JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

FOR IMMEDIATE RELEASE Tokyo, July 30, 2013

JT's Consolidated Financial Results for FY2013 First Quarter

- **Steady growth in revenue and profit, driven by an improved price/mix effect in the International Tobacco Business and the depreciation of the Japanese Yen, providing a good foundation for the 12-month forecast.**

Results for FY2013 First Quarter (April 1, 2013 through June 30, 2013)

- **Adjusted EBITDA at constant rates of exchange** increased 4.0% driven by strong top-line growth in the International Tobacco Business and the depreciation of the Japanese Yen. On a reported basis, **revenue** and **adjusted EBITDA** grew 7.0% and 13.6% respectively. **Profit attributable to owners of the parent** increased 16.1%.

- **International Tobacco Business:** At constant rates of exchange[1], adjusted EBITDA and core revenue in US dollars grew 10.5% and 2.1%, respectively, driven by an improved price/mix more than offsetting a volume decline due to industry contraction and trade inventory adjustments. Adjusted EBITDA grew 6.2% whereas core revenue remained flat. Due to the depreciation of the currency against the US dollar, core revenue and adjusted EBITDA in Japanese Yen increased 16.4% and 23.8% respectively.

- **Japanese Domestic Tobacco Business:** Mevius drove steady market share growth to 60.5% in the quarter, following a number of new product and sales initiatives. As a result, total sales volume and core revenue remained flat, while industry volume declined. Adjusted EBITDA decreased slightly by 1.1%. Underlying performance provided a good start to the full year forecast.

Forecast for FY2013

The Company maintains the current forecast for the fiscal year 2013.

Mitsuomi Koizumi, President and Chief Executive Officer of JT, commented:

"We have made a solid start to the new fiscal year. Internationally, a strong price/mix drove continued profit growth despite unfavorable volume due to industry contraction. In Japan, Mevius continued to drive steady market share growth, demonstrating that the rebranding of Mild Seven to Mevius has been completed successfully.

Looking ahead, despite a challenging business environment, we are confident that we can achieve the Business Plan 2013 targets, pursuing quality top-line growth."

Consolidated Financial Results for FY2013 First Quarter

Unit: Billions of Yen

	Apr-Jun 2012 (A)	Apr-Jun 2013 (B)	Difference (B)-(A)	Net Change (%)
Revenue	512.1	547.9	35.8	7.0
Adjusted EBITDA	156.0	177.2	21.2	13.6
Operating profit	128.6	146.5	17.9	13.9
Profit attributable to owners of the parent	84.5	98.1	13.6	16.1

At constant rates of exchange:

Adjusted EBITDA	156.0	162.2	6.2	4.0

- **Revenue**
  Revenue increased 7.0% driven by an improved price/mix effect in the International Tobacco Business and the depreciation of the Japanese Yen.

- **Adjusted EBITDA**
  Adjusted EBITDA increased 13.6% due to higher revenue. At constant rates of exchange, adjusted EBITDA grew 4.0%.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent grew 16.1% due to an increase in adjusted EBITDA.

Results by Business Segment

➢ International Tobacco Business (Financial results for January 1 – March 31, 2013)

Units: Billions of Cigarettes, Billions of Yen

	Jan-Mar 2012	Jan-Mar 2013	Net change (%)
Total shipment volume	98.9	92.6	-6.4
GFB shipment volume	61.1	58.4	-4.5
Core revenue	216.7	252.3	16.4
Adjusted EBITDA	80.0	99.0	23.8

Total[2] and GFB shipment volume were affected by industry contraction and trade inventory adjustments, mainly in the Middle East, with decreases in total and GFB shipment volume of 6.4% and 4.5%, respectively. Total shipment volume grew in France, Spain, Taiwan and Turkey. Year-on-year market share continued to grow in almost all key markets, including France, Italy, Spain, Taiwan, Turkey and the UK.

At constant rates of exchange, core revenue and adjusted EBITDA in US dollars grew 2.1% and 10.5%, respectively, driven by an improved price/mix more than compensating for volume decline. Adjusted EBITDA increased 6.2% while core revenue slightly declined by 0.1%. Core revenue and adjusted EBITDA in Japanese Yen increased 16.4% and 23.8%, respectively, due to the depreciation of the currency against the US dollar.

➢ Japanese Domestic Tobacco Business

Units: Billions of Cigarettes, Billions of Yen

	Apr-Jun 2012	Apr-Jun 2013	Net change (%)
Total sales volume	29.4	29.3	-0.2
Core revenue	165.3	165.2	-0.1
Adjusted EBITDA	76.6	75.8	-1.1

Total sales volume remained flat despite an industry volume decline of 2.0%, supported by steady market share growth led by Mevius. While core revenue remained flat, adjusted EBITDA declined 1.1%. Investment in the Mevius brand has been steadily implemented.

Since the rebranding of Mild Seven to Mevius in February 2013, there have been a number of new product and sales promotion initiatives, including the introduction in March of “Mevius Premium Menthol 8” with a clear and refreshing menthol flavor, and “Mevius Premium Menthol Option” featuring the “aroma-changing capsule” in May. As a result, Mevius drove steady market share growth to 60.5% for April - June 2013 (FY2012: 59.6%).

➢ Pharmaceutical Business

Unit: Billions of Yen

	Apr-Jun 2012 (A)	Apr-Jun 2013 (B)	Difference (B) – (A)
Revenue	12.7	16.8	4.1
Adjusted EBITDA	-3.5	-0.1	3.4

Revenue increased to ¥16.8 billion, as a result of growth in sales of Torii Pharmaceutical's Remitch® Capsules, an anti-pruritus drug for hemodialysis patients, and an anti-HIV drug, Truvada® Combination Tablets. The growth was also driven by milestone and royalty revenue related to progress in R&D of original JT compounds that have been out-licensed. Due to the increase in revenue adjusted EBITDA was -¥0.1 billion.

Clinical Development and Market Launch Highlights:

- Stribild, an anti-HIV single-tablet regimen, containing JT's original compound (JTK-303): In Japan Stribild® Combination Tablets has been marketed by Torii Pharmaceutical from May 2013. Along with being marketed in the US, EMA approval of the drug was obtained by a JT partner in May 2013. Additionally, an NDA for JTK-303 as a mono agent has been filed with the US FDA and the EMA by the partner.
- MEK inhibitor trametinib (melanoma): US FDA approval of trametinib was obtained by a JT partner in May 2013. The drug is now marketed as Mekinist™ in the US. An NDA for this drug was filed with the EMA by the JT partner in February 2013.
- JTT-751 (Hyperphosphatemia): JT submitted an NDA in Japan in January 2013 for the drug licensed from a JT partner.
- TO-194SL (Cedar pollinosis): Torii Pharmaceutical submitted an NDA in Japan for this sublingual immunotherapy drug in December 2012.

➢ Beverage Business

Unit: Billions of Yen

	Apr-Jun 2012 (A)	Apr-Jun 2013 (B)	Difference (B) – (A)
Revenue	46.5	45.9	-0.6
Adjusted EBITDA	2.6	1.0	-1.6

"Momono Tennen-sui", which has been promoted as the second flagship brand, performed solidly despite a challenging business environment. However, revenue declined ¥0.6 billion due to lower revenue in cup vending machines and increased competition in the bottle-type can coffee segment. Adjusted EBITDA decreased ¥1.6 billion. This reduction was due to lower revenue and higher expenses resulting from initiatives to strengthen the Company's trade marketing capabilities by expanding sales channels and reinforcing vending machine operations.

➢ Processed Food Business

Unit: Billions of Yen

	Apr-Jun 2012 (A)	Apr-Jun 2013 (B)	Difference (B) – (A)
Revenue	42.0	37.4	-4.6
Adjusted EBITDA	1.8	1.8	0.0

Staple food products showed steady growth. However, revenue declined ¥4.6 billion as a result of the closure in December 2012 of the processed fishery products business, with the aim of improving profitability. Excluding this negative impact, revenue grew ¥0.5 billion. Adjusted EBITDA increased slightly by 0.3% as a result of growth of staple food products despite higher raw material costs due to the depreciation of the Japanese Yen.

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.120 trillion (US$22,543 million(*)) in the fiscal year ended March 31, 2013.

**Translated at the rate of ¥94.05 per $1, as of March 29, 2013*

Notes:

[1] Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported basis and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

[2] Total shipment volume includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products and waterpipe tobacco.

Additional definitions are provided at http://www.jt.com/investors/media/definitions/index.html.

Contact: Ryohei Sugata, General Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

Results for FY2013 First Quarter

(April 1, 2013 through June 30, 2013)

-In accordance with the revised IAS 19, retrospective applications have been made to FY2012 figures at constant currency and to FY2012 reported figures.
-This retrospective did not have a material impact on the condensed interim consolidated financial statements.

1. Summary of Business Performance

(unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Revenue	512.1	547.9	+35.8	+7.0%
Operating profit	128.6	146.5	+17.9	+13.9%
Profit before income taxes	124.3	141.6	+17.2	+13.9%
Profit	86.4	99.9	+13.5	+15.6%
Profit(attributable to owners of parent company)	84.5	98.1	+13.6	+16.1%
Adjusted EBITDA[*1]	156.0	177.2	+21.2	+13.6%

1 :Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

(Reference) (unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Adjusted EBITDA at constant rates of exchange[*2]	156.0	162.2	+6.2	+4.0%

*2 :FY2012Q1-Actual
FY2013Q1- Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as FY2012Q1

2.Breakdown of Revenue

(unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Revenue	512.1	547.9	+35.8	+7.0%
Japanese domestic tobacco	173.1	173.0	-0.1	- 0.1%
Core revenue[*1]	165.3	165.2	-0.1	- 0.1%
International tobacco[*2]	233.6	271.1	+37.5	+16.0%
Core revenue[*3]	216.7	252.3	+35.6	+16.4%
Pharmaceutical	12.7	16.8	+4.1	+32.7%
Beverage	46.5	45.9	-0.6	- 1.3%
Processed foods	42.0	37.4	-4.6	- 10.9%
Others	4.2	3.7	-0.5	- 11.9%

(Reference) (unit: USD million,%)

	2012 Jan-Mar	2013 Jan-Mar	Change	Rates of Change
International tobacco Core revenue[*3]	2,731	2,729	-2	- 0.1%
International tobacco Core revenue at constant rates of exchange[*3*4]	2,678	2,734	+56	+2.1%

*1 :Excluding revenue from the distribution business of imported tobacco
*2 :International tobacco business: 3M ended Mar. 2012 and 3M ended Mar.2013
*3 :Includes revenue from waterpipe tobacco, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.
*4 :Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

3.Adjusted EBITDA by business segment[*1]

(unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Consolidated Operating profit	128.6	146.5	+17.9	+13.9%
Adjustment[*3]	27.4	30.7	+3.3	+12.0%
Adjusted EBITDA[*1]	156.0	177.2	+21.2	+13.6%
Japanese domestic tobacco Operating profit	68.2	65.7	-2.5	- 3.7%
Adjustment[*3]	8.4	10.1	+1.7	+19.7%
Adjusted EBITDA[*1]	76.6	75.8	-0.8	- 1.1%
International tobacco Operating profit[*2]	67.1	83.9	+16.8	+25.0%
Adjustment[*2*3]	12.9	15.1	+2.2	+17.3%
Adjusted EBITDA[*1*2]	80.0	99.0	+19.0	+23.8%
Pharmaceutical Operating profit	-4.3	-0.9	+3.4	-
Adjustment[*3]	0.8	0.9	+0.0	+6.6%
Adjusted EBITDA[*1]	-3.5	-0.1	+3.4	-
Beverage Operating profit	0.1	-1.6	-1.7	-
Adjustment[*3]	2.5	2.6	+0.1	+4.5%
Adjusted EBITDA[*1]	2.6	1.0	-1.6	- 61.7%
Processed Foods Operating profit	0.0	0.2	+0.1	+1166.2%
Adjustment[*3]	1.8	1.6	-0.1	- 7.7%
Adjusted EBITDA[*1]	1.8	1.8	+0.0	+0.3%
Other/Elimination Operating profit	-2.5	-0.7	+1.8	-
Adjustment[*3]	1.1	0.4	-0.6	- 60.4%
Adjusted EBITDA[*1]	-1.5	-0.3	+1.2	-

(Reference) (unit: USD million,%)

	2012 Jan-Mar	2013 Jan-Mar	Change	Rates of Change
International tobacco Adjusted EBITDA[*1]	1,008	1,070	+63	+6.2%
International tobacco Adjusted EBITDA at constant rates of exchange[*1*4]	958	1,058	+100	+10.5%

1 : Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
*2 :International tobacco business: 3M ended Mar.2012 and 3M ended Mar.2013
3 :Depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
*4 :Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

4.Consolidated financial position data

(unit: JPY billion)

	As of end of Mar.2013	As of end of Jun.2013	Change
Total Assets	3,852.6	4,024.3	+171.7
Total Equity	1,892.4	2,007.5	+115.1
Equity attributable to owners of the parent company	1,806.5	1,920.5	+113.9
BPS(attributable to owners of parent company) (yen)	993.98	1,056.67	+62.69

5.Liquidity[*]

(unit: JPY billion)

	As of end of Mar.2013	As of end of Jun.2013	Change
Liquidity	168.3	148.8	-19.5

*: Liquidity=cash and deposits+marketable securities+securities purchased under repurchase agreements

6.Interest-bearing debt[*]

(unit: JPY billion)

	As of end of Mar.2013	As of end of Jun.2013	Change
Interest-bearing debt	327.2	399.6	72.3

*: Interest-bearing debt = short-term bank loans + CP + bonds + long-term borrowings + lease obligation

7.Consolidated cash flows data

(unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Cash flows from operating activities	98.1	3.9	-94.3	-96.1%
Cash flows from investing activities	-26.4	-15.3	+11.1	–
Cash flows from financing activities	-140.5	-4.1	+136.4	–
Cash and cash equivalents, beginning of the year	404.7	142.7	-262.0	-64.7%
Foreign currency translation adjustments on cash and cash equivalents	4.8	3.7	-1.1	-22.9%
Cash and cash equivalents, end of the year[*1]	340.7	130.8	-209.9	-61.6%
FCF[*2]	72.3	-19.5	-91.8	–

*1 Included in "Cash and cash equivalents" at the end of this quarter is ¥18.7 billion (IRR 6,792.9 billion) held by the Group's Iranian subsidiary, JTI Pars PJS Co.. Due to international sanctions and other factors imposed on Iran, the subsidiary's ability to remit funds outside of Iran is restricted.

*2 :FCF is total of cash flows from operating activities and investing activities excluding the following items;
Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

8.Capital expenditures

(unit: JPY billion,%)

	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Capital expenditures	24.6	26.6	+1.9	+7.9%
Japanese domestic tobacco	11.8	8.9	-2.9	-24.5%
International tobacco[*]	7.4	10.1	+2.7	+36.6%
Pharmaceutical	0.8	0.4	-0.4	-46.0%
Beverage	2.8	4.6	+1.8	+66.0%
Processed foods	0.9	0.6	-0.4	-39.5%
Other/Elimination and corporate	0.9	2.0	+1.1	+117.9%

* : International tobacco business: 3M ended Mar. 2012 and 3M ended Mar.2013

9.Business data

【Japanese domestic tobacco business】	FY2012 Q1	FY2013 Q1	Change	Rates of Change	
JT sales volume[*]	29.4	29.3	-0.1	- 0.2%	BNU
Total demand	49.4	48.4	-1.0	- 2.0%	BNU
JT market share	59.4%	60.5%	+1.1%pt		
JT net sales after tax per 1,000 cigarettes	5,508	5,491	-17	- 0.3%	JPY

* :Sales volume of domestic duty-free and China division is excluded, which was 0.8 billion for FY2012Q1 and 0.9 billion for FY2013Q1, respectively.

【International tobacco business】	2012 Jan-Mar	2013 Jan-Mar	Change	Rates of Change	
Total shipment volume[*]	98.9	92.6	-6.3	- 6.4%	BNU
GFB shipment volume	61.1	58.4	-2.7	- 4.5%	BNU
JPY/USD rate for consolidation	79.35	92.46	+13.11	-14.2%	JPY
RUB/USD rate for consolidation	30.15	30.40	+0.25	-0.8%	RUB
GBP/USD rate for consolidation	0.64	0.64	+0.00	-1.1%	GBP
EUR/USD rate for consolidation	0.76	0.76	+0.00	+0.8%	EUR
CHF/USD rate for consolidation	0.92	0.93	+0.01	-0.9%	CHF
TWD/USD rate for consolidation	29.71	29.47	+0.55	+0.8%	TWD

* :Total shipment volume includes cigars, pipe tobacco and snus, but dose not include contract manufactured products

(unit: JPY billion,%)

<Pharmaceutical business>	FY2012 Q1	FY2013 Q1	Change	Rates of Change
R&D expenses	7.4	7.5	+0.2	+2.1%

(unit: million case,%)

<Beverage business>	FY2012 Q1	FY2013 Q1	Change	Rates of Change
Sales of JT products	8.12	7.99	-0.14	- 1.7%
Roots	4.46	4.04	-0.42	- 9.3%

	As of end of Mar.2013	As of end of Jun.2013	Change
Number of beverage vending machines[*]	262,000	264,000	+2,000
JT-owned	39,000	40,000	+1,000
Combined	83,000	84,000	+1,000
Others	140,000	140,000	+0

* :Beverage vending machines include vending machines for cans and packs, etc. and for cups owned by other companies and operated by our subsidiary. "JT-owned" vending machines are owned by JT. "Combined" vending machines are owned by our subsidiaries or affiliates ,and focus on selling JT brand Beverage but also sell non-JT brand Beverage.

Results for FY2013 First Quarter

(April 1, 2013 through June 30, 2013)

-In accordance with the revised IAS 19, retrospective applications have been made to FY2012 figures at constant currency and to FY2012 reported figures.
-This retrospective did not have a material impact on the condensed interim consolidated financial statements.

10.Account titles of P/L

(unit: JPY billion)

	FY2012 Q1	FY2013 Q1	Change
Revenue	512.1	547.9	+35.8
Cost of sales	216.8	220.5	+3.7
Gross profit	295.3	327.4	+32.1
Other Operating profit	3.0	4.7	+1.7
Gain on sale of tangible fixed assets, intangible assets and investment properties	1.6	1.7	+0.1
Others	1.4	3.0	+1.6
Share of profit of investments accounted for using the equity method	0.2	0.3	+0.0
SG&A	170.0	186.0	+16.0
Advertising expenses	3.8	4.5	+0.7
Promotion expenses	27.5	29.8	+2.3
Freight and storage cost	6.8	6.6	-0.2
Commissions	9.5	10.2	+0.7
Employee benefits expenses	61.6	67.2	+5.6
R&D expenses	13.3	13.9	+0.5
Depreciation and amortization	14.3	16.9	+2.6
Impairment losses	0.2	0.1	-0.1
Loss on sale of tangible fixed assets and investment properties	1.2	1.3	+0.1
Corporation fee for termination of leaf tobacco farming	0.0	—	+0.0
Others	31.7	35.4	+3.7
Operating profit	128.6	146.5	+17.9
Depreciation and amortization	28.2	32.2	+4.0
Restructuring-related income	-1.2	-1.6	-0.4
Restructuring-related costs	0.5	0.1	-0.3
Adjusted EBITDA *1	156.0	177.2	+21.2
Japanese domestic tobacco Operating profit	68.2	65.7	-2.5
Depreciation and amortization	9.6	11.1	+1.5
Adjustment items (income)	-1.2	-1.0	+0.2
Adjustment items (costs)	0.0	—	+0.0
Adjusted EBITDA *1	76.6	75.8	-0.8
International tobacco Operating profit *2	67.1	83.9	+16.8
Depreciation and amortization *2	12.6	15.1	+2.5
Adjustment items (income) *2	0.0	0.0	+0.0
Adjustment items (costs) *2	0.3	0.0	-0.3
Adjusted EBITDA *1*2	80.0	99.0	+19.0
Pharmaceutical Operating profit	-4.3	-0.9	+3.4
Depreciation and amortization	0.8	0.9	+0.1
Adjusted EBITDA *1	-3.5	-0.1	+3.4
Beverage Operating profit	0.1	-1.6	-1.7
Depreciation and amortization	2.5	2.6	+0.1
Adjusted EBITDA *1	2.6	1.0	-1.6
Processed Foods Operating profit	0.0	0.2	+0.1
Depreciation and amortization	1.8	1.7	-0.1
Adjustment items (income)	—	-0.1	-0.1
Adjustment items (costs)	—	0.1	+0.1
Adjusted EBITDA *1	1.8	1.8	+0.0
Others/Elimination Operating profit	-2.5	-0.7	+1.8
Depreciation and amortization	0.9	0.8	-0.1
Adjustment items (income)	0.0	-0.5	-0.4
Adjustment items (costs)	0.2	0.1	-0.1
Adjusted EBITDA *1	-1.5	-0.3	+1.2

(unit: JPY billion)

	FY2012 Q1	FY2013 Q1	Change
Financial income	1.1	1.4	+0.4
Dividend income	0.3	0.3	+0.0
Interest income	0.6	0.9	+0.3
Foreign exchange gain	—	—	—
Other	0.1	0.2	+0.1
Financial costs	5.3	6.3	+1.0
Interest expenses	2.7	2.2	-0.5
Pension/post retirement benefit	1.5	1.4	-0.1
Foreign exchange loss	0.5	2.1	+1.5
Other	0.6	0.7	+0.0
Profit before income taxes	124.3	141.6	+17.2
Income taxes	38.0	41.7	+3.7
Profit	86.4	99.9	+13.5
Owners of the parent company	84.5	98.1	+13.6
Non-controlling interests	1.9	1.8	-0.1

1 :Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

*2 :International tobacco business: 3M ended Mar.2012 and 3M ended Mar.2013

Results for FY2013 First Quarter

(April 1, 2013 through June 30, 2013)

-In accordance with the revised IAS 19, retrospective applications have been made to FY2012 figures at constant currency and to FY2012 reported figures.
-This retrospective did not have a material impact on the condensed interim consolidated financial statements.

11.Account titles of B/S

(unit: JPY billion)

	As of end of Mar.2013	As of end of Jun.2013	Change
Current assets	1,213.1	1,284.7	+71.6
Cash and cash equivalents	142.7	130.8	-11.9
Cash and deposits	121.8	120.3	-1.5
Short-term investment	21.0	10.6	-10.4
Trade and other receivables	387.8	395.4	+7.5
Notes and accounts receivable	368.0	382.8	+14.9
Other	21.5	14.4	-7.0
Allowance for doubtful accounts	-1.6	-1.9	-0.3
Inventories	473.0	490.3	+17.2
Merchandise and finished goods	133.1	150.2	+17.1
Leaf tobacco	292.0	283.7	-8.4
Other	47.9	56.4	+8.5
Other financial assets※1	29.1	21.6	-7.5
Other current assets	177.9	244.1	+66.3
Prepaid tobacco excise taxes	130.3	184.1	+53.7
Prepaid expenses	9.5	18.0	+8.5
Consumption taxes payable	10.6	10.5	-0.1
Other	27.4	31.5	+4.1
Non-current assets held for sale	2.6	2.5	-0.1
Non-current assets	2,639.4	2,739.5	+100.1
PP&E	672.3	696.9	+24.6
Cost	1,535.7	1,577.4	+41.7
Accumulated depreciation and accumulated impairment losses	-863.4	-880.5	-17.1
Land, buildings and structures	307.3	310.6	+3.3
Cost	615.7	616.1	+0.4
Accumulated depreciation and accumulated impairment losses	-308.3	-305.5	+2.9
Machinery and vehicles	271.2	277.9	+6.7
Cost	720.2	743.5	+23.3
Accumulated depreciation and accumulated impairment losses	-449.0	-465.7	-16.7
Tools, furniture and fixtures	65.3	66.9	+1.6
Cost	171.4	176.3	+4.9
Accumulated depreciation and accumulated impairment losses	-106.1	-109.4	-3.3
Construction in progress	28.5	41.6	+13.1
Cost	28.5	41.6	+13.1
Accumulated depreciation and accumulated impairment losses	–	–	–
Goodwill※2	1,316.5	1,378.5	+62.0
Cost	1,316.5	1,378.5	+62.0
Accumulated depreciation and accumulated impairment losses	–	–	–
Intangible assets	348.8	353.3	+4.5
Cost	933.1	953.5	+20.4
Accumulated depreciation and accumulated impairment losses	-584.2	-600.1	-15.9
Trademark※3	287.6	291.9	+4.3
Cost	733.7	750.4	+16.6
Accumulated depreciation and accumulated impairment losses	-446.1	-458.4	-12.3
Software	31.9	35.2	+3.3
Cost	111.6	116.8	+5.1
Accumulated depreciation and accumulated impairment losses	-79.8	-81.6	-1.8
Other	29.3	26.2	-3.1
Cost	87.7	86.4	-1.3
Accumulated depreciation and accumulated impairment losses	-58.3	-60.1	-1.8
Investment property	59.0	58.6	-0.4
Retirement benefit assets	14.8	15.9	+1.0
Investments accounted for using the equity method	22.9	23.5	+0.6
Other financial assets※3	71.8	75.5	+3.8
Deferred tax assets	133.3	137.3	+4.0
Total assets	3,852.6	4,024.3	+171.7

		As of end of Mar.2013	As of end of Jun.2013	Change
※1	Other financial assets(current & non-current)	100.9	97.2	-3.7
	Derivative assets	4.1	5.7	+1.6
	Equities	46.7	48.0	+1.3
	Bonds	15.7	15.1	-0.6
	Time deposits	5.3	1.4	-4.0
	Other	38.2	36.3	-1.9
	Allowance for doubtful accounts	-9.1	-9.3	-0.2
※2	Goodwill International tobacco cash-generating unit	1,274.0	1,336.0	+62.0
	Goodwill processed food cash-generating unit	25.4	25.4	–
※3	Trademark International tobacco business	284.9	289.2	+4.4

(unit: JPY billion)

	As of end of Mar.2013	As of end of Jun.2013	Change
Current liabilities	1,113.0	1,318.9	+206.0
Trade and other payables	312.7	289.7	-23.0
Notes and accounts payable	173.5	159.3	-14.2
Other payables	71.3	58.1	-13.2
Other	68.0	72.3	+4.4
Bonds and borrowings※4	44.3	271.9	+227.6
Income taxes payable	85.7	43.2	-42.5
Other financial libilities※4	8.6	10.2	+1.6
Provisions	5.3	4.2	-1.0
Other current liabilities※5	656.3	699.6	+43.3
Liabilities directly associated with non-current assets held-for-sale	0.1	0.1	–
Non current liabilities	847.2	697.9	-149.3
Bonds and borrowings※4	270.4	114.7	-155.7
Other financial liabilities※4	18.8	19.3	+0.5
Retirement benefit liabilities	342.6	348.5	+5.9
Provisions	4.8	5.0	+0.2
Other non-current liabilities※5	113.2	110.3	-3.0
Deferred tax liabilities	97.3	100.1	+2.8
Liabilities	1,960.1	2,016.8	+56.7
Equity	1,892.4	2,007.5	+115.1
Share capital	100.0	100.0	–
Capital surplus	736.4	736.4	+0.0
Treasury shares	-344.6	-344.6	+0.0
Other components of equity	-155.4	-70.5	+84.9
Retained earnings	1,470.1	1,499.1	+29.0
Non-controlling interests	85.9	87.0	+1.1
Total liabilities and equity	3,852.6	4,024.3	+171.7

		As of end of Mar.2013	As of end of Jun.2013	Change
※4	Bonds and borrowings(including other financial liabilities) (current & non-current)	342.1	416.1	+74.0
	Derivative liabilities	3.8	5.5	+1.7
	Short-term borrowings	23.8	91.5	+67.6
	Commercial paper	–	–	–
	Current portion of long-term borrowings	20.5	20.4	-0.1
	Current portion of bonds	–	160.1	+160.1
	Long-term borrowings	33.2	34.7	+1.5
	Bonds	237.2	80.0	-157.2
	Other	23.6	24.0	+0.5
※5	Other liabilities(current & non-current)	769.5	809.9	+40.3
	Tobacco excise taxes payable	285.8	345.7	+59.9
	Tobacco special excise taxes payable	14.5	15.5	+1.1
	Tobacco local excise taxes payable	182.4	193.6	+11.2
	Consumption taxes payable	85.4	80.7	-4.7
	Provision for bonuses	45.5	27.7	-17.8
	Compensated absences	19.8	21.1	+1.3
	Other	136.3	125.5	-10.7

Forecasts for FY 2013
(Apr, 2013-Mar, 2014)
as of April 25, 2013

-In accordance with the revised IAS 19, retrospective applications have been made to FY2012 figures at constant currency and to FY2012 reported figures.
-This retrospective did not have a material impact on the condensed interim consolidated financial statements.

1. Summary of Business Performance

(unit: JPY billion,%)

	FY2012	FY2013	Change	Rates of Change
Revenue	2,120.2	2,368.0	+247.8	+11.7%
Operating profit	532.2	616.0	+83.8	+15.7%
Profit before income taxes	509.4	598.0	+88.6	+17.4%
Profit	351.4	423.0	+71.6	+20.4%
Profit(attributable to owners of the parent)	343.6	415.0	+71.4	+20.8%
Basic EPS(yen)*1	181.07	228.34	+47.26	+26.1%
Adjusted EBITDA*2	622.0	730.0	+108.0	+17.4%
DPS(yen)	68.00	92.00	+24.00	+35.3%
Payout ratio*3	37.6%	40.3%	+2.7%pt	-
ROE(attributable to owners of the parent)*4	20.0%	20.4%	+0.4%pt	-

(Reference)

	FY2012	FY2013	Change	Rates of Change
Adjusted EBITDA at constant rates of exchange*5	622.0	660.0	+38.0	+6.1%

*1 :Based on profit attributable to owners of the parent
2 :Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
*3 :Payout ratio=Dividend per share/Basic EPS
*4 :Based on Profit attributable to owners of parent company and Equity attributable to owners of the parent company
*5 :FY2012-Actual
FY2013- Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as FY2012

2.Breakdown of Revenue

(unit: JPY billion,%)

	FY2012	FY2013	Change	Rates of Change
Revenue	2,120.2	2,368.0	+247.8	+11.7%
Japanese domestic tobacco	687.1	703.0	+15.9	+2.3%
Core revenue*1	654.0	669.0	+15.0	+2.3%
International tobacco*2	1,010.7	1,244.0	+233.3	+23.1%
Core revenue*3	943.1	1,182.0	+238.9	+25.3%
Pharmaceutical	53.2	59.5	+6.3	+11.9%
Beverage	185.5	187.0	+1.5	+0.8%
Processed Food	168.7	159.0	-9.7	-5.8%
Others	15.0	14.0	-1.0	-6.8%

(Reference) (unit: USD million,%)

	2012	2013	Change	Rates of Change
International tobacco Core revenue*2*3	11,817	12,450	+633	+5.4%
International tobacco Core revenue at constant rates of exchange*2*3*4	11,655	12,550	+895	+7.7%

*1 :Excluding revenue from the distribution business of imported tobacco
*2 :International tobacco business: Year ended 2012 and year ending 2013
*3 :Includes revenue from waterpipe tobacco, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.
*4 :Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

3.OP & Adjusted EBITDA by business segment*1

(unit: JPY billion,%)

	FY2012	FY2013	Change	Rates of Change
Consolidated Operating profit	532.2	616.0	+83.8	+15.7%
Japanese domestic tobacco	241.3	246.0	+4.7	+2.0%
International tobacco*2	289.4	375.0	+85.6	+29.6%
Pharmaceutical	-16.2	-14.0	+2.2	-
Beverage	2.3	0.5	-1.8	- 78.7%
Processed Food	-5.8	2.0	+7.8	-
Other/Elimination	21.2	6.0	-15.2	- 71.6%
Adjusted EBITDA*1	622.0	730.0	+108.0	+17.4%
Japanese domestic tobacco*1	281.3	291.0	+9.7	+3.4%
International tobacco*1*2	343.2	440.0	+96.8	+28.2%
Pharmaceutical*1	-12.7	-10.5	+2.2	-
Beverage*1	12.4	10.5	-1.9	- 15.4%
Processed Food*1	7.4	9.5	+2.1	+29.1%
Other/Elimination*1	-9.6	-10.5	-0.9	-

(Reference) (unit: USD million,%)

	2012	2013	Change	Rates of Change
International tobacco Adjusted EBITDA*1*2	4,300	4,630	+330	+7.7%
International tobacco Adjusted EBITDA at constant rates of exchange*1*2*3	4,145	4,630	+485	+11.7%

1 :Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
*2 :International tobacco business: Year ended 2012 and year ending 2013
*3 : Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

4.Consolidated cash flows data

(unit: JPY billion,%)

	FY2012	FY2013	Change	Rates of Change
FCF*	316.0	280.0	-36.0	-11.4%

* : FCF is total of cash flows from operating activities and investing activities excluding the following items;
Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

5.Capital expenditures

(unit: JPY billion,%)

	FY2012	FY2013	Change	Rates of Change
Capital expenditures	137.4	195.0	+57.6	+41.9%
Japanese domestic tobacco	71.2	63.0	-8.2	-11.6%
International tobacco*	37.5	94.0	+56.5	+150.6%
Pharmaceutical	5.8	4.0	-1.8	-30.6%
Beverage	12.0	12.0	-0.0	-0.2%
Processed Food	4.6	8.0	+3.4	+74.1%
Other/Elimination and corporate	6.3	14.0	+7.7	+121.5%

* : International business: Year ended 2012 and year ending 2013

6.Business data

【Japanese domestic tobacco business】	FY2012	FY2013	Change	Rates of Change	
JT sales volume*	116.2	119.0	+2.8	+2.4%	BNU

* : Sales volume of domestic duty-free and China division is excluded

【International tobacco business】*1	2012	2013	Change	Rates of Change	
Total shipment volume*2	436.5	432.0	-4.5	- 1.0%	BNU
GFB shipment volume	268.8	273.0	+4.2	+1.6%	BNU
JPY/USD rate for consolidation	79.81	95.00	+15.19	-16.0%	JPY
RUB/USD rate for consolidation	31.07	31.00	-0.07	+0.2%	RUB
GBP/USD rate for consolidation	0.63	0.66	+0.03	-4.4%	GBP
EUR/USD rate for consolidation	0.78	0.80	+0.02	-2.7%	EUR
CHF/USD rate for consolidation	0.94	0.96	+0.02	-2.3%	CHF
TWD/USD rate for consolidation	29.57	29.71	+0.14	-0.5%	TWD

*1: International business: Year ended 2012 and year ending 2013
*2: Total shipment volume includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products and waterpipe tobacco

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	18.4	32.5	30.0	27.5	108.4
FY2012	29.4	30.2	29.8	26.8	116.2
FY2013	29.3				

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	373.6	662.5	610.0	560.3	2,206.5
FY2012	596.7	612.9	605.2	544.2	2,358.9
FY2013	593.3				

* Retail price sales = sales volume × fixed retail price.

3. Quarterly Net Sales Excluding Excise Tax/ Revenue Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	5,444	5,516	5,509	5,515	5,502
FY2012	5,508	5,505	5,499	5,498	5,503
FY2013	5,491				

* Net sales excluding excise tax /Revenue per thousand cigarettes = (retail price sales-retailer margins-consumption tax-excise taxes) /sales volume×1,000

4. Quarterly JT Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	40.8	59.3	58.7	59.2	54.9
FY2012	59.4	59.7	59.6	59.5	59.6
FY2013	60.5				

Market Share in Growing Segments

1. 1mg Tar

(1) JT 1mg Tar Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	9.8	14.1	14.1	14.3	13.2
FY2012	14.4	14.2	14.3	14.4	14.3
FY2013	14.7				

(2) 1mg Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	24.7	23.9	24.1	24.4	24.3
FY2012	24.5	24.2	24.4	24.5	24.4
FY2013	24.5				

(3) JT Share in 1mg Tar Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	39.6	58.8	58.5	58.7	54.2
FY2012	58.8	58.7	58.6	58.8	58.7
FY2013	60.0				

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	3.2	6.3	6.6	6.9	5.8
FY2012	7.5	7.6	7.4	7.7	7.6
FY2013	8.3				

(2) Menthol Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	26.1	24.2	25.1	25.0	25.1
FY2012	25.6	25.7	25.6	26.2	25.8
FY2013	26.3				

(3) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	12.4	26.2	26.4	27.5	23.2
FY2012	29.3	29.4	28.9	29.6	29.3
FY2013	31.6				

3. JPY 440 or above*

(1) JT JPY 440 or above Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	8.1	15.1	14.9	14.8	13.4
FY2012	14.7	14.8	14.5	14.5	14.6
FY2013	14.5				

(2) JPY 440 or above Product Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	37.6	36.4	37.0	36.6	36.9
FY2012	36.6	36.9	39.5	36.6	36.7
FY2013	36.1				

(3) JT Share in JPY 440 or above Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2011	21.5	41.3	40.2	40.4	36.2
FY2012	40.1	40.2	36.7	39.7	39.9
FY2013	40.1				

Japan Tobacco Inc. Clinical Development as of July 30, 2013

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
JTK-303 (elvitegravir)	HIV infection /Oral	HIV Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV	**<u>Standalone-Agent</u>** Preparing to file (Japan)	In-house
				<u>New Single Tablet Regimen</u> (elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide) Phase3 (Japan) Global Study*	Elvitegravir; In-house Cobicistat, Emtricitabine, Tenofovir Alafenamide; In-license (Gilead Sciences)
JTT-751 (ferric citrate)	Hyperphosphatemia /Oral	Phosphate binder	Decreases serum phosphorous level by binding phosphate derived from dietary in the gastrointestinal tract	NDA filed (Japan)	In-license (Keryx Biopharmaceuticals) Co-development with Torii
JTT-851	Type 2 diabetes mellitus /Oral	G protein-coupled receptor 40 agonist	Decreases blood glucose by stimulation of glucose-dependent insulin secretion	Phase2 (Japan) Phase2 (Overseas)	In-house
JTZ-951	Anemia associated with chronic kidney disease /Oral	HIF-PHD inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD	Phase1(Japan) Phase1(Overseas)	In-house
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response	Phase1(Overseas)	In-house
JTE-052	Autoimmune/allergic diseases /Oral	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase1(Japan)	In-house
JTE-151	Autoimmune/allergic diseases /Oral	RORγ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1(Overseas)	In-house

Clinical trial phase presented above is based on the first dose.
*Part of global study conducted by Gilead Sciences

<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
elvitegravir (JTK-303)	Gilead Sciences	HIV Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV	<u>Elvitegravir</u> U.S. and EU marketing approvals submitted <u>New Single Tablet Regimen</u> (elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide) Phase3
trametinib	GlaxoSmithKline	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2)	<u>Metastatic melanoma</u> EU marketing approval submitted <u>Metastatic melanoma, trametinib+dabrafenib</u> U.S. and EU marketing approvals submitted
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells	

Updates since the previous announcement on April 25, 2013:

<In-house development>
- New single tablet regimen containing elvitegravir (JTK-303) has entered into phase 3 (part of global study conducted by Gilead Sciences).
- JTE-151 has entered into the clinical trial stage overseas.
- Developments of JTT-705 and JTT-302 have been terminated.

<Licensed compounds>
- Gilead Sciences announced that single tablet regimen containing elvitegravir has been approved in EU on May 28, 2013.
- GlaxoSmithKline announced that MEK inhibitor trametinib has been approved in the U.S. on May 29, 2013.
- GlaxoSmithKline announced the submission of supplemental New Drug Application (NDA) to the US Food and Drug Administratior for trametinib/dabrafenib combination in metastatic melanoma on July 9, 2013.
- Deleted dalcetrapib (JTT-705) due to the termination of clinical trial procedure by Roche.