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May 10, 2017

Consolidated Financial Results for the Three Months Ended March 31, 2017 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jti.co.jp/>
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Chief Executive Officer and Representative Director
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Scheduled date to file Quarterly Securities Report: May 11, 2017
Scheduled starting date of the dividend payments: –
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 three months of the fiscal year ending December 31, 2017 (from January 1, 2017 to March 31, 2017)

(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	%
Three months ended								
March 31, 2017	506,138	(5.2)	148,957	(26.9)	142,493	(28.9)	106,021	(27.6)
March 31, 2016	534,088	3.4	203,692	41.3	200,339	37.2	146,403	39.4

	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
Three months ended						
March 31, 2017	105,491	(27.5)	95,717	185.4	58.90	58.87
March 31, 2016	145,445	39.6	33,538	-	81.22	81.17

(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					
March 31, 2017	4,522,724	2,504,470	2,433,245	53.8	1,358.61
December 31, 2016	4,744,374	2,528,041	2,456,091	51.8	1,371.39

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 December 31, 2016	-	64.00	-	66.00	130.00
Year ending December 31, 2017	-				
Year ending December 31, 2017 (Forecast)		70.00	-	70.00	140.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2017 (January 1, 2017 to December 31, 2017)

(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, 2017	2,110,000	(1.6)	560,000	(5.6)	402,000	(4.7)	224.46

Note: Revisions to the consolidated earnings forecasts most recently announced: None

[Additional Information] Growth rate in adjusted operating profit at constant rates of exchange:

The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Three months ended March 31, 2017 (Cumulative)	159,320	(3.1)
Year ending December 31, 2017 (Forecast)	607,000	3.4

Note: Revisions to the consolidated earnings forecasts most recently announced: None

The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance. For details of these financial measures, please refer to "Proper use of earnings forecasts, and other special matters, (2)."

For detailed information on the consolidated financial results, please visit the Company's website (<https://www.jti.co.jp/>), where materials for investors' meeting have been released today, and refer to the quarterly securities report scheduled to be submitted on May 11, 2017.

Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
- Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
- For details, please refer to “1. Matters regarding summary information, (1) Changes in accounting policies and changes in accounting estimates.”
- (3) Number of shares issued (ordinary shares)
- Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2017	2,000,000,000 shares
As of December 31, 2016	2,000,000,000 shares
 - Number of treasury shares at the end of the period

As of March 31, 2017	209,017,467 shares
As of December 31, 2016	209,044,267 shares
 - Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2017	1,790,978,706 shares
Three months ended March 31, 2016	1,790,800,411 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* 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 suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
- (2) The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance.

Core revenue from tobacco business

Regarding tobacco business, core revenue is disclosed additionally as a breakdown of revenue. Specifically, the Domestic Tobacco Business includes revenue from the domestic duty-free market as well as from markets in China, Hong Kong and Macau that are under the control of the Company’s China Division, in addition to revenue related to emerging products, but it excludes revenue related to imported tobacco delivery charges, among others. In addition, the International Tobacco Business includes revenue related to waterpipe tobacco products and emerging products, but excludes revenue related to the distribution business and contract manufacturing, among others.

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, and restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant rates of exchange 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 year. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Attached Materials

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1. Matters regarding summary information

(1) 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 December 31, 2016, with the exception of the items described below.

The Group calculated income taxes for the three months ended March 31, 2017, 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 new interpretations from the first quarter ended March 31, 2017.

	IFRS	Description of new standards and amendments
IAS 7	Statement of Cash Flows	Additional disclosures about changes in liabilities arising from financing activities

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

(2) Revisions to the consolidated earnings forecasts most recently announced

No items to report.

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;
- (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; and
- (10) catastrophes, including natural disasters.

2. Condensed interim consolidated financial statements

(1) Condensed interim consolidated statement of financial position

	As of December 31, 2016	As of March 31, 2017
(Millions of yen)		
	<u>As of December 31, 2016</u>	<u>As of March 31, 2017</u>
Assets		
Current assets		
Cash and cash equivalents	294,157	147,873
Trade and other receivables	396,934	372,966
Inventories	558,846	548,690
Other financial assets	14,921	14,516
Other current assets	340,312	333,593
Subtotal	<u>1,605,169</u>	<u>1,417,637</u>
Non-current assets held-for-sale	<u>821</u>	<u>2,281</u>
Total current assets	1,605,990	1,419,918
Non-current assets		
Property, plant and equipment	680,835	676,778
Goodwill	1,601,987	1,589,673
Intangible assets	423,970	407,205
Investment property	18,184	18,033
Retirement benefit assets	23,680	23,524
Investments accounted for using the equity method	123,753	123,218
Other financial assets	99,358	103,464
Deferred tax assets	166,617	160,911
Total non-current assets	<u>3,138,384</u>	<u>3,102,806</u>
Total assets	<u><u>4,744,374</u></u>	<u><u>4,522,724</u></u>

	As of December 31, 2016	(Millions of yen) As of March 31, 2017
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	377,933	332,550
Bonds and borrowings	208,521	269,544
Income tax payables	54,940	49,825
Other financial liabilities	13,023	7,197
Provisions	12,529	9,717
Other current liabilities	689,629	512,711
Total current liabilities	1,356,574	1,181,545
Non-current liabilities		
Bonds and borrowings	339,036	331,494
Other financial liabilities	9,009	9,367
Retirement benefit liabilities	333,410	323,266
Provisions	4,423	4,317
Other non-current liabilities	102,221	98,995
Deferred tax liabilities	71,660	69,269
Total non-current liabilities	859,759	836,709
Total liabilities	2,216,333	2,018,254
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,413
Treasury shares	(443,822)	(443,765)
Other components of equity	(303,554)	(312,969)
Retained earnings	2,367,067	2,353,566
Equity attributable to owners of the parent company	2,456,091	2,433,245
Non-controlling interests	71,950	71,225
Total equity	2,528,041	2,504,470
Total liabilities and equity	4,744,374	4,522,724

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

Condensed interim consolidated statement of income

	(Millions of yen)	
	Three months ended March 31, 2016	Three months ended March 31, 2017
Revenue	534,088	506,138
Cost of sales	(214,671)	(199,460)
Gross profit	319,416	306,678
Other operating income	57,098	11,770
Share of profit in investments accounted for using the equity method	860	1,631
Selling, general and administrative expenses	(173,683)	(171,122)
Operating profit	203,692	148,957
Financial income	2,183	1,826
Financial costs	(5,537)	(8,290)
Profit before income taxes	200,339	142,493
Income taxes	(53,936)	(36,472)
Profit for the period	146,403	106,021
Attributable to:		
Owners of the parent company	145,445	105,491
Non-controlling interests	958	531
Profit for the period	146,403	106,021
Interim earnings per share		
Basic (Yen)	81.22	58.90
Diluted (Yen)	81.17	58.87

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

	(Millions of yen)	
	Three months ended March 31, 2016	Three months ended March 31, 2017
Operating profit	203,692	148,957
Amortization cost of acquired intangibles arising from business acquisitions	12,212	11,832
Adjustment items (income)	(56,298)	(11,197)
Adjustment items (costs)	4,779	734
Adjusted operating profit	164,385	150,326

Condensed interim consolidated statement of comprehensive income

	(Millions of yen)	
	Three months ended March 31, 2016	Three months ended March 31, 2017
Profit for the period	146,403	106,021
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	(3,129)	(262)
Remeasurements of defined benefit plans	(13,170)	(922)
Total of items that will not be reclassified to profit or loss	(16,299)	(1,184)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(95,133)	(9,297)
Net gain (loss) on derivatives designated as cash flow hedges	(1,433)	177
Total of items that may be reclassified subsequently to profit or loss	(96,566)	(9,120)
Other comprehensive income (loss), net of taxes	(112,865)	(10,305)
Comprehensive income (loss) for the period	33,538	95,717
Attributable to:		
Owners of the parent company	33,136	95,447
Non-controlling interests	402	270
Comprehensive income (loss) for the period	33,538	95,717

(3) Condensed interim consolidated statement of changes in equity

(Millions of yen)

	Equity attributable to owners of the parent company				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 2016	100,000	736,400	(444,333)	1,941	(172,473)	125	33,284
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(94,663)	(1,433)	(3,041)
Comprehensive income (loss) for the period	—	—	—	—	(94,663)	(1,433)	(3,041)
Disposal of treasury shares	—	—	196	(170)	—	—	—
Share-based payments	—	—	—	44	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(134)
Other increase (decrease)	—	—	—	—	—	889	—
Total transactions with the owners	—	—	196	(127)	—	889	(134)
As of March 31, 2016	<u>100,000</u>	<u>736,400</u>	<u>(444,138)</u>	<u>1,815</u>	<u>(267,135)</u>	<u>(420)</u>	<u>30,109</u>
As of January 1, 2017	100,000	736,400	(443,822)	1,794	(335,642)	440	29,854
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(9,047)	177	(252)
Comprehensive income (loss) for the period	—	—	—	—	(9,047)	177	(252)
Disposal of treasury shares	—	13	57	(70)	—	—	—
Share-based payments	—	—	—	24	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(134)
Other increase (decrease)	—	—	—	—	—	(115)	—
Total transactions with the owners	—	13	57	(45)	—	(115)	(134)
As of March 31, 2017	<u>100,000</u>	<u>736,413</u>	<u>(443,765)</u>	<u>1,749</u>	<u>(344,688)</u>	<u>502</u>	<u>29,469</u>

(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 January 1, 2016	—	(137,122)	2,196,651	2,451,596	69,929	2,521,524
Profit for the period	—	—	145,445	145,445	958	146,403
Other comprehensive income (loss)	(13,172)	(112,309)	—	(112,309)	(556)	(112,865)
Comprehensive income (loss) for the period	(13,172)	(112,309)	145,445	33,136	402	33,538
Disposal of treasury shares	—	(170)	(25)	0	—	0
Share-based payments	—	44	—	44	—	44
Dividends	—	—	(114,606)	(114,606)	(868)	(115,474)
Changes in the scope of consolidation	—	—	—	—	933	933
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(117)	(117)	(0)	(117)
Transfer from other components of equity to retained earnings	13,172	13,038	(13,038)	—	—	—
Other increase (decrease)	—	889	—	889	—	889
Total transactions with the owners	13,172	13,800	(127,786)	(113,790)	65	(113,725)
As of March 31, 2016	—	(235,631)	2,214,310	2,370,942	70,396	2,441,338
As of January 1, 2017	—	(303,554)	2,367,067	2,456,091	71,950	2,528,041
Profit for the period	—	—	105,491	105,491	531	106,021
Other comprehensive income (loss)	(922)	(10,043)	—	(10,043)	(261)	(10,305)
Comprehensive income (loss) for the period	(922)	(10,043)	105,491	95,447	270	95,717
Disposal of treasury shares	—	(70)	—	0	—	0
Share-based payments	—	24	—	24	1	26
Dividends	—	—	(118,203)	(118,203)	(995)	(119,198)
Changes in the scope of consolidation	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(0)	(0)	(0)	(0)
Transfer from other components of equity to retained earnings	922	788	(788)	—	—	—
Other increase (decrease)	—	(115)	—	(115)	—	(115)
Total transactions with the owners	922	628	(118,991)	(118,294)	(994)	(119,288)
As of March 31, 2017	—	(312,969)	2,353,566	2,433,245	71,225	2,504,470

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Three months ended March 31, 2016	Three months ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	200,339	142,493
Depreciation and amortization	36,406	35,207
Impairment losses	378	292
Interest and dividend income	(2,160)	(1,784)
Interest expense	1,969	2,859
Share of profit in investments accounted for using the equity method	(860)	(1,631)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(27,129)	(10,512)
(Gains) losses on sale of investments in subsidiaries	(26,116)	—
(Increase) decrease in trade and other receivables	(4,999)	14,965
(Increase) decrease in inventories	(5,460)	1,531
Increase (decrease) in trade and other payables	(29,298)	(33,042)
Increase (decrease) in retirement benefit liabilities	(6,872)	(8,055)
(Increase) decrease in prepaid tobacco excise taxes	(83,689)	6,466
Increase (decrease) in tobacco excise tax payables	(100,793)	(140,469)
Increase (decrease) in consumption tax payables	(1,159)	(10,231)
Other	(18,565)	(27,468)
Subtotal	(68,009)	(29,381)
Interest and dividends received	1,421	971
Interest paid	(1,506)	(1,554)
Income taxes paid	(104,205)	(40,556)
Net cash flows from operating activities	(172,299)	(70,520)
Cash flows from investing activities		
Purchase of securities	(234)	(1,693)
Proceeds from sale and redemption of securities	644	1,347
Purchase of property, plant and equipment	(22,660)	(26,740)
Proceeds from sale of investment property	28,462	11,386
Purchase of intangible assets	(2,346)	(3,101)
Payments into time deposits	(195)	(201)
Proceeds from withdrawal of time deposits	187	190
Payments for business combinations	(586,796)	—
Proceeds from sale of investments in subsidiaries	26,989	—
Other	(2,901)	(3,563)
Net cash flows from investing activities	(558,852)	(22,375)

	Three months ended March 31, 2016	(Millions of yen) Three months ended March 31, 2017
Cash flows from financing activities		
Dividends paid to owners of the parent company	(113,573)	(117,000)
Dividends paid to non-controlling interests	(479)	(617)
Increase (decrease) in short-term borrowings and commercial paper	484,785	64,085
Repayments of long-term borrowings	(62)	(62)
Repayments of finance lease obligations	(138)	(147)
Other	0	0
Net cash flows from financing activities	370,532	(53,742)
Net increase (decrease) in cash and cash equivalents	(360,619)	(146,636)
Cash and cash equivalents at the beginning of the period	526,765	294,157
Effect of exchange rate changes on cash and cash equivalents	(6,910)	352
Cash and cash equivalents at the end of the period	159,235	147,873

(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 for 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 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 four segments: “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical 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 “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods, bakery products and seasonings.

b. Revenues and performances of reportable segments

Revenues and performances of 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 segment performance. Transactions within the segments are based mainly on prevailing market prices.

For the three months ended March 31, 2016

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	168,370	301,843	21,549	39,415	531,177	2,911	—	534,088
Intersegment revenue	5,699	8,803	—	5	14,507	2,297	(16,804)	—
Total revenue	<u>174,068</u>	<u>310,647</u>	<u>21,549</u>	<u>39,420</u>	<u>545,684</u>	<u>5,208</u>	<u>(16,804)</u>	<u>534,088</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>65,747</u>	<u>99,508</u>	<u>3,185</u>	<u>1,164</u>	<u>169,604</u>	<u>(5,017)</u>	<u>(202)</u>	<u>164,385</u>

For the three months ended March 31, 2017

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	151,783	290,784	23,217	38,271	504,055	2,083	—	506,138
Intersegment revenue	2,512	7,240	—	6	9,757	2,318	(12,075)	—
Total revenue	<u>154,294</u>	<u>298,024</u>	<u>23,217</u>	<u>38,276</u>	<u>513,812</u>	<u>4,401</u>	<u>(12,075)</u>	<u>506,138</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>57,204</u>	<u>91,975</u>	<u>5,061</u>	<u>1,172</u>	<u>155,412</u>	<u>(5,075)</u>	<u>(11)</u>	<u>150,326</u>

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

For the three months ended March 31, 2016

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	65,747	99,508	3,185	1,164	169,604	(5,017)	(202)	164,385
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(8,151)	—	—	(12,212)	—	—	(12,212)
Adjustment items (income) (Note 4)	1	—	—	—	1	56,297	—	56,298
Adjustment items (costs) (Note 4)	185	(738)	—	(1)	(554)	(4,225)	—	(4,779)
Operating profit (loss)	61,872	90,619	3,185	1,163	156,839	47,055	(202)	203,692
Financial income								2,183
Financial costs								(5,537)
Profit before income taxes								200,339

For the three months ended March 31, 2017

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	57,204	91,975	5,061	1,172	155,412	(5,075)	(11)	150,326
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(7,770)	—	—	(11,832)	—	—	(11,832)
Adjustment items (income) (Note 4)	—	13	—	—	13	11,184	—	11,197
Adjustment items (costs) (Note 4)	(10)	(119)	—	—	(130)	(604)	—	(734)
Operating profit (loss)	53,132	84,099	5,061	1,172	143,464	5,504	(11)	148,957
Financial income								1,826
Financial costs								(8,290)
Profit before income taxes								142,493

- (Note 1) For adjusted operating profit, amortization cost of acquired intangibles arising from business acquisitions, and adjustment items (income and costs) are excluded from operating profit (loss).
- (Note 2) “Other” includes business activities relating to rent of real estate and corporate expenses relating to corporate communication and operation of the head office.
- (Note 3) Core revenue as part of the “Domestic Tobacco Business” and the “International Tobacco Business” is as follows:

	(Millions of yen)	
	Three months ended March 31, 2016	Three months ended March 31, 2017
Domestic Tobacco	160,593	143,900
International Tobacco	284,669	275,974

- (Note 4) “Adjustment items (income)” include restructuring income of gain on sale of real estate. “Adjustment items (costs)” include restructuring costs of the closing down of a factory.
The breakdown of “Adjustment items (costs)” is as follows:

	(Millions of yen)	
	Three months ended March 31, 2016	Three months ended March 31, 2017
Restructuring costs	4,779	734
Adjustment items (costs)	4,779	734

Restructuring costs for the three months ended March 31, 2016 mainly relate to disposal of real estate.

(6) Notes on premise of going concern

No items to report