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Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	October 29, 2021
Quarterly accounting period:	Third quarter of the 37th term (from July 1, 2021 to September 30, 2021)
Company name (Japanese):	日本たばこ産業株式会社 (Nihon Tabako Sangyo Kabushiki-Kaisha)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

Term	Nine months ended September 30, 2020	Nine months ended September 30, 2021	36th term
Accounting period	From January 1, 2020 to September 30, 2020	From January 1, 2021 to September 30, 2021	From January 1, 2020 to December 31, 2020
Revenue [Third quarter] (Millions of yen)	1,592,097 [561,879]	1,766,075 [621,536]	2,092,561
Profit before income taxes (Millions of yen)	345,558	463,821	420,063
Profit for the period (Millions of yen)	259,621	340,285	312,029
Profit attributable to owners of the parent company [Third quarter] (Millions of yen)	257,948 [85,452]	338,813 [113,623]	310,253
Comprehensive income (loss) for the period (Millions of yen)	45,112	520,781	132,883
Total equity (Millions of yen)	2,513,637	2,866,542	2,599,495
Total assets (Millions of yen)	5,243,734	5,629,865	5,381,382
Basic earnings per share [Third quarter] (Yen)	145.40 [48.16]	190.95 [64.03]	174.88
Diluted earnings per share (Yen)	145.33	190.87	174.80
Ratio of equity attributable to owners of the parent company to total assets (%)	46.42	49.56	46.88
Net cash flows from operating activities (Millions of yen)	398,159	428,933	519,833
Net cash flows from investing activities (Millions of yen)	(43,581)	(70,101)	5,354
Net cash flows from financing activities (Millions of yen)	(208,154)	(291,334)	(297,404)
Cash and cash equivalents at the end of the period (Millions of yen)	458,133	630,655	538,844

Notes: 1. The Group prepares the consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS").

2. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.

3. The yen amounts are rounded to the nearest million.

4. Revenue does not include consumption taxes.

2. Business Description

During the nine months ended September 30, 2021, there were neither material changes in the business of the Group (the Company, 237 consolidated subsidiaries and 13 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

II. Review of Operations

1. Business and Other Risks

During the nine months ended September 30, 2021, there were no new businesses or other risks.

There were no material changes to the items regarding business and other risks mentioned in the previous fiscal year's Annual Securities Report.

Concerning the spread of the novel coronavirus disease (COVID-19), the Group continues to conduct business operations of each business fully in compliance with the policies and directives of the governments and relevant authorities of each country, and nothing is obstructing business continuity at present. For the nine months ended September 30, 2021, due to the impact of the spread of COVID-19, travel restrictions in various countries continued, and although sales volume in the duty-free market increased compared to the same period of the previous fiscal year in the tobacco business, it was unable to reach the level prior to the spread of COVID-19. In contrast, in the International Tobacco Business, industry volume remained strong in several markets due to travel restrictions. In addition, in the Processed Food Business, sales of food-service products within the frozen and ambient food business continued to decrease due to factors such as the impact of requests to restrict bar and restaurant operations. With regard to the impacts of the spread of COVID-19, it is necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country going forward. Because it is difficult at this time to predict when the spread of COVID-19 will be brought under control and its future impact, COVID-19 may negatively affect the Group's business performance.

At present, there are no problems in procuring the necessary funds for business operations, and the amount of credit available through commitment lines is sufficient.

2. Management Analysis of Financial Position, Operating Results and Cash Flows

Major notes concerning the operating results from the viewpoint of the management are as follows.

Matters concerning the future in this document were determined as of September 30, 2021.

(Non-GAAP Financial Measures)

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.

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, restructuring income and costs, and other items.

Furthermore, growth rate in adjusted operating profit at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant FX is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year and the increase in revenue or profit caused by inflation in some markets calculated using certain methods from core revenue or from adjusted operating profit for the current period in the International Tobacco Business.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 "Financial Reporting in Hyperinflationary Economies" (hereinafter referred to as "IAS 29"). However, the impact of IAS 29 is not included in core revenue from the tobacco business and adjusted operating profit at constant FX.

(Core Revenue From Tobacco Business)

Regarding tobacco business, core revenue is disclosed. 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 RRP, little cigars and the like, 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 RRP, but excludes revenue related to the distribution business and contract manufacturing, among others. Furthermore, growth rate in US dollar-based core revenue from the tobacco business at constant FX is also presented as additional information.

(RRP)

Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as T-Vapor products and E-Vapor products.

T-Vapor products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate tobacco vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy.

Conversely, E-Vapor products do not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy.

The Group is committed to developing, testing and bringing to market such new and innovative products for sustainable growth.

Analyses and examinations concerning the operating results from the viewpoint of the management are as follows.

(1) Business Results

a. Consolidated results

	(Billions of yen)		
	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Revenue	1,592.1	1,766.1	10.9%
Adjusted operating profit	441.5	542.9	23.0%
Operating profit	390.2	480.7	23.2%
Profit attributable to owners of the parent company	257.9	338.8	31.3%

<Revenue>

Revenue increased by 10.9% from the same period of the previous year to ¥1,766.1 billion, with declines in the Pharmaceutical Business and the Processed Food Business being offset by increases in the Domestic Tobacco Business and the International Tobacco Business. Due to the impact of the spread of COVID-19, travel restrictions in various countries continued, and although sales volume in the duty-free market increased compared to the same period of the previous fiscal year in the tobacco business, it was unable to reach the level prior to the spread of COVID-19. In contrast, in the International Tobacco Business, industry volume remained strong in several markets due to travel restrictions. In addition, in the Processed Food Business, sales of food-service products within the frozen and ambient food business continued to decrease due to factors such as the impact of requests to restrict bar and restaurant operations.

<Adjusted operating profit>

Adjusted operating profit at constant FX increased by 21.9% from the same period of the previous year driven by growth in the Domestic Tobacco Business, the International Tobacco Business and the Processed Food Business partially offset by a decrease in the Pharmaceutical Business. Adjusted operating profit including foreign exchange effects increased by 23.0% from the same period of the previous year to ¥542.9 billion, due mainly to favorable foreign exchange effects in the International Tobacco Business.

<Operating profit>

Operating profit increased by 23.2% from the same period of the previous year to ¥480.7 billion due mainly to an increase in adjusted operating profit.

<Profit attributable to owners of the parent company>

Profit attributable to owners of the parent increased by 31.3% from the same period of the previous year to ¥338.8 billion, due mainly to an increase in operating profit and an improvement in financing costs.

b. Operating segments

Domestic Tobacco Business

(Billions of cigarettes, Billions of yen)

Domestic Tobacco Business	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Cigarette industry volume ^(Note 1)	90.0	82.2	(8.7)%
Cigarette sales volume ^(Note 2)	54.0	49.0	(9.3)%
RRP industry volume ^(Note 3)	30.5	34.4	12.6%
RRP sales volume ^(Note 4)	3.0	3.4	12.5%
Core revenue	394.8	405.2	2.6%
Adjusted operating profit	139.0	162.1	16.6%

<Cigarette sales volume and RRP sales volume>

Cigarette industry volume decreased 8.7% from the same period of the previous year to 82.2 billion cigarettes, due to the natural decline trend, the growth in the RRP category, and the impact of price revision in October 2020, etc. The Company's cigarette sales volume fell by 9.3% from the same period of the previous year to 49.0 billion cigarettes due to a decline in cigarette industry volume as well as our cigarette market share loss. Cigarette market share of the Company decreased by 0.4 percentage points from the same period of the previous year to 59.6% due to the shift to RRP and intensified competition among low-end products caused by downtrading.

RRP industry volume increased by 12.6% from the same period of the previous year to 34.4 billion cigarettes, and the share of the market was 29.5%. In addition to the increase in RRP industry volume, the Company's RRP sales volume increased by 12.5% from the same period of the previous year to 3.4 billion cigarette equivalent units, due to the launch of new RRP products, resulting in a market share for the Company of 9.8% in the RRP category.

Combined cigarette industry and RRP volume decreased by 3.3% from the same period of the previous year to 116.6 billion cigarettes, while the Company's sales volume decreased by 8.2% to 52.3 billion cigarettes, and the Company's market share declined by 2.4 percentage points to 44.9%.

<Core revenue from tobacco business and adjusted operating profit>

Core revenue from the tobacco business grew by 2.6% from the same period of the previous year due to a positive cigarette price/mix variance and an increase in RRP-related revenue ^(Note 4), despite the impact of lower cigarette sales volume. RRP-related revenue increased by ¥3.7 billion from the same period of the previous year to ¥46.3 billion mainly due to an increase in RRP sales volume.

Adjusted operating profit grew 16.6% from the same period of the previous year, due to a positive cigarette price/mix variance in addition to the increase in core revenue from the tobacco business.

(Note: 1) Cigarette industry volume includes sales volume for the whole Japanese cigarette market. Note also that the figure stated above includes little cigars but excludes RRP.

(Note: 2) In addition to the figure stated above for sales volume, during the nine months ended September 30, 2021, 1.3 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under

the control of the Company's China Division (1.3 billion cigarettes in the same period of the previous year). Note also that the figure stated above includes little cigars but excludes RRP.

(Note: 3) RRP industry volume includes sales volume for the whole Japanese RRP market (converted at the equivalent of 20 cigarettes per pack). Note also that the figure stated above excludes devices and associated accessories, etc.

(Note: 4) RRP sales volume does not include sales volume sold at duty-free shops in Japan. Also, RRP-related revenue includes revenue from duty-free shops in Japan and revenue from devices and associated accessories, etc.

(Note: 5) Figures for cigarette industry volume and market share were estimated by the Company.

International Tobacco Business

(Billions of cigarettes, Billions of yen)

International Tobacco Business	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Total shipment volume ^(Note 6)	330.0	348.9	5.7%
GFB shipment volume ^(Note 7)	213.2	235.2	10.3%
Core revenue	956.5	1,126.9	17.8%
Adjusted operating profit	314.8	399.0	26.7%

(Millions of US dollars)

International Tobacco Business [US dollar-based]	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Core revenue	8,901	10,359	16.4% [11.7%]
Adjusted operating profit	2,929	3,673	25.4% [25.0%]

* The figures in parentheses "[]" show change from the same period of the previous year at constant FX (US dollar-based)

<Total shipment volume and market share>

Total shipping volume increased by 5.7% from the same period of the previous year to 348.9 billion cigarettes, due to rising market share, the favorable inventory adjustments, and increases in industry volume in multiple markets due to travel restrictions caused by COVID-19. Total shipment volume excluding the favorable inventory adjustments rose by 5.4% from the same period of the previous year. Market share continued to grow in various markets, including the key markets of Italy, the U.K., Spain, Taiwan, Turkey, France, Russia, etc.

GFB shipment volume rose by 10.3% from the same period of the previous year to 235.2 billion cigarettes, with the robust performance of Winston (+9.8%), Camel (+23.6%) and MEVIUS (+2.8%) more than offsetting the decline of LD (-0.4%).

<Core revenue from tobacco business and adjusted operating profit>

Core revenue from the tobacco business and adjusted operating profit increased by 17.8% and 26.7%, respectively, from the same period of the previous year as a result of favorable volume effects, pricing and foreign exchange effects.

US dollar-based core revenue from the tobacco business including foreign exchange effects increased by 16.4% from the same period of the previous year as a result of the effects of favorable pricing and the volume effects in Russia, etc. At constant FX, it increased by 11.7% from the same period of the previous year.

US dollar-based adjusted operating profit including foreign exchange effects rose by 25.4% from the same period of the previous year, due to the effects of favorable pricing, volume effects and other factors, despite increased investments in RRP, etc. At constant FX, it increased by 25.0% from the same period of the previous year.

The Regional Breakdown of International Tobacco Business ^(Note 8)

Results of International Tobacco Business in each region are as follows.

(Billions of cigarettes, Billions of yen, Millions of US dollars)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
South and West Europe			
Total shipment volume ^(Note 6)	51.8	53.9	4.1%
GFB shipment volume ^(Note 7)	43.4	45.9	5.6%
Core revenue	172.0	191.4	11.3%
Core revenue [US dollar-based]	1,599	1,763	10.2% [3.7%]
North and Central Europe			
Total shipment volume ^(Note 6)	47.5	51.5	8.5%
GFB shipment volume ^(Note 7)	24.9	28.5	14.4%
Core revenue	202.6	241.0	18.9%
Core revenue [US dollar-based]	1,885	2,217	17.6% [9.1%]
CIS+			
Total shipment volume ^(Note 6)	92.9	96.5	3.8%
GFB shipment volume ^(Note 7)	62.7	69.0	9.9%
Core revenue	229.0	259.5	13.3%
Core revenue [US dollar-based]	2,130	2,387	12.1% [15.1%]
Rest-of-the-World			
Total shipment volume ^(Note 6)	137.8	147.0	6.7%
GFB shipment volume ^(Note 7)	82.2	91.9	11.8%
Core revenue	352.9	435.1	23.3%
Core revenue [US dollar-based]	3,286	3,992	21.5% [15.0%]

* The figures in parentheses “[]” show change from the same period of the previous year at constant FX (US dollar-based)

(Note: 6) Includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and T-Vapor products, except for contract manufacturing products, waterpipe tobacco products and E-Vapor products.

(Note: 7) GFB (Global Flagship Brands) consists of four brands, which serve as flagships of the Group's brand portfolio - Winston, Camel, MEVIUS, LD.

(Note: 8) To make the Group's International Tobacco Business more deeply understood, this segment has been divided into four regions (South and West Europe, North and Central Europe, CIS+ and Rest-of-the-World). South and West Europe includes France, Italy and Spain; North and Central Europe includes Germany and the U.K.; CIS+ includes Romania and Russia; and Rest-of-the-World includes Iran, Taiwan and Turkey.

* The exchange rates of currencies against the US dollar were as follows.

Foreign exchange rate per US dollar	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change	
USD/JPY	107.55	108.58	1.03	1.0% depreciation
USD/RUB	70.69	74.01	3.32	4.5% depreciation
USD/GBP	0.79	0.72	(0.07)	9.1% appreciation
USD/EUR	0.89	0.84	(0.05)	6.5% appreciation
USD/CHF	0.95	0.91	(0.04)	4.3% appreciation
USD/TWD	29.79	27.97	(1.82)	6.5% appreciation
USD/TRY	6.72	8.09	1.37	16.9% depreciation
USD/IRR ^(Note 9)	253,917	233,660	(20,257)	8.7% appreciation

(Note: 9) In accordance with IAS 29, the currency rates as of September 30, 2020 and September 30, 2021 have been applied when converting financial statements of subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the quarter-end rates are also applied upon conversions from the US dollar to the Japanese yen. (As of September 30, 2021: USD/JPY: 111.92; as of September 30, 2020: USD/JPY: 105.80)

Pharmaceutical Business

(Billions of yen)

Pharmaceutical Business	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Revenue	57.5	56.8	(1.3)%
Adjusted operating profit	12.6	6.6	(47.6)%

<Revenue and adjusted operating profit>

Despite an increase in sales for consolidated subsidiary of the Company Torii Pharmaceutical Co., Ltd., revenue decreased by 1.3% from the same period of the previous year due mainly to lower royalty revenue overseas.

Adjusted operating profit decreased by 47.6% from the same period of the previous year due mainly to an increase in research and development expenses and a decline in profit at Torii Pharmaceutical, in addition to the decline in revenue.

Processed Food Business

(Billions of yen)

Processed Food Business	Nine months ended September 30, 2020	Nine months ended September 30, 2021	Change
Revenue	108.6	106.7	(1.8)%
Adjusted operating profit	0.9	2.4	175.4%

<Revenue and adjusted operating profit>

Revenue decreased by 1.8% from the same period of the previous year due mainly to a relative decline in demand for household products in the frozen and ambient food business, which had temporarily increased in the same period of the previous year, as well as the impact of the withdrawal of some products in the business.

Adjusted operating profit increased by 175.4% from the same period of the previous year, due mainly to a receipt of one-time fire insurance claim related to a fire at our subsidiary's factory in January 2021, and the decrease in amortization cost this fiscal year that resulted from the impairment loss of assets such as factories and shops in the bakery business that was recorded in the previous fiscal year.

(2) Financial Position and Cash Flow Position

a. Financial position

Assets

Total assets at the end of the nine months ended September 30, 2021 increased by ¥248.5 billion from the end of the previous fiscal year to ¥5,629.9 billion. This was mainly due to an increase in goodwill caused by foreign exchange effects.

Liabilities

Total liabilities at the end of the nine months ended September 30, 2021 decreased by ¥18.6 billion from the end of the previous fiscal year to ¥2,763.3 billion. This was mainly due to the redemption of bonds and a decrease in trade and other payables, despite the issuance of bonds and an increase in short-term borrowings.

Equity

Total assets at the end of the nine months ended September 30, 2021 increased by ¥267.0 billion from the end of the previous fiscal year to ¥2,866.5 billion. This was mainly due to a rise in exchange differences on translation of foreign operations, in addition to an increase in retained earnings as a result of the recording of profit attributable to owners of the parent company.

b. Cash flow position

Cash and cash equivalents at the end of the nine months ended September 30, 2021 increased by ¥172.5 billion from the end of the previous fiscal year to ¥630.7 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥458.1 billion.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the nine months ended September 30, 2021 were ¥428.9 billion, compared with ¥398.2 billion provided in the same period of the previous year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of national and international tobacco excise taxes and income taxes as well as payments of trade and other payables.

The last day of the previous fiscal year was a holiday for financial institutions. As a result, the amount of national tobacco excise tax payable for the nine months ended September 30, 2021 is for ten months.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the nine months ended September 30, 2021 were ¥70.1 billion, compared with ¥43.6 billion used in the same period of the previous year. This was mainly due to the purchase of property, plant and equipment, and intangible assets.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the nine months ended September 30, 2021 were ¥291.3 billion, compared with ¥208.2 billion used in the same period of the previous year. This was mainly due to the redemption of bonds and payment of cash dividends, despite the proceeds from the issuance of bonds.

(3) Management Policy, Management Strategy, Etc.

During the nine months ended September 30, 2021, there were no material changes in management policy, management strategy, etc. stipulated by the Group mentioned in the previous fiscal year's Annual Securities Report.

(4) Operational and Financial Issues to Be Addressed

During the nine months ended September 30, 2021, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year's Annual Securities Report.

(5) Research and Development Activities

Research and development expenses of the entire Group during the nine months ended September 30, 2021, were ¥46.8 billion.

During the nine months ended September 30, 2021, there were no material changes in the status of the Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

(6) Plans for New Installation and Retirement of Facilities

As of the end of the six months ended June 30, 2021, the plan for capital expenditures (facility construction and expansion) for the whole of the fiscal year under review was set at ¥132.0 billion, but at the end of the nine months ended September 30, 2021, this was revised to ¥112.0 billion.

Moreover, there were no material changes in the main details and purposes of the capital expenditures by segment mentioned in the previous fiscal year's Annual Securities Report.

(7) Analysis of Capital Resources and Liquidity of Funds

a. Funding requirements

Funds are mainly allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans, the payment of interest and dividends, the acquisition of treasury shares and the payment of income taxes.

b. Resources of funds

The necessary funds are mainly procured from net cash flows from operating activities, loans from financial institutions and bond and commercial paper issuances.

<Cash flows>

Please refer to “(2) Financial Position and Cash Flow Position, b. Cash flow position.”

<Interest-bearing debt>

Long-term debt

Bonds issued (including the current portion) as of December 31, 2020 and as of September 30, 2021 accounted for ¥702.3 billion and ¥705.9 billion respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥205.0 billion and ¥197.1 billion respectively.

Short-term debt

Short-term borrowings from financial institutions totaled ¥51.6 billion as of December 31, 2020 and ¥64.0 billion as of September 30, 2021. There was no commercial paper outstanding on both periods.

c. Liquidity

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of September 30, 2021, the Group had committed lines of credit from major financial institutions both domestic and international. In addition, the Group has a commercial paper program, uncommitted lines of credit, a domestic bond shelf registration, and a euro MTN program.

3. Important Operational Contracts

No important operational contracts were determined or entered into during the third quarter ended September 30, 2021.

III. Filing Company

1. Information on the Company's Shares

(1) Total Number of Shares Authorized

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of shares issued (Share; as of September 30, 2021)	Number of shares issued (Share; as of the date of filing: October 29, 2021)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange (First Section)	(Note 2)
Total	2,000,000,000	2,000,000,000	—	—

Notes: 1. The provisions of Article 2 of the Act on Japan Tobacco Inc. prescribe that the Japanese government must continue to hold more than one-third of all shares issued by the Company (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders).
2. The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

(2) Status of Subscription Rights to Shares

a. Stock options

No items to report.

b. Other status of subscription rights to shares

No items to report.

(3) Exercise of Bond Certificates With Subscription Rights to Shares With Exercise Price Amendment Clause

No items to report.

(4) Trends in Total Number of Shares Issued and Share Capital

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
July 1, 2021 to September 30, 2021	—	2,000,000	—	100,000	—	736,400

(5) Status of Major Shareholders

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

(6) Status of Voting Rights

a. Shares issued

(as of September 30, 2021)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares)	Ordinary shares 225,479,000	—	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,928,400	17,739,284	(Note 2)
Shares less than one unit	Ordinary shares 592,600	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,739,284	—

Notes: 1. The number of “Shares with full voting rights (Other)” includes 33,600 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 336 units of voting rights related to shares with full voting rights in its name.

2. The Company’s standard class of shares with no rights limitations. Its share trading unit is 100 shares.

3. Includes 54 shares of treasury shares.

b. Treasury shares

(as of September 30, 2021)

Name of shareholder	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomon 4-chome, Minato-ku, Tokyo, Japan	225,479,000	—	225,479,000	11.28
Total	—	225,479,000	—	225,479,000	11.28

Note: The treasury shares of 238,400 shares were allotted on May 25, based on the allocation of treasury shares towards the Restricted Stock Remuneration Plan, which was resolved at the meeting of the Board of Directors of the Company held on April 30, 2021.

2. Status of Officers

After filing the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the nine months ended September 30, 2021.

IV. Accounting

1. Preparation Policy for the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the “Company”) are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (hereinafter referred to as “IAS 34”), pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Ordinance on QCFS”).

Figures stated in the condensed interim consolidated financial statements are rounded to the nearest million yen.

2. Audit Certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for this third quarter period (from July 1, 2021 to September 30, 2021) and for the nine months ended September 30, 2021 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

	As of December 31, 2020	(Millions of yen) As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalents (Note 6)	538,844	630,655
Trade and other receivables	412,144	486,139
Inventories	539,762	540,213
Other financial assets	18,828	18,262
Other current assets	493,992	494,742
Subtotal	2,003,570	2,170,011
Non-current assets held for sale	348	258
Total current assets	2,003,919	2,170,269
Non-current assets		
Property, plant and equipment (Note 7)	759,290	758,062
Goodwill (Note 7)	1,909,392	2,037,154
Intangible assets (Note 7)	363,604	324,593
Investment property	4,744	3,962
Retirement benefit assets	70,528	76,711
Investments accounted for using the equity method	40,230	45,146
Other financial assets	107,143	104,036
Deferred tax assets	122,534	109,932
Total non-current assets	3,377,464	3,459,596
Total assets	5,381,382	5,629,865

	As of December 31, 2020	(Millions of yen) As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	436,540	426,115
Bonds and borrowings (Note 8)	141,469	167,136
Income tax payables	46,462	39,713
Other financial liabilities	27,588	29,874
Provisions	19,420	19,794
Other current liabilities	652,314	655,298
Total current liabilities	1,323,793	1,337,929
Non-current liabilities		
Bonds and borrowings (Note 8)	817,412	799,889
Other financial liabilities	50,164	46,852
Retirement benefit liabilities	331,752	307,985
Provisions	31,338	25,694
Other non-current liabilities	162,982	171,038
Deferred tax liabilities	64,447	73,937
Total non-current liabilities	1,458,095	1,425,394
Total liabilities	2,781,888	2,763,323
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(491,507)	(490,907)
Other components of equity	(605,776)	(437,565)
Retained earnings	2,783,718	2,882,117
Equity attributable to owners of the parent company	2,522,834	2,790,045
Non-controlling interests	76,660	76,497
Total equity	2,599,495	2,866,542
Total liabilities and equity	5,381,382	5,629,865

(2) Condensed Interim Consolidated Statement of Income
(For the nine-month period)
Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Revenue (Notes 5, 10)	1,592,097	1,766,075
Cost of sales	(671,038)	(708,648)
Gross profit	921,058	1,057,427
Other operating income (Note 11)	5,250	10,265
Share of profit in investments accounted for using the equity method	3,038	3,542
Selling, general and administrative expenses (Note 12)	(539,166)	(590,538)
Operating profit (Note 5)	390,181	480,696
Financial income (Note 13)	5,832	15,812
Financial costs (Note 13)	(50,454)	(32,687)
Profit before income taxes	345,558	463,821
Income taxes	(85,937)	(123,536)
Profit for the period	259,621	340,285
Attributable to		
Owners of the parent company	257,948	338,813
Non-controlling interests	1,673	1,472
Profit for the period	259,621	340,285
Interim earnings per share		
Basic (Yen) (Note 15)	145.40	190.95
Diluted (Yen) (Note 15)	145.33	190.87

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

		(Millions of yen)
	2020	2021
Operating profit	390,181	480,696
Amortization cost of acquired intangibles arising from business acquisitions	47,975	52,328
Adjustment items (income)	(3,124)	(6,795)
Adjustment items (costs)	6,502	16,659
Adjusted operating profit (Note 5)	441,533	542,888

(For the three-month period)
Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Revenue (Note 5)	561,879	621,536
Cost of sales	(234,587)	(253,225)
Gross profit	327,291	368,311
Other operating income	1,245	4,944
Share of profit in investments accounted for using the equity method	1,425	1,891
Selling, general and administrative expenses	(191,769)	(216,534)
Operating profit (Note 5)	138,192	158,612
Financial income	2,093	8,898
Financial costs	(20,688)	(17,784)
Profit before income taxes	119,597	149,726
Income taxes	(33,330)	(35,380)
Profit for the period	86,267	114,345
Attributable to		
Owners of the parent company	85,452	113,623
Non-controlling interests	814	723
Profit for the period	86,267	114,345
Interim earnings per share		
Basic (Yen) (Note 15)	48.16	64.03
Diluted (Yen) (Note 15)	48.14	64.00

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

		(Millions of yen)
	2020	2021
Operating profit	138,192	158,612
Amortization cost of acquired intangibles arising from business acquisitions	15,331	18,583
Adjustment items (income)	(1,398)	(3,568)
Adjustment items (costs)	1,775	11,038
Adjusted operating profit (Note 5)	153,900	184,665

(3) Condensed Interim Consolidated Statement of Comprehensive Income
(For the nine-month period)
Nine months ended September 30, 2020 and 2021

	2020	(Millions of yen) 2021
Profit for the period	259,621	340,285
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	(3,154)	1,657
Remeasurements of defined benefit plans (Note 14)	(48)	11,774
Total of items that will not be reclassified to profit or loss	(3,203)	13,432
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(211,510)	167,143
Net gain (loss) on derivatives designated as cash flow hedges	203	(79)
Total of items that may be reclassified subsequently to profit or loss	(211,307)	167,064
Other comprehensive income (loss), net of taxes	(214,509)	180,496
Comprehensive income (loss) for the period	45,112	520,781
Attributable to		
Owners of the parent company	44,113	519,054
Non-controlling interests	999	1,727
Comprehensive income (loss) for the period	45,112	520,781

(For the three-month period)
Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period	86,267	114,345
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	40	202
Remeasurements of defined benefit plans (Note 14)	-	(19)
Total of items that will not be reclassified to profit or loss	40	184
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(59,688)	5,197
Net gain (loss) on derivatives designated as cash flow hedges	148	167
Total of items that may be reclassified subsequently to profit or loss	(59,540)	5,363
Other comprehensive income (loss), net of taxes	(59,500)	5,547
Comprehensive income (loss) for the period	26,767	119,892
Attributable to		
Owners of the parent company	26,126	119,266
Non-controlling interests	641	627
Comprehensive income (loss) for the period	26,767	119,892

(4) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	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 January 1, 2020	100,000	736,400	(492,469)	1,556	(444,366)	(132)	11,201
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(210,936)	203	(3,076)
Comprehensive income (loss) for the period	-	-	-	-	(210,936)	203	(3,076)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	957	(328)	-	-	-
Share-based payments	-	-	-	30	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(368)
Other increase (decrease)	-	-	-	-	-	(2)	-
Total transactions with the owners	-	-	956	(298)	-	(2)	(368)
As of September 30, 2020	<u>100,000</u>	<u>736,400</u>	<u>(491,513)</u>	<u>1,258</u>	<u>(655,301)</u>	<u>69</u>	<u>7,756</u>
As of January 1, 2021	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	166,860	(79)	1,696
Comprehensive income (loss) for the period	-	-	-	-	166,860	(79)	1,696
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	600	(46)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(220)	-
Total transactions with the owners	-	-	600	(46)	-	(220)	-
As of September 30, 2021	<u>100,000</u>	<u>736,400</u>	<u>(490,907)</u>	<u>1,206</u>	<u>(447,514)</u>	<u>(177)</u>	<u>8,920</u>

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity				Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
As of January 1, 2020	-	(431,741)	2,750,506	2,662,696	80,916	2,743,611
Profit for the period	-	-	257,948	257,948	1,673	259,621
Other comprehensive income (loss)	(27)	(213,835)	-	(213,835)	(674)	(214,509)
Comprehensive income (loss) for the period	(27)	(213,835)	257,948	44,113	999	45,112
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(328)	(628)	0	-	0
Share-based payments	-	30	349	378	35	414
Dividends (Note 9)	-	-	(273,200)	(273,200)	(1,204)	(274,403)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	288	288	(1,383)	(1,094)
Transfer from other components of equity to retained earnings	27	(342)	342	-	-	-
Other increase (decrease)	-	(2)	-	(2)	-	(2)
Total transactions with the owners	27	(642)	(272,849)	(272,535)	(2,551)	(275,086)
As of September 30, 2020	-	(646,218)	2,735,604	2,434,273	79,364	2,513,637
As of January 1, 2021	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	338,813	338,813	1,472	340,285
Other comprehensive income (loss)	11,764	180,241	-	180,241	254	180,496
Comprehensive income (loss) for the period	11,764	180,241	338,813	519,054	1,727	520,781
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(46)	(554)	0	-	0
Share-based payments	-	-	357	357	33	389
Dividends (Note 9)	-	-	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(19)	(19)	18	(1)
Transfer from other components of equity to retained earnings	(11,764)	(11,764)	11,764	-	-	-
Other increase (decrease)	-	(220)	-	(220)	-	(220)
Total transactions with the owners	(11,764)	(12,030)	(240,413)	(251,844)	(1,890)	(253,733)
As of September 30, 2021	-	(437,565)	2,882,117	2,790,045	76,497	2,866,542

(5) Condensed Interim Consolidated Statement of Cash Flows
Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Cash flows from operating activities		
Profit before income taxes	345,558	463,821
Depreciation and amortization	135,151	139,743
Impairment losses	3,623	9,095
Interest and dividend income	(4,549)	(8,731)
Interest expense	16,718	17,535
Share of profit in investments accounted for using the equity method	(3,038)	(3,542)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(911)	(2,973)
(Increase) decrease in trade and other receivables	(8,110)	(57,867)
(Increase) decrease in inventories	16,962	29,815
Increase (decrease) in trade and other payables	(11,831)	(16,982)
Increase (decrease) in retirement benefit liabilities	(6,702)	(16,601)
(Increase) decrease in prepaid tobacco excise taxes	10,236	(12,577)
Increase (decrease) in tobacco excise tax payables	(51,241)	(30,227)
Increase (decrease) in consumption tax payables	2,946	(2,648)
Other	46,405	30,875
Subtotal	491,215	538,736
Interest and dividends received	9,372	10,207
Interest paid	(15,456)	(15,914)
Income taxes paid	(86,972)	(104,096)
Net cash flows from operating activities	398,159	428,933
Cash flows from investing activities		
Purchase of securities	(31,504)	(19,587)
Proceeds from sale and redemption of securities	41,639	16,738
Purchase of property, plant and equipment	(57,668)	(60,995)
Proceeds from sale of investment property	3,087	4,722
Purchase of intangible assets	(17,777)	(11,520)
Payments into time deposits	(338)	(888)
Proceeds from withdrawal of time deposits	209	637
Proceeds from sale of investments in associates	17,402	2,512
Other	1,369	(1,718)
Net cash flows from investing activities	(43,581)	(70,101)

		(Millions of yen)
	2020	2021
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 9)	(272,753)	(251,617)
Dividends paid to non-controlling interests	(1,141)	(1,390)
Capital contribution from non-controlling interests	89	35
Increase (decrease) in short-term borrowings and commercial paper	51,012	12,201
Proceeds from long-term borrowings	100,101	3,295
Repayments of long-term borrowings	(11,744)	(12,234)
Proceeds from issuance of bonds (Note 8)	-	55,334
Redemption of bonds	(60,000)	(82,058)
Repayments of lease liabilities	(12,596)	(14,899)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,121)	(1)
Other	0	0
Net cash flows from financing activities	(208,154)	(291,334)
Net increase (decrease) in cash and cash equivalents	146,424	67,498
Cash and cash equivalents at the beginning of the period	357,158	538,844
Effect of exchange rate changes on cash and cash equivalents	(45,448)	24,313
Cash and cash equivalents at the end of the period (Note 6)	458,133	630,655

Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

The Company is a joint stock corporation under the Companies Act of Japan, pursuant to the Japan Tobacco Inc. Act, with its principal places of business located in Japan since its incorporation. The addresses of the Company's registered head office and principal business offices are available on the Company's website (<https://www.jt.com/>).

The condensed interim consolidated financial statements for the three-month period ended September 30, 2021 and for the nine-month period ended September 30, 2021 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on October 29, 2021 by Masamichi Terabatake, President and Chief Executive Officer.

2. Basis of Preparation

The Group's condensed interim consolidated financial statements, which satisfy the requirements concerning the "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of the Ordinance on QCFS, are prepared in accordance with International Financial Reporting Standards pursuant to the provision of Article 93 of the Ordinance on QCFS.

The condensed interim consolidated financial statements are prepared in accordance with IAS 34 and do not include all information required for the consolidated financial statements for the year. They should be read along with the consolidated financial statements for the year ended December 31, 2020.

3. Significant Accounting Policies

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2020 except the following item.

The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the beginning of the first quarter ended March 31, 2021.

IFRS		Description of new standards and amendments
IFRS 16	Leases	Amendments to accounting treatment for COVID-19-Related Rent Concessions beyond 30 June, 2021

IFRS 16 mentioned above has been early adopted.

The adoption of the above standards and interpretations does not have a material impact on the condensed interim consolidated financial statements.

Part of the condensed interim consolidated financial statements for the nine months ended September 30, 2020 has been reclassified to conform with the presentation for the nine months ended September 30, 2021.

4. Significant Accounting Estimates and Judgements

Preparation of condensed interim consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the interim period end date. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the interim period end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and future periods.

In principle, estimates and assumptions that may have a material effect on the amounts recognized in the condensed interim consolidated financial statements of the Group are the same as those for the year ended December 31, 2020.

Due to the impact of the spread of COVID-19, travel restrictions in various countries continued, and although sales volume in the duty-free market increased compared to the same period of the previous fiscal year in the tobacco business, it was unable to reach the level prior to the spread of COVID-19. In contrast, in the International Tobacco Business, industry volume remained strong in several markets due to travel restrictions. In addition, in the Processed Food Business, sales of food-service products within the frozen

and ambient food business continued to decrease due to factors such as the impact of requests to restrict bar and restaurant operations. The Group anticipates that although the impact of the spread of COVID-19 will continue to a certain extent from 2021 onward, the economies of countries around the world will gradually recover. At present, there is no material impact on the accounting estimates and judgements.

5. Operating Segments

(1) Outline of Reportable Segments

The reportable segments of the Group are determined based on the operating segments that are components of the Group 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 the type of products sold, their characteristics, and their 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.

(2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments are as follows. The Board of Directors assesses 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 expense categories are excluded from segmental performance. Transactions within segments are primarily based upon prevailing market prices.

(For the nine-month period)

Nine months ended September 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	425,157	998,733	57,533	108,556	1,589,979	2,118	-	1,592,097
Intersegment revenue	5,667	19,632	-	0	25,300	4,031	(29,330)	-
Total revenue	<u>430,824</u>	<u>1,018,365</u>	<u>57,533</u>	<u>108,556</u>	<u>1,615,278</u>	<u>6,149</u>	<u>(29,330)</u>	<u>1,592,097</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>139,001</u>	<u>314,806</u>	<u>12,623</u>	<u>856</u>	<u>467,286</u>	<u>(25,384)</u>	<u>(369)</u>	<u>441,533</u>

Nine months ended September 30, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	434,848	1,166,305	56,781	106,655	1,764,589	1,486	-	1,766,075
Intersegment revenue	6,263	16,363	-	0	22,626	3,842	(26,468)	-
Total revenue	<u>441,111</u>	<u>1,182,668</u>	<u>56,781</u>	<u>106,655</u>	<u>1,787,215</u>	<u>5,328</u>	<u>(26,468)</u>	<u>1,766,075</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>162,088</u>	<u>398,992</u>	<u>6,608</u>	<u>2,357</u>	<u>570,046</u>	<u>(27,598)</u>	<u>440</u>	<u>542,888</u>

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

Nine months ended September 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	139,001	314,806	12,623	856	467,286	(25,384)	(369)	441,533
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(35,791)	-	-	(47,975)	-	-	(47,975)
Adjustment items (income) (Note 3)	-	320	150	0	471	2,654	-	3,124
Adjustment items (costs) (Note 4)	-	(3,189)	(841)	(0)	(4,031)	(2,471)	-	(6,502)
Operating profit (loss)	126,817	276,146	11,932	856	415,751	(25,202)	(369)	390,181
Financial income								5,832
Financial costs								(50,454)
Profit before income taxes								<u>345,558</u>

Nine months ended September 30, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	162,088	398,992	6,608	2,357	570,046	(27,598)	440	542,888
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(40,144)	-	-	(52,328)	-	-	(52,328)
Adjustment items (income) (Note 3)	-	2,975	200	129	3,304	3,491	-	6,795
Adjustment items (costs) (Note 4)	(11,714)	(3,377)	0	(1,170)	(16,261)	(398)	-	(16,659)
Operating profit (loss)	138,191	358,445	6,808	1,316	504,760	(24,505)	440	480,696
Financial income								15,812
Financial costs								(32,687)
Profit before income taxes								<u>463,821</u>

- (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 real estate rental and corporate expenditure relating to corporate communication and operation of the head office.
 (Note 3) The breakdown of “Adjustment items (income)” is as follows:

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Restructuring incomes	2,667	1,815
Other	458	4,979
Adjustment items (income)	3,124	6,795

Restructuring incomes for the nine months ended September 30, 2020 and 2021 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in “11. Other Operating Income.” Other (income) for the nine months ended September 30, 2021 mainly related to gains on sale of an investment in an associate during the past fiscal years and gains on sale of real estate.

- (Note 4) The breakdown of “Adjustment items (costs)” is as follows:

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Restructuring costs	3,483	10,001
Cooperation fee for terminating leaf tobacco farming	-	6,429
Other	3,019	229
Adjustment items (costs)	6,502	16,659

Restructuring costs for the nine months ended September 30, 2021 mainly related to costs of measures to strengthen the operations in the “Domestic Tobacco Business” and rationalization in a market in the “International Tobacco Business.”

Restructuring costs included in "Cost of sales" were ¥5 million for the nine months ended September 30, 2021. Restructuring costs included in "Selling, general and administrative expenses" were ¥3,483 million and ¥9,996 million for the nine months ended September 30, 2020 and 2021, respectively. The breakdown of restructuring costs is described in “12. Selling, general and administrative expenses.”

(For the three-month period)
Three months ended September 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	157,425	346,803	20,261	36,717	561,205	673	-	561,879
Intersegment revenue	1,894	7,486	-	0	9,381	1,283	(10,663)	-
Total revenue	<u>159,319</u>	<u>354,289</u>	<u>20,261</u>	<u>36,717</u>	<u>570,586</u>	<u>1,956</u>	<u>(10,663)</u>	<u>561,879</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>57,182</u>	<u>100,480</u>	<u>4,689</u>	<u>508</u>	<u>162,859</u>	<u>(8,563)</u>	<u>(397)</u>	<u>153,900</u>

Three months ended September 30, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	159,561	405,448	19,730	36,208	620,948	588	-	621,536
Intersegment revenue	2,352	6,035	-	0	8,387	1,216	(9,603)	-
Total revenue	<u>161,913</u>	<u>411,483</u>	<u>19,730</u>	<u>36,208</u>	<u>629,335</u>	<u>1,804</u>	<u>(9,603)</u>	<u>621,536</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>60,810</u>	<u>128,784</u>	<u>3,052</u>	<u>904</u>	<u>193,551</u>	<u>(8,936)</u>	<u>50</u>	<u>184,665</u>

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

Three months ended September 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	57,182	100,480	4,689	508	162,859	(8,563)	(397)	153,900
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(11,269)	-	-	(15,331)	-	-	(15,331)
Adjustment items (income) (Note 3)	-	32	-	0	32	1,366	-	1,398
Adjustment items (costs) (Note 4)	-	(396)	49	0	(347)	(1,428)	-	(1,775)
Operating profit (loss)	53,121	88,847	4,738	508	147,214	(8,625)	(397)	138,192
Financial income								2,093
Financial costs								(20,688)
Profit before income taxes								<u>119,597</u>

Three months ended September 30, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	60,810	128,784	3,052	904	193,551	(8,936)	50	184,665
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(14,522)	-	-	(18,583)	-	-	(18,583)
Adjustment items (income) (Note 3)	-	79	-	-	79	3,489	-	3,568
Adjustment items (costs) (Note 4)	(11,692)	751	(0)	(58)	(10,999)	(39)	-	(11,038)
Operating profit (loss)	45,057	115,092	3,052	847	164,047	(5,485)	50	158,612
Financial income								8,898
Financial costs								(17,784)
Profit before income taxes								<u>149,726</u>

- (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 real estate rental and corporate expenditure relating to corporate communication and operation of the head office.
 (Note 3) The breakdown of “Adjustment items (income)” is as follows:

Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Restructuring incomes	1,366	1,683
Other	32	1,885
Adjustment items (income)	1,398	3,568

Other (income) for the three months ended September 30, 2021 mainly related to gains on sale of real estate.

- (Note 4) The breakdown of “Adjustment items (costs)” is as follows:

Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Restructuring costs	487	4,608
Cooperation fee for terminating leaf tobacco farming	-	6,429
Other	1,288	2
Adjustment items (costs)	1,775	11,038

6. Cash and Cash Equivalents

The Group’s Iranian subsidiaries’ ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. The Group’s Canadian subsidiary, JTI-Macdonald Corp. (hereinafter referred to as “JTI-Mac”) is subject to certain restrictions on the use of funds other than in the ordinary course of business due to the adoption of the “Companies’ Creditors Arrangement Act (CCAA).” “Cash and cash equivalents” as of September 30, 2021 includes cash and cash equivalents of ¥75,170 million and ¥63,685 million held by the Group’s Iranian subsidiaries and JTI-Mac, respectively.

7. Property, Plant and Equipment, Goodwill and Intangible Assets

The schedules of the carrying amounts of “Property, plant and equipment,” “Goodwill” and “Intangible assets” are as follows:

Carrying Amount	(Millions of yen)		
	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2021	759,290	1,909,392	363,604
Individual acquisition	67,190	-	11,121
Transfer to investment property	(254)	-	-
Transfer to non-current assets held for sale	(476)	-	-
Depreciation or amortization	(76,414)	-	(63,283)
Impairment losses	(9,032)	-	(11)
Reversal of impairment losses	17	-	-
Sale or disposal	(2,005)	-	(1,549)
Exchange differences on translation of foreign operations	23,465	127,762	15,486
Other	(3,718)	-	(774)
As of September 30, 2021	758,062	2,037,154	324,593

8. Bonds

The Group issued straight bonds in USD (outstanding amount: \$625 million, carrying amount: ¥64,623 million, interest rate: 2.25%, issuance date: September 14, 2021, maturity date: September 14, 2031) and straight bonds in USD (outstanding amount: \$400 million, carrying amount: ¥44,389 million, interest rate: 3.30%, issuance date: September 14, 2021, maturity date: September 14, 2051) for the nine months ended September 30, 2021.

Also for the nine months ended September 30, 2021, the Group purchased a portion of the following bonds.

Company	Name of bond	Total amount issued	Purchase amount	Residual amount (Note)
		Millions of USD	Millions of USD	Millions of USD
Japan Tobacco Inc.	Straight bond in USD due 2026	500	184	316
JT International Financial Services B.V.	Straight bond in USD due 2023	525	298	227

(Note) The Group notified early redemption of these residual amounts on September 14, 2021 and settled them on October 15, 2021.

9. Dividends

Dividends paid for each interim period are as follows:

Nine months ended September 30, 2020

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 19, 2020)	Ordinary shares	136,583	77	December 31, 2019	March 23, 2020
Board of Directors (July 31, 2020)	Ordinary shares	136,617	77	June 30, 2020	September 1, 2020

Nine months ended September 30, 2021

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 24, 2021)	Ordinary shares	136,617	77	December 31, 2020	March 25, 2021
Board of Directors (July 30, 2021)	Ordinary shares	115,344	65	June 30, 2021	September 1, 2021

10. Revenue

(1) Disaggregation of Revenue

The disaggregation of “Revenue” for each interim period is as follows. The amounts are presented after eliminations of intercompany transactions.

Nine months ended September 30, 2020

(Millions of yen)

	Reportable Segments				Other	Consolidated
	Domestic Tobacco (Note 2)	International Tobacco (Note 3)	Pharmaceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	394,795	956,460	-	-	-	1,351,255
Other	30,361	42,273	57,533	108,556	2,118	240,842
Total	425,157	998,733	57,533	108,556	2,118	1,592,097

Nine months ended September 30, 2021

(Millions of yen)

	Reportable Segments				Other	Consolidated
	Domestic Tobacco (Note 2)	International Tobacco (Note 3)	Pharmaceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	405,247	1,126,856	-	-	-	1,532,103
Other	29,600	39,449	56,781	106,655	1,486	233,972
Total	434,848	1,166,305	56,781	106,655	1,486	1,766,075

(Note 1) The “Domestic Tobacco Business” does not include revenue related to imported tobacco delivery charges. In addition, the “International Tobacco Business” does not include revenue related to the distribution business and contract manufacturing.

(Note 2) Revenues from RRP in core revenue from the “Domestic Tobacco Business” were ¥42,600 million and ¥46,277 million for the nine months ended September 30, 2020 and 2021, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

(Note 3) Core revenue by cluster from the “International Tobacco Business” is as follows:

Nine months ended September 30, 2020 and 2021

(Millions of yen)

	2020	2021
South and West Europe	172,006	191,362
North and Central Europe	202,582	240,953
CIS+	228,953	259,456
Rest-of-the-World	352,919	435,085
Total	956,460	1,126,856

South and West Europe includes France, Italy and Spain. North and Central Europe includes Germany and the United Kingdom. CIS+ includes Romania and Russia. Rest-of-the-World includes Iran, Taiwan and Turkey.

(2) Gross Turnover

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Gross turnover	5,727,554	6,341,758
Tobacco excise taxes and agency transaction amount	(4,135,458)	(4,575,683)
Revenue	1,592,097	1,766,075

11. Other Operating Income

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	2,998	4,625
Other (Note)	2,252	5,640
Total	5,250	10,265

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Gain on sale of property, plant and equipment, intangible assets and investment property	2,632	1,811
Other	35	4
Total	2,667	1,815

12. Selling, General and Administrative Expenses

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Advertising expenses	16,445	17,175
Promotion expenses	53,740	61,447
Commission (Note)	39,597	45,080
Employee benefit expenses (Note)	223,136	244,750
Research and development expenses	43,405	46,756
Depreciation and amortization	78,010	82,180
Impairment losses on other than financial assets (Note)	3,623	9,095
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	3,204	2,491
Cooperation fee for terminating leaf tobacco farming	-	6,429
Other (Note)	78,005	75,136
Total	539,166	590,538

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Employee benefit expenses	796	7,606
Impairment losses on other than financial assets	323	1,461
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	281	322
Other	2,084	608
Total	3,483	9,996

13. Financial Income and Financial Costs

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

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
Financial Income	2020	2021
Dividend income	693	599
Interest income	3,856	8,132
Gain on net monetary position	1,279	6,951
Other	4	131
Total	5,832	15,812

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
Financial Costs	2020	2021
Interest expenses	16,718	17,535
Foreign exchange losses (Note 1)	30,618	8,857
Employee benefit expenses (Note 2)	1,600	1,746
Other	1,519	4,549
Total	50,454	32,687

(Note 1) Valuation gain (loss) of currency derivatives is included in foreign exchange losses.

(Note 2) Employee benefit expenses are the net amount of interest cost and interest income related to employee benefits.

14. Other Comprehensive Income

“Remeasurements of defined benefit plans” for the nine months ended September 30, 2021 include remeasurements arising from the effects of significant market fluctuations in relation to retirement benefit assets or liabilities.

15. Interim Earnings per Share

(For the nine-month period)

(1) Basis of Calculating Basic Interim Earnings per Share**A. Profit Attributable to Ordinary Shareholders of the Parent Company**

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period attributable to owners of the parent company	257,948	338,813
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	257,948	338,813

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

Nine months ended September 30, 2020 and 2021

		(Thousands of shares)
	2020	2021
Weighted-average number of shares during the period	1,774,089	1,774,385

(2) Basis of Calculating Diluted Interim Earnings per Share**A. Profit Attributable to Diluted Ordinary Shareholders**

Nine months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period used for calculation of basic interim earnings per share	257,948	338,813
Adjustment	(0)	-
Profit for the period used for calculation of diluted interim earnings per share	257,948	338,813

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

Nine months ended September 30, 2020 and 2021

		(Thousands of shares)
	2020	2021
Weighted-average number of ordinary shares during the period	1,774,089	1,774,385
Increased number of ordinary shares under subscription rights to shares	799	745
Weighted-average number of diluted ordinary shares during the period	1,774,888	1,775,129

(For the three-month period)

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period attributable to owners of the parent company	85,452	113,623
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	85,452	113,623

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

Three months ended September 30, 2020 and 2021

		(Thousands of shares)
	2020	2021
Weighted-average number of shares during the period	1,774,243	1,774,521

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended September 30, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period used for calculation of basic interim earnings per share	85,452	113,623
Adjustment	(0)	-
Profit for the period used for calculation of diluted interim earnings per share	85,452	113,623

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

Three months ended September 30, 2020 and 2021

		(Thousands of shares)
	2020	2021
Weighted-average number of ordinary shares during the period	1,774,243	1,774,521
Increased number of ordinary shares under subscription rights to shares	774	734
Weighted-average number of diluted ordinary shares during the period	1,775,017	1,775,255

16. Financial Instruments

(Fair Value of Financial Instruments)

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

	As of December 31, 2020		As of September 30, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	204,955	206,953	197,134	198,743
Bonds (Note)	702,292	750,417	705,862	742,758

(Note) Current portion is included.

With regard to short-term financial assets and short-term financial liabilities measured at amortized cost, their fair value approximates the carrying amount.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value of bonds issued by the Group is based on the market price for those having market prices, and based on the present value that is obtained by discounting the total of principal and interest by the interest rate, for which the remaining period and credit risk of such bonds are taken into consideration.

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

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

As of December 31, 2020

				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	-	8,608	-	8,608
Equity securities	19,604	-	7,100	26,704
Other	451	8,650	5,357	14,457
Total	20,055	17,257	12,457	49,769
Derivative liabilities	-	10,334	-	10,334
Total	-	10,334	-	10,334

As of September 30, 2021

				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	-	7,338	-	7,338
Equity securities	21,345	-	8,652	29,997
Other	519	6,518	6,622	13,659
Total	21,864	13,856	15,274	50,994
Derivative liabilities	-	12,362	-	12,362
Total	-	12,362	-	12,362

17. Commitments

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

		(Millions of yen)
	As of December 31, 2020	As of September 30, 2021
Acquisition of property, plant and equipment	33,768	40,215

18. Contingencies

As of September 30, 2021, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2020.

19. Subsequent Events

No items to report

(Dividends)

fiscal year.

¥115,344 million

¥65.00

September 1, 2021

30, 2021.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

October 29, 2021

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Yukitaka Maruchi (Seal)

Designated Engagement Partner,
Certified Public Accountant: Koji Ishikawa (Seal)

Designated Engagement Partner,
Certified Public Accountant: Yoichi Matsushita (Seal)

Accountant's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of September 30, 2021, and the condensed interim consolidated statement of income and condensed interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the nine-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021, and its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.

Basis for Accountant's Conclusion

We conducted our review in accordance with quarterly review standards generally accepted in Japan. Our responsibility under those standards is further described in the Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as accountants. We believe that we have obtained the evidence to provide a basis for our review conclusion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting," and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with Paragraph 4 of International Accounting Standard 1 "Presentation of Financial Statements."

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements

Our objective is to issue an accountant's report that includes our conclusion.

As part of a review in accordance with quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude whether nothing has come to our attention, based on the evidence obtained, related to going concern that causes us to believe that the condensed interim consolidated financial statements are not fairly presented, in all material respects, in accordance with Paragraph 4 of International Accounting Standard 1 "Presentation of Financial Statements," if we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountant's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the overall presentation and disclosures of the condensed interim consolidated financial statements are not in accordance with International Accounting Standard 34 "Interim Financial Reporting," as well as the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the review of the condensed interim consolidated financial statements. We remain solely responsible for our conclusion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding the planned scope and timing of the review and significant findings that we identify during our review.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Accountant's Review Report

This is an English translation of the independent accountant's review report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.