

For the three months ended September 30, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	77,594	92,903	(2,549)	4,690	937	173,575	(499)	(36)	173,040
Depreciation and amortization	(9,999)	(12,705)	(839)	(2,486)	(1,776)	(27,807)	(956)	78	(28,684)
Adjustment items (income) (Note 5)	—	0	—	—	—	0	—	—	0
Adjustment items (costs) (Note 5)	(92)	(2,527)	—	—	(2,729)	(5,347)	(2,033)	—	(7,381)
Operating profit (loss)	67,503	77,671	(3,388)	2,204	(3,568)	140,421	(3,488)	42	136,975
Financial income									900
Financial costs									(10,205)
Profit before income taxes									127,670

For the three months ended September 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)	77,483	118,865	(3,560)	3,543	1,215	197,546	(2,840)	(157)	194,549
Depreciation and amortization	(10,934)	(15,897)	(903)	(2,684)	(1,726)	(32,144)	(938)	77	(33,004)
Adjustment items (income) (Note 5)	—	—	—	—	117	117	40,232	—	40,349
Adjustment items (costs) (Note 5)	—	(108)	—	—	(44)	(152)	(862)	—	(1,014)
Operating profit (loss)	66,549	102,861	(4,463)	859	(438)	165,368	35,591	(80)	200,879
Financial income									1,493
Financial costs									(4,888)
Profit before income taxes									197,484

(Note 1) For adjusted EBITDA, the depreciation and amortization 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 April 1 to June 30 is included in the three months ended September 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 September 30, 2012	Three months ended September 30, 2013
Domestic Tobacco	169,734	170,592
International Tobacco	240,252	307,367

(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.

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

(Millions of yen)

	Three months ended September 30, 2012	Three months ended September 30, 2013
Restructuring costs	7,381	1,014
Adjustment items (costs)	7,381	1,014

Restructuring costs for the three months ended September 30, 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. Cash and cash equivalents

Included in “Cash and cash equivalents” as of September 30, 2013 is ¥24,957 million (IRR 8,429.5 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	52,068	11	8,175
Capitalization of borrowing costs	104	—	—
Transfer to investment property	(1,191)	—	—
Depreciation or amortization	(43,200)	—	(20,777)
Impairment losses	(224)	—	—
Sale or disposal	(2,459)	—	(131)
Exchange differences on translation of foreign operations	23,926	121,419	24,994
Other	19,707	804	(21)
As of September 30, 2013	721,046	1,438,709	361,053

8. Bonds

The Company has issued USD denominated senior notes (carrying amount: ¥48,528 million, interest rate: 2.10%, maturity date: July 23, 2018) for the six months ended September 30, 2013.

9. Dividends

Dividends paid for each interim period are as follows:

For the six months ended September 30, 2012

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

For the six months ended September 30, 2013

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
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.

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

For the six months ended September 30, 2012

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

For the six months ended September 30, 2013

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (October 31, 2013)	Ordinary shares	83,605	46	September 30, 2013	November 29, 2013

10. Revenue

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Gross turnover	3,331,805	3,604,184
Tobacco excise taxes and agency transaction amount	(2,274,414)	(2,445,068)
Revenue	1,057,391	1,159,116

11. Other operating income

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property (Note 1)	1,963	42,292
Other (Note 1)	2,547	4,952
Total	4,510	47,244

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property	1,223	41,835
Other	5	138
Total	1,228	41,973

12. Selling, general and administrative expenses

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Advertising expenses	9,097	10,166
Promotion expenses	60,562	67,931
Shipping, warehousing expenses	13,713	13,568
Commission	19,286	21,709
Employee benefits expenses (Note 1)	121,654	135,328
Research and development expenses	27,569	28,380
Depreciation and amortization	28,889	34,265
Impairment losses on other than financial assets (Note 1)	2,814	331
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 1)	4,218	4,021
Other (Note 1)	66,342	72,957
Total	354,143	388,656

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

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Employee benefits expenses	3,230	—
Impairment losses on other than financial assets	2,810	107
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	609	847
Other	343	189
Total	6,992	1,142

13. Financial income and financial costs

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

(Millions of yen)

Financial Income	Six months ended September 30, 2012	Six months ended September 30, 2013
Dividend income	332	355
Interest income	1,525	2,145
Other	107	203
Total	1,963	2,703

(Millions of yen)

Financial Costs	Six months ended September 30, 2012	Six months ended September 30, 2013
Interest expenses (Note 2)	5,207	4,398
Foreign exchange losses (Note 1)	6,593	2,969
Employee benefits expenses (Note 3)	2,906	2,849
Other	787	775
Total	15,493	10,991

(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.

14. Interim earnings per share

(For the six-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the parent company

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Profit for the period attributable to owners of the parent company	168,764	237,147
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	168,764	237,147

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

(Thousands of shares)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Weighted-average number of shares during the period	1,904,295	1,817,491

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Profit for the period used for calculation of basic interim earnings per share	168,764	237,147
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	168,764	237,147

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

(Thousands of shares)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Weighted-average number of ordinary shares during the period	1,904,295	1,817,491
Increased number of ordinary shares under subscription rights to share	824	968
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 six months ended September 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.

(For the three-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the parent company

(Millions of yen)

	Three months ended September 30, 2012	Three months ended September 30, 2013
Profit for the period attributable to owners of the parent company	84,244	139,043
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	84,244	139,043

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

(Thousands of shares)

	Three months ended September 30, 2012	Three months ended September 30, 2013
Weighted-average number of shares during the period	1,904,295	1,817,491

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Three months ended September 30, 2012	Three months ended September 30, 2013
Profit for the period used for calculation of basic interim earnings per share	84,244	139,043
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	84,244	139,043

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

(Thousands of shares)

	Three months ended September 30, 2012	Three months ended September 30, 2013
Weighted-average number of ordinary shares during the period	1,904,295	1,817,491
Increased number of ordinary shares under subscription rights to share	824	967
Weighted-average number of diluted ordinary shares during the period	1,905,119	1,818,459

15. Financial Instruments

(Fair Value of Financial Instruments)

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

(Millions of yen)

	As of September 30, 2013	
	Carrying amount	Fair value
Long-term borrowings (Note)	34,705	34,705
Bonds (Note)	292,759	297,729

(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 September 30, 2013

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	―	6,206	―	6,206
Equity securities	47,321	―	3,766	51,087
Other	162	―	1,101	1,263
Total	47,483	6,206	4,867	58,556
Derivative liabilities	―	6,344	―	6,344
Total	―	6,344	―	6,344

16. Commitments

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

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Acquisition of property, plant and equipment	78,802	85,091

17. Contingencies

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

18. Subsequent events

On October 30, 2013, the Board of Directors resolved to execute the following measures to further strengthen the competitiveness and profitability of the Japanese domestic tobacco business as the Group’s core business with a view towards enhancing adaptability to changes in the business environment and achieving sustainable growth.

1. Restructuring of sales operation

On April 1, 2015, the current 25 area branch offices will be consolidated into 15 regional sales headquarters to optimize nationwide sales offices.

2. Closure of factories

The Koriyama factory, Hamamatsu factory, Okayama printing factory, leaf processing operation of East-Japan Regional Leaf Tobacco Headquarters and Vending Machinery division will be closed at the end of March 2015.

The Hiratsuka factory will be closed at the end of March 2016.

3. Reinforcement of business fundamentals

Greater empowerment and autonomy will be given to the regional sales headquarters and factories.

4. Voluntary retirement program

A voluntary retirement program, which will amount to approximately 1,600 jobs, will be offered to employees in the Japanese domestic tobacco business and the corporate department, in order to rightsize the workforce in accordance with the aforementioned measures. (The majority of the applicants will leave the Company at the end of March 2015, while some will leave the Company at the end of March 2016).

The impact of the above measures on our consolidated operating results and financial position cannot be measured currently.

2. Other

(Dividends)

The Board of Directors, at a meeting held on October 31, 2013, declared the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥83,605 million

(b) Amount per share ¥46.00

(c) Effective date of requests for payment, and commencement date of payments November 29, 2013

Note: Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of September 30, 2013.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

November 11, 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 September 30, 2013, and the related condensed interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and the related notes.

Management’s Responsibility for the Condensed Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in 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 September 30, 2013, and the consolidated results of their operations for the three-month and six-month periods then ended, and their cash flows for the six-month period then ended in 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.