

[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:	August 4, 2015
Quarterly accounting period:	Second quarter of the 31st term (from April 1, 2015 to June 30, 2015)
Company name (Japanese):	日本たばこ産業株式会社 (<i>Nihon Tabako Sangyo Kabushiki-Kaisha</i>)
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, Toranomom 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yuki Maeda, Senior Vice President and Chief Communications Officer
Place of contact:	2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yuki Maeda, Senior Vice President and Chief Communications Officer
Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Group

1. Trends in principal management benchmarks

Term	Six months ended September 30, 2014	Six months ended June 30, 2015	30th term
Accounting period	From April 1, 2014 to September 30, 2014	From January 1, 2015 to June 30, 2015	From April 1, 2014 to December 31, 2014
Revenue [Second quarter] (Millions of yen)	1,174,450 [618,002]	1,171,718 [616,825]	2,153,970
Profit before income taxes (Millions of yen)	302,952	291,305	502,299
Profit for the period [Second quarter] (Millions of yen)	223,149 [115,353]	213,677 [108,640]	368,626
Profit attributable to owners of the parent company (Millions of yen)	219,340	211,466	362,919
Comprehensive income (loss) for the period (Millions of yen)	91,884	157,295	244,868
Total equity (Millions of yen)	2,569,219	2,586,911	2,622,503
Total assets (Millions of yen)	4,367,184	4,538,916	4,704,706
Basic earnings per share [Second quarter] (Yen)	120.68 [62.26]	117.49 [59.91]	199.67
Diluted earnings per share (Yen)	120.61	117.42	199.56
Ratio of equity attributable to owners of the parent company to total assets (%)	56.84	55.09	53.92
Net cash flows from (used in) operating activities (Millions of yen)	204,376	43,145	543,696
Net cash flows from (used in) investing activities (Millions of yen)	(55,198)	(66,595)	(49,110)
Net cash flows from (used in) financing activities (Millions of yen)	(219,075)	(23,001)	(388,859)
Cash and cash equivalents at the end of the period (Millions of yen)	171,943	343,637	385,820

Notes: 1. The Group prepares the consolidated financial statements in accordance with 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 changed its fiscal year end from March 31 to December 31 effective from the 30th term. The same change was made to consolidated subsidiaries with fiscal year ends other than December 31. As a consequence of this change, the period of consolidation of the 30th term was the period from April 1, 2014, to December 31, 2014, for JT and its main consolidated subsidiaries that do not belong to the international tobacco business segment. For consolidated subsidiaries that belong to the international tobacco business segment, the period of consolidation was the period from January 1, 2014, to December 31, 2014.

6. Owing to the change in the fiscal year end in the 30th term, the first six months of the 30th term comprised the period from April 1, 2014, to September 30, 2014, and the first six months of the 31st term comprised the period from January 1, 2015, to June 30, 2015 (for the first six months of the 30th term, the period of consolidation was April 1, 2014, to September 30, 2014, for JT and its main consolidated subsidiaries that do not belong to the international tobacco business segment. For

consolidated subsidiaries that belong to the international tobacco business segment, the period of consolidation was January 1, 2014, to June 30, 2014).

2. Business description

During the six months ended June 30, 2015, there were neither material changes in the business of the Group (JT, 210 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.

As announced on February 4, 2015, we decided to withdraw from manufacture and sale of JT beverage products in the Beverage Business, targeting the withdrawal by the end of September 2015. In addition, on July 31, 2015, we transferred shares we held in our subsidiaries conducting vending machine operation business, Japan Beverage Holdings Inc. and JT A-Star Co., Ltd., and JT beverage brands "Roots" and "Momono Tennensui," to Suntory Beverage & Food Limited.

II. Review of operations

1. Business and other risks

During the six months ended June 30, 2015, there were no new businesses 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

Important operational contracts determined or entered into during the second quarter ended June 30, 2015, are as follows.

The Company decided by resolution at a meeting of the Board of Directors held on May 25, 2015 to enter into a basic agreement with Suntory Beverage & Food Limited ("SBF") to transfer all shares the Company held in its subsidiaries conducting vending machine operation business - Japan Beverage Holdings Inc. and JT A-star Co., Ltd. The agreement also includes the transfer of JT beverage brands "Roots" and "Momono Tennensui." Based on the basic agreement, the Company and SBF concluded a definitive agreement on July 7, 2015 and completed the transfer of the above-mentioned shares and brands on July 31, 2015. Transfer value is approximately ¥150.0 billion.

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

JT changed its fiscal year end from March 31 to December 31 from the previous fiscal year. The same change was made to consolidated subsidiaries with fiscal year ends other than December 31.

As a consequence of this change, the first six months of the 30th term, was the period from April 1, 2014, to September 30, 2014, for JT and its main consolidated subsidiaries that do not belong to the international tobacco business segment. For consolidated subsidiaries that belong to the international tobacco business segment, the first six months of the 30th term was the period from January 1, 2014, to June 30, 2014.

In the following information, in order to provide a basis to enable comparisons that contribute to investment decisions, some figures provided may have been calculated on the assumption that the accounting period for comparisons for JT and all of its consolidated subsidiaries is the 6-month period from January 2014 through June 2014. However, in cases where there is no statement to that effect, the figures provided are based on the accounting periods and accounting period ends under the accounting system.

Revenue, operating profit, adjusted operating profit and profit attributable to owners of the parent company for all companies in the period from January through June 2014 will be provided in IV. Accounting.

Matters concerning the future in this document were determined by the Group as of June 30, 2015.

(Non-GAAP financial measures)

The Group also discloses certain additional financial measures that are not required or defined under IFRS, which is the accounting standard JT applies. These financial measures are used internally to manage each of our business operations to understand their underlying performance, in view of our target for mid- to long-

term sustainable growth, and we believe that they provide 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 revenue for the domestic tobacco business is presented after deducting imported tobacco delivery charges, among others, while the revenue for the international tobacco business is presented after deducting the revenue accounted for in distribution business and contract manufacturing, among others.

Adjusted operating profit

In order to provide useful comparative information on our performance, adjusted operating profit comprised of operating profit less amortization cost of acquired intangibles and adjustment items (income and costs) is presented. Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

Furthermore, adjusted operating profit (at constant rates of exchange) growth rate 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 operating profit 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

In "(1) Operating results," figures have been calculated on the assumption that the accounting period for comparisons for JT and all of its consolidated subsidiaries is the 6-month period from January 2014 through June 2014.

<Revenue>

Revenue decreased by 0.0%, from the same period of the previous fiscal year to ¥1,171.7 billion. This was the result of favorable pricing and the like offsetting factors such as unfavorable foreign exchange effects on local currencies in the International Tobacco Business.

(Billions of yen)

	January through June 2014	Six months ended June 30, 2015	Change	
Revenue	1,172.0	1,171.7	(0.2)	(0.0)%
Domestic Tobacco Business	332.8	329.2	(3.6)	(1.1)%
Of which, core revenue	315.3	312.2	(3.1)	(1.0)%
International Tobacco Business	639.3	642.2	2.9	0.5%
Of which, core revenue	602.0	609.2	7.2	1.2%
Pharmaceutical Business	31.4	34.8	3.4	10.9%
Beverage Business	76.0	79.3	3.4	4.4%
Processed Food Business	86.7	82.0	(4.7)	(5.4)%

* Figures exclude intersegment revenue.

* Revenue includes rent received from leased properties in addition to items relating to the segments shown above.

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

Mainly as a result of the effects of favorable pricing in the International Tobacco Business and measures to strengthen the competitiveness of the Domestic Tobacco Business, adjusted operating profit increased by ¥6.0 billion or 1.9%, from the same period of the previous fiscal year to ¥327.9 billion. Adjusted operating profit at constant rates of exchange increased by 14.1 % from the same period of the previous fiscal year. Operating

profit declined by ¥20.7 billion or 6.7%, from the same period of the previous fiscal year to ¥290.0 billion due mainly to the recording of loss on disposal of real estate and loss associated with withdrawal from the Beverage Business.

Profit attributable to owners of the parent company increased by ¥9.5 billion, or 4.7%, from the same period of the previous fiscal year to ¥211.5 billion, despite profit declines up to the level of operating profit, due mainly to a decrease in income taxes.

(Billions of yen)

	January through June 2014	Six months ended June 30, 2015	Change	
Adjusted operating profit	321.8	327.9	6.0	1.9%
Domestic Tobacco Business	117.7	125.8	8.1	6.8%
International Tobacco Business	219.9	212.9	(7.0)	(3.2)%
Pharmaceutical Business	(4.1)	(2.1)	2.0	–
Processed Food Business	0.3	1.1	0.8	292.4%
Beverage Business	(2.0)	(0.8)	1.2	–
Operating profit	310.7	290.0	(20.7)	(6.7)%
Profit attributable to owners of the parent company	202.0	211.5	9.5	4.7%

* Operating profit and adjusted operating profit include business activities relating to rent of real estate and corporate expenses relating to corporate communication and operation of the head office in addition to operating profit and adjusted operating profit relating to factors other than the segments shown above.

Operating results by segment are as follows.

Domestic Tobacco Business

Sales volume in the six months ended June 30, 2015, decreased by 3.7% from the same period of the previous fiscal year. This mainly reflected a decline in total demand due to a trend toward decline and the impact of the consumption tax hike implemented in April 2014.

Market share was 60.0% (compared with a share of 60.4% in January through December 2014). Amid intensifying competition reflecting such factors as new product launches by competitor companies, market share for Mevius was firm, driven by the “Mevius Premium Menthol Option” series. The Company will continue to proactively launch new products in Mevius and other focus brands and work to further strengthen brand equity.

(Billions of cigarettes)

Domestic Tobacco Business	January through June 2014	Six months ended June 30, 2015	Change	
Sales volume	55.1	53.1	(2.0)	(3.7)%

* In addition to the figure stated above, during the six months ended June 30, 2015, 1.9 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of JT's China Division (1.7 billion cigarettes in the same period of the previous fiscal year).

The decline in sales volume was partially offset by favorable pricing, and core revenue decreased by 1.0% from the same period of the previous fiscal year. Domestic cigarette revenue per 1,000 cigarettes was ¥5,666.

Adjusted operating profit increased by 6.8% from the same period of the previous fiscal year due to favorable pricing effects and other factors such as the effects of measures to strengthen competitiveness and decreases in temporary costs incurred in the same period of the previous fiscal year.

(Billions of yen)

Domestic Tobacco Business	January through June 2014	Six months ended June 30, 2015	Change	
Revenue	332.8	329.2	(3.6)	(1.1)%
Of which, core revenue	315.3	312.2	(3.1)	(1.0)%
Adjusted operating profit	117.7	125.8	8.1	6.8%

International Tobacco Business

Among GFBs^(Note 1) in the six months ended June 30, 2015, despite the impact of declines in total demand in Russia and other areas, shipment volume in Turkey continued to be strong reflecting a review of sales prices for Camel, while there was market share growth in Europe and other areas. As a result, shipment volume among GFBs increased by 7.2% from the same period of the previous fiscal year. Despite the impact of declines in total demand in all markets, total shipment volume^(Note 2) increased by 0.3%, the same level of increase in the same period of the previous fiscal year, mainly driven by growth in GFBs.

(Billions of cigarettes)

International Tobacco Business	January through June 2014	Six months ended June 30, 2015	Change	
Total shipment volume	190.6	191.2	0.6	0.3%
Of which, GFBs	123.0	131.9	8.9	7.2%

Despite favorable pricing effects and the like, dollar-based core revenue decreased by 13.9% and adjusted operating profit decreased by 17.5%, due mainly to unfavorable foreign exchange effects on some local currencies, particularly the ruble. Adjusted operating profit at constant rates of exchange increased by 14.6%.

(Millions of U.S. dollar)

International Tobacco Business (U.S. dollar-based)	January through June 2014	Six months ended June 30, 2015	Change	
Revenue	6,239	5,335	(904)	(14.5)%
Of which, core revenue	5,876	5,061	(815)	(13.9)%
Adjusted operating profit	2,147	1,770	(377)	(17.5)%

Yen-based core revenue increased by 1.2% and adjusted operating profit decreased by 3.2% as a result of the impact of a weaker yen when making conversions to that currency.

(Billions of yen)

International Tobacco Business	January through June 2014	Six months ended June 30, 2015	Change	
Revenue	639.3	642.2	2.9	0.5%
Of which, core revenue	602.0	609.2	7.2	1.2%
Adjusted operating profit	219.9	212.9	(7.0)	(3.2)%

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

Note 2: Includes fine cut tobacco, cigars, pipe tobacco and snus, except for contract manufacturing products, waterpipe tobacco products and Emerging Products.

* In the six months ended June 30, 2015, the exchange rates of currencies against the U.S. dollar were as follows.

Foreign exchange rate per U.S. dollar	January through June 2014	Six months ended June 30, 2015
Yen	102.46	120.30
Ruble	34.98	57.47
Pounds sterling	0.60	0.66
Euro	0.73	0.90

Pharmaceutical Business

In the pharmaceutical business, we are striving to establish a stronger profit platform by maximizing the value of each product and promoting R&D on next-generation strategic products. In the area of product development, the number of compounds developed in-house that are under clinical development is now 10.

Revenue in the six months ended June 30, 2015, increased by ¥3.4 billion, or 10.9%, from the same period of the previous fiscal year to ¥34.8 billion, reflecting increased royalty income and increased revenue at Torii Pharmaceutical Co., Ltd., a subsidiary of the Company. Adjusted operating loss improved by ¥2.0 billion to adjusted operating loss of ¥2.1 billion (compared to adjusted operating loss of ¥4.1 billion in the same period of the previous fiscal year) mainly due to the increase in revenue.

Processed Food Business

In the Processed Food Business, we continued working to expand sales of staple food products such as frozen noodles, frozen rice, packed rice, which is approaching the 20th year since its launch, and baked frozen bread in the six months ended June 30, 2015.

Revenue in the six months ended June 30, 2015, increased by ¥3.4 billion, or 4.4%, from the same period of the previous fiscal year to ¥79.3 billion, due mainly to strong sales centered on frozen and room-temperature processed foods. Adjusted operating profit increased by ¥0.8 billion, or 292.4%, from the same period of the previous fiscal year to ¥1.1 billion, due mainly to the increase in revenue.

Beverage Business

As announced on February 4, 2015, we decided to withdraw from manufacture and sale of JT beverage products in the Beverage Business, targeting the withdrawal by the end of September 2015. In addition, on July 31, 2015, we transferred shares we held in our subsidiaries conducting vending machine operation business, Japan Beverage Holdings Inc. and JT A-Star Co., Ltd., and JT beverage brands “Roots” and “Momono Tennensui,” to Suntory Beverage & Food Limited.

Revenue in the six months ended June 30, 2015, decreased by ¥4.7 billion, or 5.4%, from the same period of the previous fiscal year to ¥82.0 billion. Adjusted operating loss was ¥0.8 billion, an improvement of ¥1.2 billion from the loss of ¥2.0 billion posted in the same period of the previous fiscal year.

(2) Operational and financial issues to be addressed

During the six months ended June 30, 2015, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year’s Annual Securities Report.

(3) Research and development activities

Research and development expenses for the entire Group during the six months ended June 30, 2015, were ¥27.6 billion.

During the six months ended June 30, 2015, there were no material changes in the status of the 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 June 30, 2015 decreased by ¥42.2 billion from the end of the previous fiscal year to ¥343.6 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥171.9 billion.

* In Japan, the end of the fiscal year ended December 31, 2014 (December 31, 2014) was a holiday for financial institutions. Consequently, an additional month's worth of tobacco excise taxes payable is included in cash and cash equivalents at the period-end in comparison to the equivalent amounts if the period-end had been a business day for financial institutions. The amount of national excise taxes paid on the business day immediately following the end of the fiscal year ended December 31, 2014 was ¥136.8 billion.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the six months ended June 30, 2015 were ¥43.1 billion, compared with ¥204.4 billion from the same period of the previous fiscal year. This was mainly due to payments of national tobacco excise tax, income taxes, and payments associated with measures to strengthen competitiveness, despite the generation of a stable cash inflow from the tobacco business.

As a result of a holiday for financial institutions, the amount of national tobacco excise tax payable for the current period is for seven months, while the amount for the same period of the previous fiscal year is for six months.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the six months ended June 30, 2015 were ¥66.6 billion, compared with ¥55.2 billion used in the same period of the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the six months ended June 30, 2015 were ¥23.0 billion, compared with ¥219.1 billion used in the same period of the previous fiscal year. This was mainly due to the acquisition of treasury shares, the payment of cash dividends and the repayments of long-term borrowings, despite proceeds from borrowings and commercial paper.

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of December 31, 2014 and as of June 30, 2015 accounted for ¥140.0 billion and ¥140.9 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥41.0 billion and ¥1.1 billion respectively. Long-term lease obligations totaled ¥15.3 billion as of December 31, 2014 and ¥16.6 billion as of June 30, 2015.

Short-term debt

Short-term borrowings from financial institutions totaled ¥27.6 billion as of December 31, 2014 and ¥176.1 billion as of June 30, 2015, respectively. There was no commercial paper outstanding as of December 31, 2014, but commercial paper outstanding as of June 30, 2015, totaled ¥51.0 billion. Short-term lease obligations totaled ¥4.3 billion as of December 31, 2014 and ¥4.6 billion as of June 30, 2015.

c. Liquidity

We have historically had, and expect to continue to have, significant cash flows from operating activities. We expect that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. On June 30, 2015, 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

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of shares issued (Share; as of June 30, 2015)	Number of shares issued (Share; as of the date of filing: August 4, 2015)	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 Act on Japan Tobacco Inc. 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

No items to report

(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

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
April 1, 2015 to June 30, 2015	—	2,000,000	—	100,000	—	736,400

(6) Status of major shareholders

(As of June 30, 2015)

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	666,929,000	33.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	50,491,800	2.52
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	46,883,700	2.34
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)	45,214,618	2.26
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)	41,754,065	2.09
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-trusted 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 505051 (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)	32,985,190	1.65
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	22,584,381	1.13
JPMorgan Chase Bank 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	18,072,084	0.90
Gic Private Limited (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	168 ROBINSON ROAD #37-01 CAPITAL TOWER SINGAPORE 068912 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	17,692,094	0.88
Total	—	976,406,932	48.82

Note: In addition to the above, JT held 209,330,431 shares of ordinary shares as treasury stock.

(7) Status of voting rights

a. Shares issued

(As of June 30, 2015)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock)	Ordinary shares 209,330,400	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,790,645,200	17,906,452	(Note 2)
Shares less than one unit	Ordinary shares 24,400	–	(Note 3)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,906,452	–

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. 31 shares of treasury stock are included.

b. Treasury stock

(As of June 30, 2015)

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, Toranomom 2-chome, Minato-ku, Tokyo, Japan	209,330,400	–	209,330,400	10.47
Total	–	209,330,400	–	209,330,400	10.47

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 June 30, 2015.

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 April 1, 2015 to June 30, 2015) and for the six months ended June 30, 2015 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 December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and cash equivalents (Note 6)	385,820	343,637
Trade and other receivables	448,402	422,719
Inventories	587,849	561,932
Other financial assets	43,907	25,149
Other current assets	230,530	246,812
Subtotal	1,696,507	1,600,249
Non-current assets held-for-sale	367	2,671
Total current assets	1,696,874	1,602,920
Non-current assets		
Property, plant and equipment (Note 7)	756,127	734,474
Goodwill (Note 7)	1,539,376	1,491,609
Intangible assets (Note 7)	364,912	352,144
Investment property	17,870	19,917
Retirement benefit assets	35,402	36,080
Investments accounted for using the equity method	76,825	75,504
Other financial assets	91,959	106,892
Deferred tax assets	125,361	119,376
Total non-current assets	3,007,832	2,935,996
Total assets	4,704,706	4,538,916

	As of December 31, 2014	(Millions of yen) As of June 30, 2015
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	419,764	339,976
Bonds and borrowings	107,562	267,209
Income tax payables	54,942	58,649
Other financial liabilities	14,463	11,944
Provisions	9,200	18,584
Other current liabilities	754,169	556,528
Total current liabilities	1,360,098	1,252,891
Non-current liabilities		
Bonds and borrowings	101,001	101,935
Other financial liabilities	18,617	19,584
Retirement benefit liabilities	351,915	353,445
Provisions	25,425	12,967
Other non-current liabilities	121,792	114,931
Deferred tax liabilities	103,356	96,253
Total non-current liabilities	722,106	699,115
Total liabilities	2,082,204	1,952,005
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,405
Treasury shares	(344,447)	(444,429)
Other components of equity	142,425	99,944
Retained earnings	1,902,460	2,008,418
Equity attributable to owners of the parent company	2,536,838	2,500,338
Non-controlling interests	85,665	86,573
Total equity	2,622,503	2,586,911
Total liabilities and equity	4,704,706	4,538,916

(2) 【Condensed interim consolidated statement of income】

(For the six-month period)

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Revenue (Notes 5, 9)	1,174,450	1,171,718
Cost of sales	(473,936)	(474,450)
Gross profit	700,514	697,268
Other operating income (Note 10)	10,387	2,615
Share of profit in investments accounted for using the equity method	3,518	2,844
Selling, general and administrative expenses (Note 11)	(407,353)	(412,730)
Operating profit (Note 5)	307,065	289,997
Financial income (Note 12)	5,956	8,917
Financial costs (Note 12)	(10,069)	(7,610)
Profit before income taxes	302,952	291,305
Income taxes	(79,803)	(77,628)
Profit for the period	223,149	213,677
Attributable to:		
Owners of the parent company	219,340	211,466
Non-controlling interests	3,809	2,211
Profit for the period	223,149	213,677
Interim earnings per share		
Basic (Yen) (Note 14)	120.68	117.49
Diluted (Yen) (Note 14)	120.61	117.42

Reconciliation from “Operating profit” to “Adjusted operating profit”

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Operating profit	307,065	289,997
Amortization cost of acquired intangibles	14,704	15,233
Adjustment items (income)	(8,723)	(395)
Adjustment items (costs)	15,261	23,020
Adjusted operating profit (Note 5)	328,306	327,856

(For the three-month period)

		(Millions of yen)
	Three months ended September 30, 2014	Three months ended June 30, 2015
Revenue (Notes 5, 9)	618,002	616,825
Cost of sales	(247,544)	(254,462)
Gross profit	<u>370,458</u>	<u>362,363</u>
Other operating income (Note 10)	2,749	1,265
Share of profit in investments accounted for using the equity method	2,239	1,939
Selling, general and administrative expenses (Note 11)	(216,608)	(218,980)
Operating profit (Note 5)	<u>158,839</u>	<u>146,587</u>
Financial income (Note 12)	2,911	4,640
Financial costs (Note 12)	(6,312)	(5,215)
Profit before income taxes	<u>155,437</u>	<u>146,012</u>
Income taxes	(40,083)	(37,371)
Profit for the period	<u><u>115,353</u></u>	<u><u>108,640</u></u>
Attributable to:		
Owners of the parent company	113,160	107,271
Non-controlling interests	2,194	1,370
Profit for the period	<u><u>115,353</u></u>	<u><u>108,640</u></u>
Interim earnings per share		
Basic (Yen) (Note 14)	62.26	59.91
Diluted (Yen) (Note 14)	62.22	59.87

Reconciliation from “Operating profit” to “Adjusted operating profit”

		(Millions of yen)
	Three months ended September 30, 2014	Three months ended June 30, 2015
Operating profit	158,839	146,587
Amortization cost of acquired intangibles	7,368	7,775
Adjustment items (income)	(1,767)	(328)
Adjustment items (costs)	14,994	15,184
Adjusted operating profit (Note 5)	<u><u>179,434</u></u>	<u><u>169,217</u></u>

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

(For the six-month period)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended June 30, 2015
Profit for the period	223,149	213,677
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	5,462	10,433
Remeasurements of defined benefit plans (Note 13)	(22,074)	(14,634)
Total of items that will not be reclassified to profit or loss	(16,612)	(4,201)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(114,815)	(52,616)
Net gain (loss) on derivatives designated as cash flow hedges	163	435
Total of items that may be reclassified subsequently to profit or loss	(114,652)	(52,181)
Other comprehensive income (loss), net of taxes	(131,265)	(56,382)
Comprehensive income (loss) for the period	91,884	157,295
Attributable to:		
Owners of the parent company	87,992	155,343
Non-controlling interests	3,893	1,952
Comprehensive income (loss) for the period	91,884	157,295

(For the three-month period)

	Three months ended September 30, 2014	(Millions of yen) Three months ended June 30, 2015
Profit for the period	115,353	108,640
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	2,113	3,760
Remeasurements of defined benefit plans (Note 13)	(22,074)	(93)
Total of items that will not be reclassified to profit or loss	(19,961)	3,668
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(7,391)	117,804
Net gain (loss) on derivatives designated as cash flow hedges	417	269
Total of items that may be reclassified subsequently to profit or loss	(6,974)	118,074
Other comprehensive income (loss), net of taxes	(26,934)	121,742
Comprehensive income (loss) for the period	88,419	230,382
Attributable to:		
Owners of the parent company	86,134	228,845
Non-controlling interests	2,285	1,537
Comprehensive income (loss) for the period	88,419	230,382

(4) 【Condensed interim consolidated statement of changes in equity】

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
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, 2014	100,000	736,400	(344,463)	1,443	229,990	293	19,380
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(114,911)	163	5,474
Comprehensive income (loss) for the period	—	—	—	—	(114,911)	163	5,474
Acquisition of treasury shares	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	14	(11)	—	—	—
Share-based payments	—	—	—	64	—	—	—
Dividends (Note 8)	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	263	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	23
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	—	14	54	263	—	23
As of September 30, 2014	100,000	736,400	(344,449)	1,497	115,342	456	24,878
As of January 1, 2015	100,000	736,400	(344,447)	1,631	116,421	1,215	23,156
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(52,153)	435	10,250
Comprehensive income (loss) for the period	—	—	—	—	(52,153)	435	10,250
Acquisition of treasury shares	—	—	(100,000)	—	—	—	—
Disposal of treasury shares	—	5	18	(23)	—	—	—
Share-based payments	—	—	—	29	—	—	—
Dividends (Note 8)	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(25)
Other increase (decrease)	—	—	—	—	—	(994)	—
Total transactions with the owners	—	5	(99,982)	6	—	(994)	(25)
As of June 30, 2015	100,000	736,405	(444,429)	1,637	64,268	657	33,382

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non- controlling interests	Total equity
As of April 1, 2014	—	251,107	1,762,566	2,505,610	90,481	2,596,091
Profit for the period	—	—	219,340	219,340	3,809	223,149
Other comprehensive income (loss)	(22,074)	(131,349)	—	(131,349)	84	(131,265)
Comprehensive income (loss) for the period	(22,074)	(131,349)	219,340	87,992	3,893	91,884
Acquisition of treasury shares	—	—	—	—	—	—
Disposal of treasury shares	—	(11)	(4)	0	—	0
Share-based payments	—	64	—	64	—	64
Dividends (Note 8)	—	—	(90,877)	(90,877)	(1,211)	(92,089)
Changes in the ownership interest in a subsidiary without a loss of control	—	263	(20,703)	(20,440)	(5,733)	(26,173)
Transfer from other components of equity to retained earnings	22,074	22,097	(22,097)	—	—	—
Other increase (decrease)	—	—	—	—	(559)	(559)
Total transactions with the owners	22,074	22,414	(133,682)	(111,253)	(7,503)	(118,756)
As of September 30, 2014	—	142,173	1,848,225	2,482,349	86,870	2,569,219
As of January 1, 2015	—	142,425	1,902,460	2,536,838	85,665	2,622,503
Profit for the period	—	—	211,466	211,466	2,211	213,677
Other comprehensive income (loss)	(14,655)	(56,123)	—	(56,123)	(259)	(56,382)
Comprehensive income (loss) for the period	(14, 655)	(56,123)	211,466	155,343	1,952	157,295
Acquisition of treasury shares	—	—	—	(100,000)	—	(100,000)
Disposal of treasury shares	—	(23)	—	0	—	0
Share-based payments	—	29	—	29	—	29
Dividends (Note 8)	—	—	(90,878)	(90,878)	(1,166)	(92,044)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	14, 655	14,630	(14,630)	—	—	—
Other increase (decrease)	—	(994)	—	(994)	121	(872)
Total transactions with the owners	14, 655	13,642	(105,507)	(191, 843)	(1,044)	(192,887)
As of June 30, 2015	—	99,944	2,008,418	2,500,338	86,573	2, 586,911

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

(Millions of yen)

	Six months ended September 30, 2014	Six months ended June 30, 2015
Cash flows from operating activities		
Profit before income taxes	302,952	291,305
Depreciation and amortization	68,541	70,542
Impairment losses	325	4,883
Interest and dividend income	(5,823)	(8,509)
Interest expense	3,324	2,009
Share of profit in investments accounted for using the equity method	(3,518)	(2,844)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(6,702)	8,985
(Increase) decrease in trade and other receivables	29,610	16,581
(Increase) decrease in inventories	9,112	27,959
Increase (decrease) in trade and other payables	(24,997)	(68,009)
Increase (decrease) in retirement benefit liabilities	(9,855)	(7,356)
(Increase) decrease in prepaid tobacco excise taxes	(11,389)	898
Increase (decrease) in tobacco excise tax payables	(50,925)	(134,917)
Increase (decrease) in consumption tax payables	31,653	(34,050)
Other	(35,053)	(59,331)
Subtotal	297,256	108,146
Interest and dividends received	9,496	12,344
Interest paid	(5,952)	(1,898)
Income taxes paid	(96,425)	(75,447)
Net cash flows from operating activities	204,376	43,145
Cash flows from investing activities		
Purchase of securities	(2,714)	(390)
Proceeds from sale and redemption of securities	1,226	1,139
Purchase of property, plant and equipment	(56,163)	(58,873)
Proceeds from sale of investment property	9,929	255
Purchase of intangible assets	(5,376)	(6,107)
Payments into time deposits	(321)	(399)
Proceeds from withdrawal of time deposits	323	357
Other	(2,101)	(2,578)
Net cash flows from investing activities	(55,198)	(66,595)

	Six months ended September 30, 2014	(Millions of yen) Six months ended June 30, 2015
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 8)	(90,863)	(90,941)
Dividends paid to non-controlling interests	(1,136)	(1,090)
Increase (decrease) in short-term borrowings and commercial paper	73,203	201,517
Repayments of long-term borrowings	(1,157)	(30,072)
Redemption of bonds	(170,670)	—
Repayments of finance lease obligations	(2,576)	(2,416)
Acquisition of treasury shares	—	(100,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(25,876)	—
Other	0	0
Net cash flows from financing activities	(219,075)	(23,001)
Net increase (decrease) in cash and cash equivalents	(69,897)	(46,451)
Cash and cash equivalents at the beginning of the period	253,219	385,820
Effect of exchange rate changes on cash and cash equivalents	(11,378)	4,268
Cash and cash equivalents at the end of the period (Note 6)	171,943	343,637

【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 June 30, 2015 and for the six-month period ended June 30, 2015 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on August 3, 2015 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 December 31, 2014.

The Company and its subsidiaries with fiscal year ends other than December 31 have changed their fiscal year ends to December 31 since fiscal year 2014.

As a consequence of this change of fiscal year end, the comparable period was the period from April 1, 2014 to September 30, 2014, and the second quarter of fiscal year 2015 was the period from January 1, 2015 to June 30, 2015.

In addition, the fiscal year end date of JT International Holding B.V. and its subsidiaries which operate the Group's international tobacco business, continues to be December 31 as before, hence the Group consolidated financial results of the JTIH Group for the six-month period from January 1, 2014 to June 30, 2014 into the Group's consolidated financial results for the comparable period.

For the consolidated statement of income assuming that the comparable period of the Group had been the six-month period from January 1, 2014 to June 30, 2014, revenue, operating profit, adjusted operating profit, and profit for the period attributable to owners of the parent company would have been ¥1,171,961 million, ¥310,681 million, ¥321,813 million, and ¥201,973 million, respectively.

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 December 31, 2014 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 Group has adopted the following new accounting standards, amended standards and interpretations from the quarter ended March 31, 2015.

	IFRS	Description of new standards and amendments
IFRS 9	Financial Instruments (Amended in November 2013)	Amendments to hedge accounting
IAS 19	Employee Benefits	Clarifying the accounting treatment for contributions from employees or third parties set out in the formal terms of defined benefit plans.

The effect of the above standards and interpretations on the condensed interim consolidated financial statements is immaterial.

IFRS 9 mentioned above has been early adopted.

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 December 31, 2014.

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 operating profit. 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 mainly on the prevailing market price.

For the six months ended September 30, 2014

(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)	329,730	639,252	28,415	93,652	77,017	1,168,068	6,382	—	1,174,450
Intersegment revenue	8,674	18,545	—	46	295	27,560	5,185	(32,745)	—
Total revenue	<u>338,405</u>	<u>657,797</u>	<u>28,415</u>	<u>93,699</u>	<u>77,312</u>	<u>1,195,628</u>	<u>11,567</u>	<u>(32,745)</u>	<u>1,174,450</u>
Segment profit (loss)									
Adjusted operating profit (Note 1)	<u>121,454</u>	<u>219,922</u>	<u>(6,424)</u>	<u>(81)</u>	<u>(270)</u>	<u>334,601</u>	<u>(6,312)</u>	<u>17</u>	<u>328,306</u>

For the six months ended June 30, 2015

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	329,189	642,162	34,776	82,003	79,339	1,167,470	4,248	—	1,171,718
Intersegment revenue	11,085	23,524	—	34	222	34,865	9,973	(44,839)	—
Total revenue	<u>340,275</u>	<u>665,686</u>	<u>34,776</u>	<u>82,038</u>	<u>79,561</u>	<u>1,202,335</u>	<u>14,221</u>	<u>(44,839)</u>	<u>1,171,718</u>
Segment profit (loss)									
Adjusted operating profit (Note 1)	<u>125,807</u>	<u>212,932</u>	<u>(2,124)</u>	<u>(816)</u>	<u>1,106</u>	<u>336,905</u>	<u>(8,501)</u>	<u>(548)</u>	<u>327,856</u>

Reconciliation from “Adjusted operating profit” to “Profit before income taxes”

For the six months ended September 30, 2014

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma- ceuticals	Beverage	Processed Food	Total			
Adjusted operating profit (Note 1)	121,454	219,922	(6,424)	(81)	(270)	334,601	(6,312)	17	328,306
Amortization cost of acquired intangibles	—	(14,704)	—	—	—	(14,704)	—	—	(14,704)
Adjustment items (income) (Note 5)	45	290	—	—	413	747	7,976	—	8,723
Adjustment items (costs) (Note 5)	(11,110)	(3,776)	—	—	(13)	(14,899)	(362)	—	(15,261)
Operating profit (loss)	110,389	201,732	(6,424)	(81)	130	305,746	1,302	17	307,065
Financial income									5,956
Financial costs									(10,069)
Profit before income taxes									302,952

For the six months ended June 30, 2015

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Beverage	Processed Food	Total			
Adjusted operating profit (Note 1)	125,807	212,932	(2,124)	(816)	1,106	336,905	(8,501)	(548)	327,856
Amortization cost of acquired intangibles	—	(15,233)	—	—	—	(15,233)	—	—	(15,233)
Adjustment items (income) (Note 5)	71	—	—	2	25	98	297	—	395
Adjustment items (costs) (Note 5)	(1,827)	(2,189)	—	(7,800)	(2)	(11,818)	(11,203)	—	(23,020)
Operating profit (loss)	124,052	195,510	(2,124)	(8,614)	1,129	309,952	(19,407)	(548)	289,997
Financial income									8,917
Financial costs									(7,610)
Profit before income taxes									291,305

- (Note 1) For adjusted operating profit, amortization cost of acquired intangibles, 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, continues to have December 31 as its fiscal year end date as before, and the profit or loss for the period from January 1, 2014 to June 30, 2014 is included in the six months ended September 30, 2014.
- (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, 2014	Six months ended June 30, 2015
Domestic Tobacco	312,418	312,207
International Tobacco	602,032	609,226

- (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 restructuring income is described in “10. Other operating income.” Restructuring costs included in “Cost of sales” are ¥51 million for the six months ended June 30, 2015 and restructuring costs included in “Selling, general and administrative expenses” are ¥15,261 million and ¥22,969 million for the six months ended September 30, 2014 and June 30, 2015, respectively. The breakdown of restructuring costs is described in “11. Selling, general and administrative expenses.”

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

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Restructuring costs	15,261	23,020
Adjustment items (costs)	15,261	23,020

Restructuring costs for the six months ended September 30, 2014 mainly relate to costs of measures to strengthen the competitiveness of “Domestic Tobacco Business.” Restructuring costs for the six months ended June 30, 2015 mainly relate to withdrawal from the manufacture and sale of JT beverage products in the “Beverage Business” and disposal of real estate.

For the three months ended September 30, 2014

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma- ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	177,245	334,103	15,302	48,743	39,668	615,061	2,941	—	618,002
Intersegment revenue	5,119	10,194	—	25	160	15,498	2,543	(18,041)	—
Total revenue	<u>182,363</u>	<u>344,297</u>	<u>15,302</u>	<u>48,769</u>	<u>39,828</u>	<u>630,559</u>	<u>5,484</u>	<u>(18,041)</u>	<u>618,002</u>
Segment profit (loss)									
Adjusted operating profit (Note 1)	<u>70,201</u>	<u>114,854</u>	<u>(2,670)</u>	<u>1,288</u>	<u>(302)</u>	<u>183,371</u>	<u>(3,910)</u>	<u>(26)</u>	<u>179,434</u>

For the three months ended June 30, 2015

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	171,635	342,294	18,138	42,128	40,557	614,753	2,072	—	616,825
Intersegment revenue	5,193	13,323	—	16	104	18,637	6,121	(24,758)	—
Total revenue	<u>176,829</u>	<u>355,617</u>	<u>18,138</u>	<u>42,144</u>	<u>40,661</u>	<u>633,389</u>	<u>8,193</u>	<u>(24,758)</u>	<u>616,825</u>
Segment profit (loss)									
Adjusted operating profit (Note 1)	<u>68,854</u>	<u>107,960</u>	<u>(1,287)</u>	<u>(302)</u>	<u>207</u>	<u>175,431</u>	<u>(5,947)</u>	<u>(266)</u>	<u>169,217</u>

Reconciliation from “Adjusted operating profit” to “Profit before income taxes”

For the three months ended September 30, 2014

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco (Note 2)	Pharma- ceuticals	Beverage	Processed Food	Total			
Adjusted operating profit (Note 1)	70,201	114,854	(2,670)	1,288	(302)	183,371	(3,910)	(26)	179,434
Amortization cost of acquired intangibles	—	(7,368)	—	—	—	(7,368)	—	—	(7,368)
Adjustment items (income) (Note 5)	45	4	—	—	—	48	1,718	—	1,767
Adjustment items (costs) (Note 5)	(11,066)	(3,594)	—	—	(11)	(14,671)	(322)	—	(14,994)
Operating profit (loss)	59,179	103,895	(2,670)	1,288	(313)	161,379	(2,515)	(26)	158,839
Financial income									2,911
Financial costs									(6,312)
Profit before income taxes									155,437

For the three months ended June 30, 2015

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Beverage	Processed Food	Total			
Adjusted operating profit (Note 1)	68,854	107,960	(1,287)	(302)	207	175,431	(5,947)	(266)	169,217
Amortization cost of acquired intangibles	—	(7,775)	—	—	—	(7,775)	—	—	(7,775)
Adjustment items (income) (Note 5)	32	—	—	0	—	32	297	—	328
Adjustment items (costs) (Note 5)	(587)	(1,704)	—	(7,677)	—	(9,969)	(5,215)	—	(15,184)
Operating profit (loss)	68,298	98,481	(1,287)	(7,979)	207	157,719	(10,866)	(266)	146,587
Financial income									4,640
Financial costs									(5,215)
Profit before income taxes									146,012

- (Note 1) For adjusted operating profit, amortization cost of acquired intangibles, 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, continues to have December 31 as its fiscal year end date as before, and the profit or loss for the period from April 1, 2014 to June 30, 2014 is included in the three months ended September 30, 2014.
- (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, 2014	Three months ended June 30, 2015
Domestic Tobacco	168,179	162,628
International Tobacco	318,301	326,960

- (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 restructuring income is described in “10. Other operating income.” Restructuring costs included in “Cost of sales” are ¥4 million for the three months ended June 30, 2015 and restructuring costs included in “Selling, general and administrative expenses” are ¥14,994 million and ¥15,180 million for the three months ended September 30, 2014 and June 30, 2015, respectively. The breakdown of restructuring costs is described in “11. Selling, general and administrative expenses.”

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

	(Millions of yen)	
	Three months ended September 30, 2014	Three months ended June 30, 2015
Restructuring costs	14,994	15,184
Adjustment items (costs)	14,994	15,184

Restructuring costs for the three months ended September 30, 2014 mainly relate to costs of measures to strengthen the competitiveness of “Domestic Tobacco Business.” Restructuring costs for the three months ended June 30, 2015 mainly relate to withdrawal from the manufacture and sale of JT beverage products in the “Beverage Business” and disposal of real estate.

6. Cash and cash equivalents

Included in “Cash and cash equivalents” as of June 30, 2015 is ¥58,181 million (IRR 15,679.5 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:

Carrying Amount	(Millions of yen)		
	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2015	756,127	1,539,376	364,912
Individual acquisition	54,898	—	6,048
Transfer to investment property	(9,988)	—	—
Transfer to non-current assets held-for-sale	(85)	—	—
Depreciation or amortization	(46,606)	—	(23,573)
Impairment losses	(3,796)	—	(368)
Reversal of impairment loss	222	—	—
Sale or disposal	(5,300)	—	(158)
Exchange differences on translation of foreign operations	(9,384)	(47,765)	3,781
Other	(1,614)	(2)	1,502
As of June 30, 2015	<u>734,474</u>	<u>1,491,609</u>	<u>352,144</u>

8. Dividends

Dividends paid for each interim period are as follows:

For the six months ended September 30, 2014

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (June 24, 2014)	Ordinary shares	90,877	50	March 31, 2014	June 25, 2014

For the six months ended June 30, 2015

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 20, 2015)	Ordinary shares	90,878	50	December 31, 2014	March 23, 2015

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

For the six months ended September 30, 2014

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution)					
Board of Directors (October 30, 2014)	Ordinary shares	90,878	50	September 30, 2014	December 1, 2014

For the six months ended June 30, 2015

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution)					
Board of Directors (August 3, 2015)	Ordinary shares	96,696	54	June 30, 2015	September 1, 2015

9. Revenue

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

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Gross turnover	3,597,433	3,680,934
Tobacco excise taxes and agency transaction amount	(2,422,983)	(2,509,216)
Revenue	<u>1,174,450</u>	<u>1,171,718</u>

10. Other operating income

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

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	8,753	468
Other (Note)	1,634	2,147
Total	<u>10,387</u>	<u>2,615</u>

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

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Gain on sale of property, plant and equipment, intangible assets and investment property	8,389	191
Other	45	204
Total	<u>8,433</u>	<u>395</u>

11. 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, 2014	Six months ended June 30, 2015
Advertising expenses	9,974	10,144
Promotion expenses	65,913	58,959
Shipping, warehousing expenses	13,749	14,103
Commission	24,115	24,703
Employee benefit expenses (Note)	152,946	143,824
Research and development expenses	27,289	27,619
Depreciation and amortization	35,203	37,302
Impairment losses on other than financial assets (Note)	325	4,883
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	2,811	15,542
Other (Note)	75,029	75,651
Total	407,353	412,730

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

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Employee benefit expenses	11,942	928
Impairment losses on other than financial assets	—	3,934
Loss on sale and disposal of property, plant and equipment, intangible assets and investment property	333	13,003
Other	2,985	5,104
Total	15,261	22,969

12. Financial income and financial costs

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

Financial Income	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Dividend income	393	1,461
Interest income	5,431	7,047
Other	133	408
Total	5,956	8,917

Financial Costs	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended June 30, 2015
Interest expenses (Note 2)	3,324	2,009
Foreign exchange losses (Note 1)	3,390	2,803
Employee benefit expenses (Note 3)	2,858	1,936
Other	497	862
Total	10,069	7,610

(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 benefit expenses are the net amount of interest cost and interest income related to employee benefits.

13. Other comprehensive income

“Remeasurements of defined benefit plans” for the six months ended June 30, 2015 include remeasurements arising from the effects of significant market fluctuations in relation to retirement benefit assets or liabilities.

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

	Six months ended September 30, 2014	(Millions of yen) Six months ended June 30, 2015
Profit for the period attributable to owners of the parent company	219,340	211,466
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	219,340	211,466

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

	Six months ended September 30, 2014	(Thousands of shares) Six months ended June 30, 2015
Weighted-average number of shares during the period	1,817,551	1,799,879

(2) Basis of calculating diluted interim earnings per share

a. Profit attributable to owners of diluted ordinary shareholders

	Six months ended September 30, 2014	(Millions of yen) Six months ended June 30, 2015
Profit for the period used for calculation of basic interim earnings per share	219,340	211,466
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	219,340	211,466

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

	Six months ended September 30, 2014	(Thousands of shares) Six months ended June 30, 2015
Weighted-average number of ordinary shares during the period	1,817,551	1,799,879
Increased number of ordinary shares under subscription rights to share	1,008	1,065
Weighted-average number of diluted ordinary shares during the period	1,818,559	1,800,943

(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, 2014	Three months ended June 30, 2015
Profit for the period attributable to owners of the parent company	113,160	107,271
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic interim earnings per share	<u>113,160</u>	<u>107,271</u>

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

	(Thousands of shares)	
	Three months ended September 30, 2014	Three months ended June 30, 2015
Weighted-average number of shares during the period	1,817,553	1,790,669

(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, 2014	Three months ended June 30, 2015
Profit for the period used for calculation of basic interim earnings per share	113,160	107,271
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	<u>113,160</u>	<u>107,271</u>

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

	(Thousands of shares)	
	Three months ended September 30, 2014	Three months ended June 30, 2015
Weighted-average number of ordinary shares during the period	1,817,553	1,790,669
Increased number of ordinary shares under subscription rights to share	1,005	1,062
Weighted-average number of diluted ordinary shares during the period	<u>1,818,559</u>	<u>1,791,731</u>

15. Financial instruments

(Fair value of financial instruments)

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	(Millions of yen)			
	As of December 31, 2014		As of June 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	40,976	40,976	1,140	1,140
Bonds (Note)	139,954	142,586	140,943	143,464
(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

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of December 31, 2014				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	—	31,837	—	31,837
Equity securities	55,499	—	3,856	59,355
Other	279	—	1,555	1,834
Total	<u>55,778</u>	<u>31,837</u>	<u>5,411</u>	<u>93,025</u>
Derivative liabilities	—	10,010	—	10,010
Total	<u>—</u>	<u>10,010</u>	<u>—</u>	<u>10,010</u>
As of June 30, 2015				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	—	13,507	—	13,507
Equity securities	68,184	—	5,081	73,265
Other	324	—	1,965	2,289
Total	<u>68,509</u>	<u>13,507</u>	<u>7,045</u>	<u>89,061</u>
Derivative liabilities	—	6,963	—	6,963
Total	<u>—</u>	<u>6,963</u>	<u>—</u>	<u>6,963</u>

16. Commitments

Commitments for the acquisition of assets after each closing date are as follows:

	(Millions of yen)	
	As of December 31, 2014	As of June 30, 2015
Acquisition of property, plant and equipment	64,832	62,645

17. Contingencies

Significant changes to the contingent liabilities described in the consolidated financial statements for the fiscal year ended December 31, 2014 are as follows:

Canada Quebec Class Action (Cecilia Letourneau):

In respect of the class action brought in September 1998, against the three Canadian tobacco manufacturers including JTI-Macdonald Corp. (hereinafter referred to as “JTI-Mac”), the Company’s Canadian subsidiary, the Quebec Superior Court rendered the first instance judgment on May 27, 2015 (publicly released on June 1, 2015), ordering the punitive damage award against the defendants of approximately ¥12.9 billion (CAD 131 million), in which the total damage award against JTI-Mac is approximately ¥1.2 billion (approximately CAD 13 million). Although the Court found that the defendants had all committed some faults, it refused to award moral damages because the evidence did not establish the total amount of the claims of class members. Moreover, the Court granted provisional execution of the judgment, ordering the defendants to pay the said damage award within 60 days of the date of the judgment.

On June 26, 2015, JTI-Mac appealed the said judgment to the Quebec Court of Appeal. Concurrently, it filed a motion to cancel the provisional execution order to the Court, which in turn granted the motion and cancelled the provisional execution order on July 23, 2015.

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

In respect of the class action brought in November 1998, against the three Canadian tobacco manufacturers including JTI-Mac, the Quebec Superior Court rendered the first instance judgment on May 27, 2015 (publicly released on June 1, 2015), ordering the joint and several damage award against the defendants of approximately ¥1,528.5 billion (CAD 15.5 billion) in compensatory damages, in which the total damage award against JTI-Mac is approximately ¥198.7 billion (CAD 2.015 billion). Given the enormity of the said damage award, the Court granted a symbolic amount of punitive damages of approximately ¥3 million (CAD 30,000) per defendant. Moreover, the Court granted provisional execution of part of the judgment, ordering the defendants to pay a portion of said damage award within 60 days of the date of the judgment (the amount of provisional execution order against JTI-Mac is approximately ¥12.8 billion (approximately CAD 130 million)).

On June 26 2015, JTI-Mac appealed the said judgment to the Quebec Court of Appeal. Concurrently, it filed a motion to cancel the provisional execution order to the Court, which in turn granted the motion and cancelled the provisional execution order on July 23, 2015.

18. Subsequent events

(1) Issuance of Straight Bonds

The Company issued Ninth, Tenth and Eleventh Series Straight Bonds with general mortgage on July 15, 2015.

The Ninth Series Straight Bonds with General Mortgage (Five Years)

1. Total amount of issue: ¥60.0 billion yen
2. Interest rate: 0.217% per annum
3. Issue price: ¥100 yen per face value of ¥100 yen
4. Redemption price: ¥100 yen per face value of ¥100 yen
5. Issue date: July 15, 2015
6. Maturity date: July 15, 2020
7. Redemption: The Bonds will be redeemed in full upon maturity. The Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds cancelled.
8. Mortgage: General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds: Repayment of short-term debts

The Tenth Series Straight Bonds with General Mortgage (Seven Years)

1. Total amount of issue: ¥30.0 billion yen
2. Interest rate: 0.358% per annum
3. Issue price: ¥100 yen per face value of ¥100 yen
4. Redemption price: ¥100 yen per face value of ¥100 yen
5. Issue date: July 15, 2015
6. Maturity date: July 15, 2022
7. Redemption: The Bonds will be redeemed in full upon maturity. The Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds cancelled.
8. Mortgage: General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds: Repayment of short-term debts

The Eleventh Series Straight Bonds with General Mortgage (10 Years)

1. Total amount of issue: ¥25.0 billion yen
2. Interest rate: 0.599% per annum
3. Issue price: ¥100 yen per face value of ¥100 yen
4. Redemption price: ¥100 yen per face value of ¥100 yen
5. Issue date: July 15, 2015
6. Maturity date: July 15, 2025
7. Redemption: The Bonds will be redeemed in full upon maturity. The Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds cancelled.
8. Mortgage: General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds: Repayment of short-term debts

(2) Transfer of shares of subsidiaries conducting vending machine operation business and JT beverage brands

The Company decided by resolution at a meeting of the Board of Directors held on May 25, 2015 to enter into a basic agreement with Suntory Beverage & Food Limited (“SBF”) to transfer all shares the Company held in its subsidiaries conducting vending machine operation business - Japan Beverage Holdings Inc. and JT A-star Co., Ltd.. The agreement also includes the transfer of JT beverage brands “Roots” and “Momono Tennensui.” Based on the basic agreement, the Company and SBF concluded a definitive agreement on July 7, 2015 and completed the transfer of the above-mentioned shares and brands on July 31, 2015. Transfer value is approximately ¥150.0 billion yen.

In addition to that, the Board of Directors resolved to withdraw from the manufacture and sale of JT beverage products on February 4, 2015. The manufacture and sale of JT beverage products is expected to be discontinued by the end of September 2015.

As a result, the reportable segments will be composed of four segments starting from the quarter ending September 30, 2015: “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business.”

2. Other

(1) Dividends

The Board of Directors, at a meeting held on August 3, 2015, declared the following interim dividends for the current fiscal year.

- | | |
|---|-------------------|
| (a) Total amount of interim dividends | ¥96,696 million |
| (b) Amount per share | ¥54.00 |
| (c) Effective date of requests for payment, and commencement date of payments | September 1, 2015 |

Note: Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of June 30, 2015.

(2) Significant Lawsuits

The significant lawsuits of the Group are as stated in “17. Contingencies” in the notes to condensed interim consolidated financial statements.

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 3, 2015

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:

Koji Ishikawa (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takenao Ohashi (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements included in the Accounting Section, namely, the condensed interim consolidated statement of financial position of Japan Tobacco Inc. (the "Company") and its consolidated subsidiaries as of June 30, 2015, 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 June 30, 2015, 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.