

[This is an English translation of summarized consolidated financial results 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. Please refer to the supplementary document “Consolidated Financial Results for FY2014 Second Quarter (April 1, 2014 through September 30, 2014)” and JT’s website (<http://www.jti.co.jp/>) for other information.]



October 30, 2014

Consolidated Financial Results for the Six Months Ended September 30, 2014 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <http://www.jti.co.jp/>
Representative: Mitsuomi Koizumi, President,
Chief Executive Officer and Representative Director
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Telephone: +81-3-3582-3111
Scheduled date to file Quarterly Securities Report: October 31, 2014
Scheduled starting date of the dividend payments: December 1, 2014
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors’ meeting: Yes (for analysts and institutional investors)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated financial results for the six months of the fiscal year ending December 31, 2014 (from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2014	1,174,450	1.3	307,065	(11.6)	302,952	(10.7)	223,149	(7.4)
September 30, 2013	1,159,116	9.6	347,363	30.8	339,075	34.5	241,057	40.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2014	219,340	(7.5)	91,884	(77.7)	120.68	120.61
September 30, 2013	237,147	40.5	411,292	187.0	130.48	130.41

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2014	4,367,184	2,569,219	2,482,349	56.8	1,365.76
March 31, 2014	4,616,766	2,596,091	2,505,610	54.3	1,378.57

Note: The comparative information was retrospectively adjusted to reflect changes in accounting policies. For details, please refer to “Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates.”

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	-	46.00	-	50.00	96.00
Year ending December 31, 2014	-	50.00			
Year ending December 31, 2014 (Forecast)			-	50.00	100.00

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2014 (from April 1, 2014 to December 31, 2014)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company	Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
Year ending December 31, 2014	2,143,000	-	514,000	-	375,000	206.32

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

Please note that the revised forecast for FY2014 does not recognise the restructuring costs regarding the proposal to restructure manufacturing facilities in Europe, since its effects on our financial performance are yet to be confirmed. However, the restructuring costs will be provisioned by the end of current fiscal year

The Company has changed its fiscal year end from March 31 to December 31. The same change has been made to consolidated subsidiaries with fiscal year ends other than December 31. Consequently, year-on-year changes are not presented.

Based on the assumption that the fiscal year of the Company and all of its consolidated subsidiaries is 12 months from January to December, consolidated earnings forecasts for the year ending December 31, 2014 (on a comparable basis) will be as follows.
(Percentages indicate year-on-year changes.)

Revenue:	¥2,423,000 million	2.1%
Adjusted operating profit:	¥645,000 million	5.2%
Operating profit:	¥586,000 million	-8.9%
Profit attributable to owners of the parent company:	¥401,000 million	-9.6%
Basic earnings per share:	¥220.63	

Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None
With the aim of creating a flexible and competitive operational structure, TableMark Co., Ltd., which runs the Group's processed food business, conducted a company split with an effective date of April 1, 2014, in which TableMark Co., Ltd. is the company conducting business operations and TableMark Holdings Co., Ltd. is a pure holding company.
- (2) Changes in accounting policies and changes in accounting estimates
- a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
- Note: For details, please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."
- (3) Number of shares issued (common stock)
- a. Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2014	2,000,000,000 shares
As of March 31, 2014	2,000,000,000 shares
 - b. Number of treasury shares at the end of the period

As of September 30, 2014	182,444,388 shares
As of March 31, 2014	182,451,988 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2014	1,817,550,984 shares
Six months ended September 30, 2013	1,817,490,693 shares

* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act have been completed.

* Proper use of earnings forecasts, and other special matters

- (1) The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to "Forward-looking statements" for the assumptions and suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
- (2) Please refer to JT's website (<http://www.jti.co.jp/>) for materials for investors' meeting.

Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation)

No items to report.

With the aim of creating a flexible and competitive operational structure, TableMark Co., Ltd., which runs the Group's processed food business, conducted a company split with an effective date of April 1, 2014, in which TableMark Co., Ltd. is the company conducting business operations and TableMark Holdings Co., Ltd. is a pure holding company.

(2) Changes in accounting policies and changes in accounting estimates

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, 2014, with the exception of the items described below.

The Group calculated income taxes for the six months ended September 30, 2014, based on the estimated average annual effective tax rate.

(Changes in accounting policies)

The accounting standards and interpretations applied by the Group effective from the first quarter ended June 30, 2014 are as follows.

	IFRS	Description of new standards/amendments
IAS39	Financial Instruments: Recognition and Measurement	Provision of the requirements for continuation of hedge accounting in line with renewals of counterparties in derivative contracts
IFRIC21	Levies	Clarification of accounting treatment of levies

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

For IFRIC21, comparative information was retrospectively adjusted in accordance with the transitional provisions.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is provided in the supplementary document "Consolidated financial results for FY2014 second quarter (April 1, 2014 through September 30, 2014)."

FORWARD-LOOKING STATEMENTS

This material contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) decrease in demand for tobacco products in key markets;
- (2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate; and
- (3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;
- (4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products.
- (5) our ability to realize anticipated results of our acquisition or other similar investments;
- (6) competition in markets in which we operate or into which we seek to expand;
- (7) deterioration in economic conditions in areas that matter to us;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials;
- (10) catastrophes, including natural disasters.

Condensed interim consolidated financial statements (IFRS)

(1) Condensed interim consolidated statement of financial position

	As of March 31, 2014 Restated*	(Millions of yen) As of September 30, 2014
Assets		
Current assets		
Cash and cash equivalents	253,219	171,943
Trade and other receivables	440,210	397,329
Inventories	550,987	527,936
Other financial assets	17,333	22,217
Other current assets	226,012	232,374
Subtotal	1,487,761	1,351,799
Non-current assets held-for-sale	1,952	44,141
Total current assets	1,489,713	1,395,941
Non-current assets		
Property, plant and equipment	779,987	764,575
Goodwill	1,584,432	1,520,064
Intangible assets	385,101	362,716
Investment property	61,421	17,973
Retirement benefit assets	16,530	9,502
Investments accounted for using the equity method	106,107	102,359
Other financial assets	92,596	96,232
Deferred tax assets	100,880	97,821
Total non-current assets	3,127,053	2,971,243
Total assets	4,616,766	4,367,184

	As of March 31, 2014 Restated*	(Millions of yen) As of September 30, 2014
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	360,025	312,887
Bonds and borrowings	195,562	129,696
Income tax payables	77,158	58,802
Other financial liabilities	9,491	8,322
Provisions	7,362	8,297
Other current liabilities	606,161	560,016
Subtotal	1,255,759	1,078,020
Liabilities directly associated with non-current assets held-for-sale	75	3,412
Total current liabilities	1,255,834	1,081,432
Non-current liabilities		
Bonds and borrowings	166,165	135,360
Other financial liabilities	17,731	20,130
Retirement benefit liabilities	340,462	347,157
Provisions	5,241	5,047
Other non-current liabilities	126,539	105,883
Deferred tax liabilities	108,703	102,957
Total non-current liabilities	764,842	716,533
Total liabilities	2,020,675	1,797,965
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(344,463)	(344,449)
Other components of equity	251,107	142,173
Retained earnings	1,762,566	1,848,225
Equity attributable to owners of the parent company	2,505,610	2,482,349
Non-controlling interests	90,481	86,870
Total equity	2,596,091	2,569,219
Total liabilities and equity	4,616,766	4,367,184

*Please refer to “Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates.”

(2) Condensed interim consolidated statement of income and consolidated statement of comprehensive income

Condensed interim consolidated statement of income

	(Millions of yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Revenue	1,159,116	1,174,450
Cost of sales	(470,797)	(473,936)
Gross profit	688,319	700,514
Other operating income	47,244	10,387
Share of profit in investments accounted for using the equity method	455	3,518
Selling, general and administrative expenses	(388,656)	(407,353)
Operating profit	347,363	307,065
Financial income	2,703	5,956
Financial costs	(10,991)	(10,069)
Profit before income taxes	339,075	302,952
Income taxes	(98,018)	(79,803)
Profit for the period	241,057	223,149
Attributable to:		
Owners of the parent company	237,147	219,340
Non-controlling interests	3,910	3,809
Profit for the period	241,057	223,149
Earnings per share		
Basic (Yen)	130.48	120.68
Diluted (Yen)	130.41	120.61

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

	(Millions of yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Operating profit	347,363	307,065
Amortization cost of acquired intangibles	12,926	14,704
Adjustment items (income)	(42,557)	(8,723)
Adjustment items (costs)	1,142	15,261
Adjusted operating profit	318,874	328,306

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Profit for the period	241,057	223,149
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	2,935	5,462
Remeasurements of defined benefit plans	(26)	(22,074)
Total of items that will not be reclassified to profit or loss	2,909	(16,612)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	167,215	(114,815)
Net gain (loss) on derivatives designated as cash flow hedges	111	163
Total of items that may be reclassified subsequently to profit or loss	167,326	(114,652)
Other comprehensive income (loss), net of taxes	170,235	(131,265)
Comprehensive income (loss) for the period	411,292	91,884
Attributable to:		
Owners of the parent company	407,634	87,992
Non-controlling interests	3,659	3,893
Comprehensive income (loss) for the period	411,292	91,884

(3) 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	Subscription rights to shares	Other components of equity		
					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, 2013	100,000	736,411	(344,573)	1,274	(171,341)	(187)	14,835
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	167,488	111	2,949
Comprehensive income (loss) for the period	—	—	—	—	167,488	111	2,949
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	1	4	(4)	—	—	—
Share-based payments	—	—	—	58	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(61)
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	1	3	54	—	—	(61)
As of September 30, 2013	100,000	736,411	(344,569)	1,328	(3,853)	(77)	17,723
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	—	—	—	—	—	—	—
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

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity					
	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2013	–	(155,420)	1,470,125	1,806,543	85,887	1,892,431
Profit for the period	–	–	237,147	237,147	3,910	241,057
Other comprehensive income (loss)	(60)	170,487	–	170,487	(252)	170,235
Comprehensive income (loss) for the period	(60)	170,487	237,147	407,634	3,659	411,292
Acquisition of treasury shares	–	–	–	(0)	–	(0)
Disposal of treasury shares	–	(4)	–	0	–	0
Share-based payments	–	58	–	58	–	58
Dividends	–	–	(69,065)	(69,065)	(1,755)	(70,819)
Changes in the ownership interest in a subsidiary without a loss of control	–	–	19	19	(1,628)	(1,610)
Transfer from other components of equity to retained earnings	60	(1)	1	–	–	–
Other increase (decrease)	–	–	–	–	1,903	1,903
Total transactions with the owners	60	53	(69,045)	(68,988)	(1,480)	(70,468)
As of September 30, 2013	–	15,120	1,638,227	2,145,189	88,066	2,233,255
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	–	–	(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

(4) Condensed interim consolidated statement of cash flows

	Six months ended September 30, 2013 Restated*	(Millions of yen) Six months ended September 30, 2014
Cash flows from operating activities		
Profit before income taxes	339,075	302,952
Depreciation and amortization	65,186	68,541
Impairment losses	331	325
Interest and dividend income	(2,500)	(5,823)
Interest expense	4,398	3,324
Share of profit in investments accounted for using the equity method	(455)	(3,518)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets, and investment property	(39,791)	(6,702)
(Increase) decrease in trade and other receivables	(4,932)	29,610
(Increase) decrease in inventories	3,550	9,112
Increase (decrease) in trade and other payables	(29,220)	(24,997)
Increase (decrease) in retirement benefit liabilities	(859)	(9,855)
(Increase) decrease in prepaid tobacco excise taxes	6,159	(11,389)
Increase (decrease) in tobacco excise tax payables	(150,344)	(50,925)
Increase (decrease) in consumption tax payables	(7,071)	31,653
Other	(55,135)	(35,053)
Subtotal	128,392	297,256
Interest and dividends received	4,401	9,496
Interest paid	(5,744)	(5,952)
Income taxes paid	(103,838)	(96,425)
Net cash flows from operating activities	23,211	204,376
Cash flows from investing activities		
Purchase of securities	(4,458)	(2,714)
Proceeds from sale and redemption of securities	19,911	1,226
Purchase of property, plant and equipment	(50,859)	(56,163)
Proceeds from sale of investment property	51,359	9,929
Purchase of intangible assets	(11,750)	(5,376)
Payments into time deposits	(339)	(321)
Proceeds from withdrawal of time deposits	4,372	323
Other	(398)	(2,101)
Net cash flows from investing activities	7,839	(55,198)

	Six months ended September 30, 2013 Restated*	(Millions of yen) Six months ended September 30, 2014
Cash flows from financing activities		
Dividends paid to owners of the parent company	(68,983)	(90,863)
Dividends paid to non-controlling interests	(1,777)	(1,136)
Capital contribution from non-controlling interests	59	—
Increase (decrease) in short-term borrowings and commercial paper	5,365	73,203
Proceeds from long-term borrowings	70	—
Repayments of long-term borrowings	(20,320)	(1,157)
Proceeds from issuance of bonds	49,395	—
Redemption of bonds	—	(170,670)
Repayments of finance lease obligations	(2,528)	(2,576)
Acquisition of treasury shares	(0)	—
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,610)	(25,876)
Other	0	0
Net cash flows from financing activities	(40,330)	(219,075)
Net increase (decrease) in cash and cash equivalents	(9,280)	(69,897)
Cash and cash equivalents at the beginning of the period	142,713	253,219
Effect of exchange rate changes on cash and cash equivalents	6,855	(11,378)
Cash and cash equivalents at the end of the period	140,288	171,943

*Please refer to “Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates.”

(5) Segment information

a. 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.

b. 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 on mainly the prevailing market price.

For the six months ended September 30, 2013

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimi- nation	Consoli- dated
	Domestic Tobacco	Inter- national Tobacco (Note 2)	Pharma- ceutical	Beverage	Processed Food	Total			
Revenue									
External revenue (Note 4)	352,334	596,225	30,413	97,187	75,841	1,152,000	7,117	–	1,159,116
Intersegment revenue	12,051	18,204	–	60	443	30,758	4,943	(35,701)	–
Total revenue	<u>364,384</u>	<u>614,429</u>	<u>30,413</u>	<u>97,247</u>	<u>76,284</u>	<u>1,182,757</u>	<u>12,060</u>	<u>(35,701)</u>	<u>1,159,116</u>
Segment profit (loss)									
Adjusted operating profit (Note 1)	<u>131,193</u>	<u>199,177</u>	<u>(5,413)</u>	<u>(730)</u>	<u>(414)</u>	<u>323,813</u>	<u>(4,783)</u>	<u>(156)</u>	<u>318,874</u>

For the six months ended September 30, 2014

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimi- nation	Consoli- dated
	Domestic Tobacco	Inter- national Tobacco (Note 2)	Pharma- ceutical	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>

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

For the six months ended September 30, 2013

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimi- nation	Consoli- dated
	Domestic Tobacco	Inter- national Tobacco (Note 2)	Pharma- ceutical	Beverage	Processed Food	Total			
Adjusted operating profit (Note 1)	131,193	199,177	(5,413)	(730)	(414)	323,813	(4,783)	(156)	318,874
Amortization cost of acquired intangibles	–	(12,926)	–	–	–	(12,926)	–	–	(12,926)
Adjustment items (income) (Note 5)	1,044	584	–	–	244	1,872	40,685	–	42,557
Adjustment items (costs) (Note 5)	–	(91)	–	–	(115)	(205)	(937)	–	(1,142)
Operating profit (loss)	132,237	186,744	(5,413)	(730)	(285)	312,554	34,965	(156)	347,363
Financial income									2,703
Financial costs									(10,991)
Profit before income taxes									<u>339,075</u>

For the six months ended September 30, 2014

(Millions of yen)

	Reportable Segments						Other (Note 3)	Elimi- nation	Consoli- dated
	Domestic Tobacco	Inter- national Tobacco (Note 2)	Pharma- ceutical	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									<u>302,952</u>

- Notes: 1. For adjusted operating profit, amortization cost of acquired intangibles, and adjustment items (income and costs) are excluded from operating profit (loss).
In addition, the key performance indicator of the Group has changed from “Adjusted EBITDA” to “Adjusted operating profit” since this quarter. Accordingly, the segment information of the comparable period was retrospectively adjusted.
2. The foreign subsidiaries group, which includes a core company of JT International S.A., that is part of the “International Tobacco Business” segment has December 31 as its fiscal year end date and the profit or loss for the period from January 1 to June 30 is included in the six months ended September 30, 2013 and 2014, respectively.
3. “Other” includes business activities relating to rent of real estate and corporate expenses relating to corporate communication and operation of the head office.
4. Core revenue as part of the “Domestic Tobacco Business” and the “International Tobacco Business” is as follows:

	(Millions of yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Domestic Tobacco	335,756	312,418
International Tobacco	559,657	602,032

5. Adjustment items (income) include restructuring income of gain on sale of real estates. Adjustment items (costs) include restructuring costs of the closing down of the factory.

The breakdown of adjustment items (costs) is as follows:

	(Millions of yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Restructuring costs	1,142	15,261
Adjustment items (costs)	1,142	15,261

Restructuring costs for the six months ended September 30, 2014 mainly relates to costs of measures to strengthen the competitiveness of “Domestic Tobacco Business.”

(6) Notes on premise of going concern

No items to report.

(7) Significant events after the reporting period

The Company decided by resolution at a meeting of the Board of Directors held on October 6, 2014, to undertake appropriate consultations with the European Works Council and employees’ representatives on the proposal to restructure manufacturing facilities in the European Union (“EU”).

According to the proposal, the facilities in Lisnafillan (Northern Ireland) and Wervik (Belgium) would cease to operate, with production moving to other facilities, potentially in Poland and Romania. Make Your Own tobacco products manufacturing in Trier (Germany) would also be relocated. This proposal would affect approximately 1,100 full-time jobs across the EU.

The impact of the proposal on the consolidated financial statements has not been confirmed at present.