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

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Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. 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	Nine months ended December 31, 2012	Nine months ended December 31, 2013	28th term
Accounting period	From April 1, 2012 to December 31, 2012	From April 1, 2013 to December 31, 2013	From April 1, 2012 to March 31, 2013
Revenue [Third quarter] (Millions of yen)	1,608,399 [551,008]	1,779,878 [620,762]	2,120,196
Profit before income taxes (Millions of yen)	391,904	504,478	509,355
Profit for the period [Third quarter] (Millions of yen)	268,599 [96,785]	365,062 [124,005]	351,448
Profit attributable to owners of the parent company (Millions of yen)	263,695	359,289	343,596
Comprehensive income (loss) for the period (Millions of yen)	267,862	577,762	544,407
Total equity (Millions of yen)	1,864,748	2,313,146	1,892,431
Total assets (Millions of yen)	3,752,740	4,395,831	3,852,567
Basic earnings per share [Third quarter] (Yen)	138.47 [49.85]	197.68 [67.20]	181.07
Diluted earnings per share (Yen)	138.41	197.57	180.98
Ratio of equity attributable to owners of the parent company to total assets (%)	47.52	50.63	46.89
Net cash flows from (used in) operating activities (Millions of yen)	344,714	316,229	466,608
Net cash flows from (used in) investing activities (Millions of yen)	(117,696)	(125,209)	(147,928)
Net cash flows from (used in) financing activities (Millions of yen)	(271,781)	(122,944)	(569,473)
Cash and cash equivalents at the end of the period (Millions of yen)	343,519	219,668	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 nine months ended December 31, 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 nine months ended December 31, 2013, there were no material changes in the business of the JT Group (JT, 226 consolidated subsidiaries and 13 companies accounted for by the equity method) mentioned in the previous fiscal year’s Annual Securities Report.

In addition, the following change in principal subsidiaries and affiliates occurred.

(International Tobacco Business)

For the nine months ended December 31, 2013, the Group acquired a 20% stake in Megapolis Distribution B.V., a holding company of CJSC TK Megapolis, its domestic Russian distribution affiliate to implement the Group’s growth strategy in Russia more efficiently and effectively, and has placed it as an affiliate accounted for using the equity method.

II. Review of operations

1. Business and other risks

During the nine months ended December 31, 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 third quarter ended December 31, 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 December 31, 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 ¥171.5 billion or 10.7%, from the same period of the previous fiscal year to ¥1,779.9 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)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Revenue	1,608.4	1,779.9	171.5	10.7%
Domestic Tobacco Business	526.6	530.0	3.4	0.6%
Of which, core revenue	502.8	505.1	2.3	0.5%
International Tobacco Business	752.7	931.8	179.1	23.8%
Of which, core revenue	702.9	878.9	176.0	25.0%
Pharmaceutical Business	41.2	46.2	5.0	12.2%
Beverage Business	144.5	142.7	(1.7)	(1.2)%
Processed Food Business	131.9	118.8	(13.1)	(9.9)%

* 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 nine months ended December 31, 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 ¥115.7 billion for that period. Therefore, revenue of the processed food business excluding that of the processed fishery products business increased by ¥3.0 billion year on year.

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

Adjusted EBITDA rose by ¥79.6 billion, or 16.1%, from the same period of the previous fiscal year to ¥574.1 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 2.2% from the same period of the previous fiscal year.

Operating profit rose by ¥102.9 billion, or 25.0%, from the same period of the previous fiscal year to ¥514.4 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 ¥95.6 billion, or 36.3%, from the same period of the previous fiscal year to ¥359.3 billion due to an increase in operating profit.

(Billions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Adjusted EBITDA	494.5	574.1	79.6	16.1%
Domestic Tobacco Business	226.9	224.4	(2.5)	(1.1)%
International Tobacco Business	266.0	350.7	84.8	31.9%
Pharmaceutical Business	(8.6)	(5.9)	2.6	-
Beverage Business	10.5	6.5	(4.0)	(37.6)%
Processed Food Business	5.2	5.6	0.4	7.4%
Operating profit	411.6	514.4	102.9	25.0%
Profit attributable to owners of the parent company	263.7	359.3	95.6	36.3%

* Adjusted EBITDA includes 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 nine months ended December 31, 2013, JT worked to further enhance brand equity, particularly for Mevius and other focus brands. These efforts included launching three products in the "Mevius Premium Menthol Option" lineup, which feature the "aroma-changing capsule," and two products in the "Seven Stars" lineup, which respectively offer further richness and depth in flavor. Our total market share for the nine-month period was strong mainly as a result of vigorous sales promotions, rising to 60.8% from 59.6% for the previous fiscal year.

As a result, although total demand for domestic cigarettes decreased by 1.7%, total sales volume was about level with the same period of the previous fiscal year.

(Billions of cigarettes)

Domestic Tobacco Business	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Sales volume (Note)	89.4	89.7	0.3	0.4%

Note: In addition to the figure stated above, during the nine months ended December 31, 2013, 2.5 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of JT's China Division (this amount was 2.3 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 ¥5,486.

Adjusted EBITDA decreased by 1.1% mainly due to an increase in costs associated with the weaker yen.

(Billions of yen)

Domestic Tobacco Business	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Revenue	526.6	530.0	3.4	0.6%
Of which, core revenue	502.8	505.1	2.3	0.5%
Adjusted EBITDA	226.9	224.4	(2.5)	(1.1)%

International Tobacco Business

Among GFBs(Note 1) in the nine months ended December 31, 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 inventory adjustments in several markets, overall shipment volume decreased by 2.1% 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 continued market share growth 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	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Shipment volume	327.9	311.2	(16.7)	(5.1)%
Of which, GFBs	202.5	198.2	(4.3)	(2.1)%

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 2.4%, and adjusted EBITDA increased 8.0% even with factors such as increased investment in promotion.

(Millions of U.S. dollar)

International Tobacco Business (U.S. dollar-based)	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Revenue	9,481	9,615	135	1.4%
Of which, core revenue	8,853	9,067	214	2.4%
Adjusted EBITDA	3,350	3,617	267	8.0%

As a result of the effects of a weaker yen when making conversions to that currency, yen-based core revenue increased 25.0% and adjusted EBITDA increased 31.9%.

(Billions of yen)

International Tobacco Business	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Change	
Revenue	752.7	931.8	179.1	23.8%
Of which, core revenue	702.9	878.9	176.0	25.0%
Adjusted EBITDA	266.0	350.7	84.8	31.9%

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 nine months ended December 31, 2013, the exchange rates of major currencies against the U.S. dollar were as follows.

Foreign exchange rate per U.S. dollar	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Yen	79.39 yen	96.83 yen
Ruble	31.07 rubles	31.61 rubles
Pounds sterling	0.63 pounds sterling	0.65 pounds sterling
Euro	0.78 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 8.

Concerning the general status of compounds in the late phases of clinical trials, in January 2014, respective approvals for manufacturing and marketing in Japan were obtained by JT for Riona® Tablets 250mg (JTT-751), a hyperphosphatemia treatment, and by Torii Pharmaceutical Co., Ltd. for CEDARTOLEN® SUBLINGUAL DROP - Japanese Cedar Pollen (TO-194SL), a sublingual immunotherapy drug for Japanese cedar pollinosis. As for original JT compounds that have been outlicensed, in November 2013, Gilead Sciences, Inc. obtained marketing approval from the European Medicines Agency (EMA) for anti-HIV drug Vitekta™ (JTK-303). Gilead Sciences has also submitted marketing applications for the drug to authorities including the US Food and Drug Administration (FDA). In addition, GlaxoSmithKline has submitted a marketing application to the EMA for an MEK-inhibitor compound (trametinib) for metastatic melanoma.

Revenue in the nine months ended December 31, 2013 increased by ¥5.0 billion, or 12.2%, from the same period of the previous fiscal year to ¥46.2 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 ¥2.6 billion to negative ¥5.9 billion (compared to negative ¥8.6 billion in the same period of the previous fiscal year) mainly due to 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 nine months ended December 31, 2013, we actively implemented various product launches. In the flagship coffee brand “Roots,” we launched a renewal of “Creamy Cafe Mellow Aroma,” a café au lait-style bottle-type can coffee with a mellow aroma, and newly launched Roots Explorer “Irish Coffee,” which offers a luxurious aroma of Irish whisky flavor.

Revenue in the nine months ended December 31, 2013 decreased by ¥1.7 billion, or 1.2%, from the same period of the previous fiscal year to ¥142.7 billion, 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 ¥4.0 billion, or 37.6%, from the same period of the previous fiscal year to ¥6.5 billion. This was mainly due to increased investments for efforts to further strengthen high-quality vending machine operations and enhance our brands.

Processed Food Business

In the nine months ended December 31, 3013, we continued working to expand sales of staple food products such as frozen noodles, frozen rice, packed rice and baked frozen bread. Specifically, we conducted vigorous sales promotions for products including the following, which were launched in September 2013: “Tannen-jikomi Authentic Sanuki Udon Noodles,” a “strong-bodied noodle” that “is easy to swallow” with a “sticky chewiness,” and products in the “Zeitaku Zanmai” series of noodles with ready-made sauce aiming for “quality” and “satisfaction.”

Revenue in the nine months ended December 31, 2013 decreased by ¥13.1 billion, or 9.9% from the same period of the previous fiscal year to ¥118.8 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 ¥3.0 billion year on year. There was a year-on-year increase in adjusted EBITDA of ¥0.4 billion, or 7.4% to ¥5.6 billion, mainly due to 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 nine months ended December 31, 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 nine months ended December 31, 2013 were ¥42.6 billion.

During the nine months ended December 31, 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 third quarter ended December 31, 2013 increased by ¥77.0 billion from the end of the previous fiscal year to ¥219.7 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥343.5 billion.

* In Japan, the end of the same period of the previous fiscal year (December 31, 2012), the end of the previous fiscal year (March 31, 2013) and the end of the current three months (December 31, 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 three months were ¥152.2 billion, ¥136.6 billion and ¥148.6 billion, respectively.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the nine months ended December 31, 2013 were ¥316.2 billion, compared with ¥344.7 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.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the nine months ended December 31, 2013 were ¥125.2 billion, compared with ¥117.7 billion used in the same period of the previous fiscal year. This was mainly due to purchases of a minority stake in a leading Russian distribution company and of property, plant and equipment, despite proceeds from the sale of investment property.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the nine months ended December 31, 2013 were ¥122.9 billion, compared with ¥271.8 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 December 31, 2013 accounted for ¥237.2 billion and ¥298.4 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥53.6 billion and ¥37.1 billion respectively. Long-term lease obligations totaled ¥8.2 billion as of March 31, 2013 and ¥10.3 billion as of December 31, 2013.

Short-term debt

Short-term funds are financed by short-term borrowings from financial institutions, commercial paper, or a combination of both. These short-term debts totaled ¥23.8 billion as of March 31, 2013 and ¥39.3 billion as of December 31, 2013. There was no commercial paper outstanding as of March 31, 2013 and as of December 31, 2013. Short-term lease obligations totaled ¥4.3 billion as of March 31, 2013 and ¥4.5 billion as of December 31, 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 December 31, 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 December 31, 2013)	Number of shares issued (Share; as of the date of filing: January 31, 2014)	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

Subscription rights to shares newly issued during the third quarter ended December 31, 2013 are as follows.

Resolution date	September 20, 2013
Number of subscription rights to shares	500 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Ordinary shares (JT's standard class of shares with no rights limitations. Its share trading unit is 100 shares.)
Number of shares to be issued upon exercise of subscription rights to shares	100,000 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share
Exercise period of subscription rights to shares	From October 8, 2013 to October 7, 2043
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥513,400 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph 1 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as director (including *sikkoyaku* at a company with committees), audit & supervisory board member and executive officer (*sikkoyakuin*) of JT. b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
Matters regarding surrogate payments	–
Provisions for acquiring subscription rights to shares	(Note 2)
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)

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

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

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

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

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

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

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

2. In cases where proposal a., b. or c. below is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the resolution of a meeting of the Board of Directors or the decision by the representative executive officer (*sikkoyaku* at a company with committees) is made"), JT may acquire subscription rights to shares on the date separately provided for by the Board of Directors.
   In this case, JT shall, in exchange for acquiring each stock acquisition right, deliver money at the amount obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to Note 1 above, the Number of Shares Granted after adjustment) to the Subscription rights to shares Holders of respective such subscription rights to shares.

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

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

3. In cases where JT merges (limited to cases where JT is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where JT becomes the split company in either case), or exchanges or transfers shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, deliver subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the "Company Subject to Reorganization") to the Subscription rights to shares Holders that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Subscription rights to shares"). However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.
   a. Number of subscription rights to shares to be delivered of the Company Subject to Reorganization
      Subscription rights to shares whose number is identical to the number of the Remaining Subscription rights to shares held by Subscription rights to shares Holder
   b. Class of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      Ordinary shares of the Company Subject to Reorganization
   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      To be determined in the same manner as Note 1 above, taking into consideration terms and other conditions of the Reorganization.
   d. Value of property to be contributed when subscription rights to shares are exercised
      The value of the property to be contributed when each stock acquisition right to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the Company Subject to Reorganization to be issued upon exercise of each stock acquisition right, which is decided pursuant to c. above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the Company Subject to Reorganization that would be delivered by exercising the delivered subscription rights to shares.
   e. Period during which subscription rights to shares can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such subscription rights to shares can be exercised as specified in "Exercise period of subscription rights to shares" mentioned above.
   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares
      To be determined in the same manner as "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares" mentioned above.
   g. Restrictions on transferring of subscription rights to shares
      Transferring the subscription rights to shares is subject to approval of the Board of Directors of the Company Subject to Reorganization.
   h. Provisions for acquiring subscription rights to shares
      To be determined in the same manner as Note 2 above.

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

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

No items to report

(4) Details of rights plan

No items to report

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

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 1, 2013 to December 31, 2013	–	2,000,000	–	100,000	–	736,400

(6) Status of major shareholders

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

(7) Status of voting rights

a. Shares issued

(As of December 31, 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 182,459,700	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,817,521,100	18,175,211	(Note 2)
Shares less than one unit	19,200	–	–
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	18,175,211	–

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 December 31, 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	182,459,700	–	182,459,700	9.12
Total	–	182,459,700	–	182,459,700	9.12

2. Status of officers

After filing of the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the nine months ended December 31, 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 third quarter period (from October 1, 2013 to December 31, 2013) and for the nine months ended December 31, 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 December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (Note 6)	142,713	219,668
Trade and other receivables	387,837	427,161
Inventories	473,042	543,265
Other financial assets	29,103	22,559
Other current assets	177,858	210,340
Subtotal	1,210,552	1,422,992
Non-current assets held-for-sale	2,594	3,194
Total current assets	1,213,146	1,426,187
Non-current assets		
Property, plant and equipment (Note 7)	672,316	738,050
Goodwill (Note 7)	1,316,476	1,463,570
Intangible assets (Note 7)	348,813	362,645
Investment property	58,995	47,316
Retirement benefit assets	14,825	17,519
Investments accounted for using the equity method (Note 17)	22,940	109,060
Other financial assets	71,781	93,854
Deferred tax assets	133,276	137,631
Total non-current assets	2,639,421	2,969,644
Total assets	3,852,567	4,395,831

(Millions of yen)

	As of March 31, 2013 Restated*	As of December 31, 2013
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	312,741	321,009
Bonds and borrowings	44,301	206,544
Income tax payables	85,714	62,976
Other financial liabilities	8,550	9,245
Provisions	5,256	6,421
Other current liabilities	656,305	705,946
Subtotal	1,112,867	1,312,140
Liabilities directly associated with non-current assets held-for-sale	101	75
Total current liabilities	1,112,968	1,312,214
Non-current liabilities		
Bonds and borrowings (Note 8)	270,399	168,256
Other financial liabilities	18,844	18,831
Retirement benefit liabilities	342,604	359,703
Provisions	4,786	5,110
Other non-current liabilities	113,226	116,089
Deferred tax liabilities	97,309	102,482
Total non-current liabilities	847,168	770,471
Total liabilities	1,960,137	2,082,685
Equity		
Share capital	100,000	100,000
Capital surplus	736,411	736,400
Treasury shares	(344,573)	(344,478)
Other components of equity	(155,420)	58,222
Retained earnings	1,470,125	1,675,251
Equity attributable to owners of the parent company	1,806,543	2,225,396
Non-controlling interests	85,887	87,751
Total equity	1,892,431	2,313,146
Total liabilities and equity	3,852,567	4,395,831

* See Note “3. Significant accounting policies.”

(2) 【Condensed interim consolidated statement of income】

(For the nine-month period)

(Millions of yen)

	Nine months ended December 31, 2012 Restated*	Nine months ended December 31, 2013
Revenue (Notes 5, 10)	1,608,399	1,779,878
Cost of sales	(684,104)	(720,855)
Gross profit	924,295	1,059,023
Other operating income (Note 11)	18,241	49,392
Share of profit in investments accounted for using the equity method	2,649	890
Selling, general and administrative expenses (Note 12)	(533,610)	(594,879)
Operating profit (Note 5)	411,575	514,427
Financial income (Note 13)	3,370	4,776
Financial costs (Note 13)	(23,042)	(14,725)
Profit before income taxes	391,904	504,478
Income taxes	(123,305)	(139,416)
Profit for the period	268,599	365,062
Attributable to:		
Owners of the parent company	263,695	359,289
Non-controlling interests	4,904	5,773
Profit for the period	268,599	365,062
Interim earnings per share		
Basic (Yen) (Note 14)	138.47	197.68
Diluted (Yen) (Note 14)	138.41	197.57

Reconciliation from "Operating profit" to "Adjusted EBITDA"

(Millions of yen)

	Nine months ended December 31, 2012 Restated*	Nine months ended December 31, 2013
Operating profit	411,575	514,427
Depreciation and amortization	86,009	98,482
Adjustment items (income)	(14,368)	(42,204)
Adjustment items (costs)	11,252	3,389
Adjusted EBITDA (Note 5)	494,469	574,094

* See Note "3. Significant accounting policies."

(For the three-month period)

	Three months ended December 31, 2012 Restated*	Three months ended December 31, 2013
		(Millions of yen)
Revenue (Note 5)	551,008	620,762
Cost of sales	(239,537)	(250,058)
Gross profit	311,471	370,704
Other operating income	13,731	2,148
Share of profit in investments accounted for using the equity method	295	435
Selling, general and administrative expenses	(179,466)	(206,223)
Operating profit (Note 5)	146,030	167,064
Financial income	1,407	2,202
Financial costs	(7,549)	(3,863)
Profit before income taxes	139,889	165,403
Income taxes	(43,103)	(41,398)
Profit for the period	96,785	124,005
Attributable to:		
Owners of the parent company	94,931	122,142
Non-controlling interests	1,854	1,863
Profit for the period	96,785	124,005
Interim earnings per share		
Basic (Yen) (Note 14)	49.85	67.20
Diluted (Yen) (Note 14)	49.83	67.17

Reconciliation from “Operating profit” to “Adjusted EBITDA”

	Three months ended December 31, 2012 Restated*	Three months ended December 31, 2013
		(Millions of yen)
Operating profit	146,030	167,064
Depreciation and amortization	29,159	33,297
Adjustment items (income)	(13,140)	(230)
Adjustment items (costs)	3,402	2,246
Adjusted EBITDA (Note 5)	165,451	202,377

* See Note “3. Significant accounting policies.”

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

(For the nine-month period)

(Millions of yen)

	Nine months ended December 31, 2012 Restated*	Nine months ended December 31, 2013
Profit for the period	268,599	365,062
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	1,901	5,040
Remeasurements of defined benefit retirement plans	(10,065)	(650)
Total items that will not be reclassified to profit or loss	(8,164)	4,390
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	7,325	207,433
Net gain (loss) on derivatives designated as cash flow hedges	102	877
Total items that may be reclassified subsequently to profit or loss	7,427	208,310
Other comprehensive income (loss), net of taxes	(737)	212,700
Comprehensive income (loss) for the period	267,862	577,762
Attributable to:		
Owners of the parent company	262,804	572,346
Non-controlling interests	5,058	5,417
Comprehensive income (loss) for the period	267,862	577,762

* See Note “3. Significant accounting policies.”

(For the three-month period)

	Three months ended December 31, 2012 Restated*	Three months ended December 31, 2013
		(Millions of yen)
Profit for the period	96,785	124,005
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	2,471	2,105
Remeasurements of defined benefit retirement plans	85	(624)
Total items that will not be reclassified to profit or loss	2,556	1,481
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	25,149	40,217
Net gain (loss) on derivatives designated as cash flow hedges	55	767
Total items that may be reclassified subsequently to profit or loss	25,205	40,984
Other comprehensive income (loss), net of taxes	27,760	42,465
Comprehensive income (loss) for the period	124,545	166,470
Attributable to:		
Owners of the parent company	122,381	164,712
Non-controlling interests	2,164	1,758
Comprehensive income (loss) for the period	124,545	166,470

* 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)	—	—	—	—	7,170	102	1,902
Comprehensive income (loss) for the period	—	—	—	—	7,170	102	1,902
Acquisition of treasury shares	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—
Share-based payments	—	—	—	189	—	—	—
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	—	—	—	189	—	—	(0)
As of December 31, 2012	100,000	736,410	(94,574)	1,217	(380,058)	(206)	12,047
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)	—	—	—	—	207,721	877	5,017
Comprehensive income (loss) for the period	—	—	—	—	207,721	877	5,017
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	(11)	95	(68)	—	—	—
Share-based payments	—	—	—	187	—	—	—
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	—	—	—	—	—	—	(91)
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	(11)	95	118	—	—	(91)
As of December 31, 2013	100,000	736,400	(344,478)	1,392	36,380	690	19,760

*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	—	—	263,695	263,695	4,904	268,599
Other comprehensive income (loss)	(10,065)	(891)	—	(891)	154	(737)
Comprehensive income (loss) for the period	(10,065)	(891)	263,695	262,804	5,058	267,862
Acquisition of treasury shares	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Share-based payments	—	189	—	189	—	189
Dividends (Note 9)	—	—	(114,258)	(114,258)	(3,747)	(118,004)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	23	23	(528)	(505)
Transfer from other components of equity to retained earnings	10,065	10,065	(10,065)	—	—	—
Other increase (decrease)	—	—	—	—	213	213
Total transactions with the owners	10,065	10,254	(124,299)	(114,046)	(4,062)	(118,108)
As of December 31, 2012	—	(367,000)	1,408,339	1,783,176	81,572	1,864,748
As of April 1, 2013	—	(155,420)	1,470,125	1,806,543	85,887	1,892,431
Profit for the period	—	—	359,289	359,289	5,773	365,062
Other comprehensive income (loss)	(559)	213,056	—	213,056	(356)	212,700
Comprehensive income (loss) for the period	(559)	213,056	359,289	572,346	5,417	577,762
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(68)	(16)	0	—	0
Share-based payments	—	187	—	187	—	187
Dividends (Note 9)	—	—	(152,669)	(152,669)	(2,819)	(155,489)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(1,011)	(1,011)	(2,509)	(3,520)
Transfer from other components of equity to retained earnings	559	467	(467)	—	—	—
Other increase (decrease)	—	—	—	—	1,775	1,775
Total transactions with the owners	559	586	(154,163)	(153,493)	(3,553)	(157,047)
As of December 31, 2013	—	58,222	1,675,251	2,225,396	87,751	2,313,146

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

(Millions of yen)

	Nine months ended December 31, 2012 Restated*	Nine months ended December 31, 2013
Cash flows from operating activities		
Profit before income taxes	391,904	504,478
Depreciation and amortization	86,009	98,482
Impairment losses	2,540	602
Interest and dividend income	(3,177)	(4,458)
Interest expense	7,521	6,511
Share of profit in investments accounted for using the equity method	(2,649)	(890)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(11,775)	(38,327)
(Increase) decrease in trade and other receivables	(51,869)	(21,605)
(Increase) decrease in inventories	(6,265)	(33,722)
Increase (decrease) in trade and other payables	(57)	78
Increase (decrease) in retirement benefit liabilities	(244)	94
(Increase) decrease in prepaid tobacco excise taxes	(13,551)	(7,636)
Increase (decrease) in tobacco excise tax payables	49,371	24,231
Increase (decrease) in consumption tax payables	867	7,544
Other	(14,508)	(50,086)
Subtotal	434,118	485,297
Interest and dividends received	4,549	6,579
Interest paid	(8,546)	(7,370)
Income taxes paid	(85,407)	(168,277)
Net cash flows from operating activities	344,714	316,229
Cash flows from investing activities		
Purchase of securities	(4,133)	(8,336)
Proceeds from sale and redemption of securities	2,568	20,034
Purchase of property, plant and equipment	(77,554)	(90,464)
Proceeds from sale of investment property	14,909	53,000
Purchase of intangible assets	(14,453)	(14,536)
Payments into time deposits	(26,466)	(579)
Proceeds from withdrawal of time deposits	30,530	4,535
Purchase of investments in subsidiaries	(45,376)	—
Purchase of investments in associates	(973)	(74,801)
Other	3,252	(14,063)
Net cash flows from investing activities	(117,696)	(125,209)

(Millions of yen)

	Nine months ended December 31, 2012 Restated*	Nine months ended December 31, 2013
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 9)	(114,172)	(152,441)
Dividends paid to non-controlling interests	(3,344)	(2,034)
Capital contribution from non-controlling interests	215	59
Increase (decrease) in short-term borrowings and commercial paper	(9,955)	10,697
Proceeds from long-term borrowings	514	70
Repayments of long-term borrowings	(80,586)	(20,468)
Proceeds from issuance of bonds	—	49,395
Redemption of bonds	(60,350)	—
Repayments of finance lease obligations	(3,598)	(3,759)
Acquisition of treasury shares	—	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(505)	(4,462)
Other	—	0
Net cash flows from financing activities	(271,781)	(122,944)
Net increase (decrease) in cash and cash equivalents	(44,762)	68,076
Cash and cash equivalents at the beginning of the period	404,740	142,713
Effect of exchange rate changes on cash and cash equivalents	(16,459)	8,879
Cash and cash equivalents at the end of the period (Note 6)	343,519	219,668

* 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 December 31, 2013 and for the nine-month period ended December 31, 2013 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on January 30, 2014 by Mitsuomi Koizumi, President and Chief Executive 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 nine-month period from January 1, 2013 to September 30, 2013 into the Group's consolidated financial results for the nine-month period ended December 31, 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 nine-month period)

For the nine months ended December 31, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	526,628	752,678	41,193	144,453	131,869	1,596,821	11,577	—	1,608,399
Intersegment revenue	20,844	23,379	—	90	524	44,837	6,932	(51,770)	—
Total revenue	547,473	776,057	41,193	144,543	132,393	1,641,659	18,510	(51,770)	1,608,399
Segment profit (loss)									
Adjusted EBITDA (Note 1)	226,860	265,989	(8,556)	10,503	5,212	500,008	(5,089)	(450)	494,469

For the nine months ended December 31, 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)	530,009	931,778	46,198	142,741	118,760	1,769,485	10,393	—	1,779,878
Intersegment revenue	16,725	28,136	—	80	574	45,515	7,475	(52,990)	—
Total revenue	546,734	959,914	46,198	142,820	119,334	1,815,000	17,869	(52,990)	1,779,878
Segment profit (loss)									
Adjusted EBITDA (Note 1)	224,393	350,742	(5,924)	6,550	5,597	581,358	(7,018)	(246)	574,094

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

For the nine months ended December 31, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	226,860	265,989	(8,556)	10,503	5,212	500,008	(5,089)	(450)	494,469
Depreciation and amortization	(30,036)	(37,905)	(2,547)	(7,507)	(5,344)	(83,339)	(2,905)	235	(86,009)
Adjustment items (income) (Note 5)	1,200	396	－	－	－	1,596	12,772	－	14,368
Adjustment items (costs) (Note 5)	(101)	(2,670)	－	－	(6,415)	(9,186)	(2,066)	－	(11,252)
Operating profit (loss)	197,922	225,809	(11,103)	2,996	(6,546)	409,079	2,712	(215)	411,575
Financial income									3,370
Financial costs									(23,042)
Profit before income taxes									391,904

For the nine months ended December 31, 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)	224,393	350,742	(5,924)	6,550	5,597	581,358	(7,018)	(246)	574,094
Depreciation and amortization	(33,197)	(46,861)	(2,695)	(8,008)	(5,149)	(95,910)	(2,804)	231	(98,482)
Adjustment items (income) (Note 5)	1,044	－	－	－	244	1,288	40,916	－	42,204
Adjustment items (costs) (Note 5)	－	(1,625)	－	－	(592)	(2,217)	(1,171)	－	(3,389)
Operating profit (loss)	192,240	302,255	(8,619)	(1,458)	100	484,518	29,923	(14)	514,427
Financial income									4,776
Financial costs									(14,725)
Profit before income taxes									504,478

(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 September 30 is included in the nine months ended December 31, 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)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Domestic Tobacco	502,759	505,061
International Tobacco	702,859	878,883

(Note 5) "Adjustment items (income)" include restructuring income of gain on sale of real estate. "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 ¥4,143 million for the nine months ended December 31, 2012 and restructuring costs included in "Selling, general and administrative expenses" are ¥7,105 million and ¥3,389 million for the nine months ended December 31, 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)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Restructuring costs	11,248	3,389
Cooperation fee for terminating leaf tobacco farming	4	–
Adjustment items (costs)	11,252	3,389

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

(For the three-month period)

For the three months ended December 31, 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)	175,955	262,438	14,677	46,256	47,993	547,319	3,688	－	551,008
Intersegment revenue	5,602	6,481	－	26	162	12,272	2,332	(14,604)	－
Total revenue	181,557	268,920	14,677	46,282	48,155	559,591	6,021	(14,604)	551,008
Segment profit (loss)									
Adjusted EBITDA (Note 1)	72,658	93,121	(2,491)	3,188	2,501	168,978	(3,424)	(102)	165,451

For the three months ended December 31, 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)	177,675	335,553	15,785	45,554	42,919	617,486	3,276	－	620,762
Intersegment revenue	4,674	9,933	－	19	131	14,757	2,532	(17,289)	－
Total revenue	182,350	345,486	15,785	45,573	43,050	632,243	5,809	(17,289)	620,762
Segment profit (loss)									
Adjusted EBITDA (Note 1)	71,130	132,915	(2,288)	2,000	2,604	206,361	(4,048)	64	202,377

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

For the three months ended December 31, 2012

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceuticals	Beverage	Processed Food	Total			
Adjusted EBITDA (Note 1)	72,658	93,121	(2,491)	3,188	2,501	168,978	(3,424)	(102)	165,451
Depreciation and amortization	(10,413)	(12,599)	(888)	(2,537)	(1,805)	(28,242)	(995)	78	(29,159)
Adjustment items (income) (Note 5)	–	391	–	–	–	391	12,749	–	13,140
Adjustment items (costs) (Note 5)	(5)	114	–	–	(3,686)	(3,577)	174	–	(3,402)
Operating profit (loss)	62,240	81,028	(3,379)	651	(2,990)	137,550	8,504	(24)	146,030
Financial income									1,407
Financial costs									(7,549)
Profit before income taxes									139,889

For the three months ended December 31, 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)	71,130	132,915	(2,288)	2,000	2,604	206,361	(4,048)	64	202,377
Depreciation and amortization	(11,128)	(15,869)	(918)	(2,728)	(1,741)	(32,383)	(991)	77	(33,297)
Adjustment items (income) (Note 5)	–	–	–	–	–	–	230	–	230
Adjustment items (costs) (Note 5)	–	(1,535)	–	–	(478)	(2,012)	(234)	–	(2,246)
Operating profit (loss)	60,003	115,511	(3,206)	(728)	385	171,965	(5,042)	142	167,064
Financial income									2,202
Financial costs									(3,863)
Profit before income taxes									165,403

(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 July 1 to September 30 is included in the three months ended December 31, 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 December 31, 2012	Three months ended December 31, 2013
Domestic Tobacco	167,741	169,306
International Tobacco	245,901	319,226

(Note 5) "Adjustment items (income)" include restructuring income of gain on sale of real estate. "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 December 31, 2012	Three months ended December 31, 2013
Restructuring costs	3,402	2,246
Adjustment items (costs)	3,402	2,246

Restructuring costs for the three months ended December 31, 2012 include costs of 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 December 31, 2013 is ¥33,214 million (IRR 10,363.4 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	93,050	20	11,991
Capitalization of borrowing costs	130	–	–
Transfer to investment property	(1,420)	–	–
Depreciation or amortization	(65,593)	–	(31,122)
Impairment losses	(226)	–	–
Reversal of impairment loss	90	–	–
Sale or disposal	(5,027)	–	(154)
Exchange differences on translation of foreign operations	26,951	145,351	34,725
Other	17,779	1,724	(1,608)
As of December 31, 2013	738,050	1,463,570	362,645

8. Bonds

The Company has issued USD denominated senior notes (carrying amount: ¥52,340 million, interest rate: 2.10%, issuance date: July 23, 2013, maturity date: July 23, 2018) for the nine months ended December 31, 2013.

9. Dividends

Dividends paid for each interim period are as follows:

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

For the nine months ended December 31, 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
Board of Directors (October 31, 2013)	Ordinary shares	83,605	46	September 30, 2013	November 29, 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.

10. Revenue

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

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Gross turnover	5,057,596	5,530,766
Tobacco excise taxes and agency transaction amount	(3,449,197)	(3,750,888)
Revenue	1,608,399	1,779,878

11. Other operating income

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

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property (Note 1)	15,088	42,842
Other (Note 1)	3,152	6,550
Total	18,241	49,392

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

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Gain on sale of property, plant and equipment, intangible assets and investment property	14,363	42,065
Other	5	138
Total	14,368	42,204

12. Selling, general and administrative expenses

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

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Advertising expenses	13,871	16,601
Promotion expenses	94,609	106,652
Shipping, warehousing expenses	20,752	20,393
Commission	29,314	34,519
Employee benefits expenses (Note 1)	182,671	203,532
Research and development expenses	42,205	42,616
Depreciation and amortization	43,625	51,354
Impairment losses on other than financial assets (Note 1)	2,540	602
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 1)	5,131	6,404
Other (Note 1)	98,891	112,205
Total	533,610	594,879

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

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Employee benefits expenses	3,389	73
Impairment losses on other than financial assets	2,524	231
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	917	1,315
Other	276	1,770
Total	7,105	3,389

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	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Dividend income	577	614
Interest income	2,600	3,844
Other	193	318
Total	3,370	4,776

(Millions of yen)

Financial Costs	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Interest expenses (Note 2)	7,521	6,511
Foreign exchange losses (Note 1)	10,237	2,873
Employee benefits expenses (Note 3)	4,336	4,307
Other	947	1,033
Total	23,042	14,725

(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 nine-month period)

(1) Basis of calculating basic interim earnings per share

a. Profit attributable to ordinary shareholders of the parent company

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Profit for the period attributable to owners of the parent company	263,695	359,289
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	263,695	359,289

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

(Thousands of shares)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Weighted-average number of shares during the period	1,904,295	1,817,495

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Profit for the period used for calculation of basic interim earnings per share	263,695	359,289
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	263,695	359,289

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

(Thousands of shares)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Weighted-average number of ordinary shares during the period	1,904,295	1,817,495
Increased number of ordinary shares under subscription rights to share	890	1,008
Weighted-average number of diluted ordinary shares during the period	1,905,185	1,818,503

The weighted-average number of ordinary shares and the weighted-average number of diluted ordinary shares for the nine months ended December 31, 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 December 31, 2012	Three months ended December 31, 2013
Profit for the period attributable to owners of the parent company	94,931	122,142
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	94,931	122,142

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

(Thousands of shares)

	Three months ended December 31, 2012	Three months ended December 31, 2013
Weighted-average number of shares during the period	1,904,295	1,817,504

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

(Millions of yen)

	Three months ended December 31, 2012	Three months ended December 31, 2013
Profit for the period used for calculation of basic interim earnings per share	94,931	122,142
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	94,931	122,142

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

(Thousands of shares)

	Three months ended December 31, 2012	Three months ended December 31, 2013
Weighted-average number of ordinary shares during the period	1,904,295	1,817,504
Increased number of ordinary shares under subscription rights to share	919	1,018
Weighted-average number of diluted ordinary shares during the period	1,905,214	1,818,522

15. Financial instruments

(Fair Value of Financial Instruments)

The carrying amount and fair value of financial instruments as of December 31, 2013 are as follows:

(Millions of yen)

	As of December 31, 2013	
	Carrying amount	Fair value
Long-term borrowings (Note)	37,071	37,071
Bonds (Note)	298,404	303,141

(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 December 31, 2013

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	―	12,145	―	12,145
Equity securities	50,399	―	3,902	54,301
Other	175	―	1,298	1,473
Total	50,573	12,145	5,200	67,918
Derivative liabilities	―	4,555	―	4,555
Total	―	4,555	―	4,555

16. Commitments

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

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013
Acquisition of property, plant and equipment	78,802	73,919

17. Investments accounted for using the equity method

For the nine months ended December 31, 2013, the Group acquired a 20% stake in Megapolis Distribution B.V., a holding company of CJSC TK Megapolis, its domestic Russian distribution affiliate to implement the Group’s growth strategy in Russia more efficiently and effectively, and has placed it as an affiliate accounted for using the equity method.

18. Contingencies

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

19. Subsequent events

No items to report

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 have been paid to shareholders registered or recorded on the shareholder registry as of September 30, 2013.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

January 30, 2014

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 December 31, 2013, and the related condensed interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the condensed interim consolidated statements of changes in equity and cash flows for the nine-month period then ended, and the related notes.

Management's Responsibility for the Condensed Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in 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 December 31, 2013, and the consolidated results of their operations for the three-month and nine-month periods then ended, and their cash flows for the nine-month period then ended in 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.