

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

## [Cover]

Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	October 31, 2022
Quarterly accounting period:	Third quarter of the 38th term (from July 1, 2022 to September 30, 2022)
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.
Title and name of representative:	Masamichi Terabatake, Representative Director and President, Chief Executive Officer
Location of head office:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6636-2914 (Main)
Contact person:	Hiroyuki Fukuda, Senior Vice President, Corporate Communications
Place of contact:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6636-2914 (Main)
Contact person:	Hiroyuki Fukuda, Senior Vice President, Corporate Communications
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, 2021	Nine months ended September 30, 2022	37th term
Accounting period	From January 1, 2021 to September 30, 2021	From January 1, 2022 to September 30, 2022	From January 1, 2021 to December 31, 2021
Revenue [Third quarter] (Millions of yen)	1,766,075 [621,536]	2,008,548 [741,720]	2,324,838
Profit before income taxes (Millions of yen)	463,821	535,596	472,390
Profit for the period (Millions of yen)	340,285	403,930	340,181
Profit attributable to owners of the parent company [Third quarter] (Millions of yen)	338,813 [113,623]	403,807 [139,744]	338,490
Comprehensive income (loss) for the period (Millions of yen)	520,781	1,247,747	540,258
Total equity (Millions of yen)	2,866,542	3,865,913	2,886,081
Total assets (Millions of yen)	5,629,865	6,728,182	5,774,209
Basic earnings per share [Third quarter] (Yen)	190.95 [64.03]	227.53 [78.74]	190.76
Diluted earnings per share (Yen)	190.87	227.45	190.68
Ratio of equity attributable to owners of the parent company to total assets (%)	49.56	56.32	48.65
Net cash flows from operating activities (Millions of yen)	428,933	343,623	598,909
Net cash flows from investing activities (Millions of yen)	(70,101)	(69,978)	(97,499)
Net cash flows from financing activities (Millions of yen)	(291,334)	(357,364)	(353,138)
Cash and cash equivalents at the end of the period (Millions of yen)	630,655	778,464	721,731

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.

#### 2. Business Description

During the nine months ended September 30, 2022, there were neither material changes in the business of the Group (the Company, 228 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.

As announced on September 15, 2022, the shares of Saint-Germain Co., Ltd. and Hokkaido Saint-Germain Co., Ltd., which are responsible for the bakery business in the Processed Food Business, are scheduled to be transferred to create restaurants holdings inc. on December 1, 2022.

The Group has changed the previous four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from this fiscal year.

For details, please refer to “IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (1) Outline of Reportable Segments.”

## **II. Review of Operations**

### **1. Business and Other Risks**

During the nine months ended September 30, 2022, 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. 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 depending on future situation.

In the Russian market, the Group is fully committed to complying with all applicable sanctions while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business. As this moment, the Company is unable to reasonably estimate the outlook and the impact on financial results.

### **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, 2022.

#### **(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 adjusted operating profit, core revenue, or from core revenue from tobacco business for the current period in the 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 the adjusted operating profit at constant FX, core revenue at constant FX, or in the core revenue from tobacco business.

## **(Core revenue from tobacco business)**

Regarding tobacco business, core revenue is disclosed. Core revenue excludes revenue related to the distribution business and contract manufactured products, among others.

## **(RRP)**

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

Heated tobacco 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. The Company's portfolio includes heated tobacco sticks (HTS) that use high temperature heating, and infused tobacco capsules (Infused) that use low temperature heating.

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.

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, 2021	Nine months ended September 30, 2022	Change
Revenue	1,766.1	2,008.5	13.7%
Adjusted operating profit	542.9	637.8	17.5%
Operating profit	480.7	579.3	20.5%
Profit attributable to owners of the parent company	338.8	403.8	19.2%

### **<Revenue>**

Revenue increased by 13.7% from the same period of the previous year to ¥2,008.5 billion due to increases in sales in all businesses. Core revenue (Note 1) at constant FX increased by 4.1% from the same period of the previous year.

### **<Adjusted operating profit>**

Adjusted operating profit at constant FX increased by 6.5% from the same period of the previous year driven by increases in the Tobacco Business and the Pharmaceutical Business. Adjusted operating profit including foreign exchange effects increased by 17.5% from the same period of the previous year to ¥637.8 billion, due mainly to favorable impacts of depreciation of Japanese yen against many local currencies in the Tobacco Business.

### **<Operating profit>**

Operating profit increased by 20.5% from the same period of the previous year to ¥579.3 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 company increased by 19.2% from the same period of the previous year to ¥403.8 billion due mainly to an increase in operating profit, despite increase in financing costs.

(Note: 1) Core revenue at constant FX is the sum of core revenue at constant FX (i.e., excluding foreign exchange effects

calculated and translated using the foreign exchange rates of the same period of the previous year and the increase in revenue caused by inflation in some markets) from tobacco business, and revenues from pharmaceutical business, processed food business and other.

## b. Operating segments

The Group has changed the previous four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from this fiscal year.

Due to the change in the segment classification, the segment information for the nine months ended September 30, 2021 has been reclassified to conform with the presentation for the nine months ended September 30, 2022.

### [Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change
Total volume	403.9	402.0	(0.5)%
Combustibles volume <sup>(Note 1)</sup>	398.5	396.0	(0.6)%
RRP volume <sup>(Note 2)</sup>	5.4	6.0	10.7%
Core revenue	1,532.1	1,760.7	14.9%
Adjusted operating profit	562.9	653.4	16.1%

#### <Total volume><sup>(Note 3)(Note 4)</sup>

Total volume decreased by 0.5% from the same period of the previous year to 402.0 billion cigarettes due to decrease in industry volume in the main markets in Asia and Western Europe, despite consistent growth in market shares in several markets, an increase in RRP volume, and an increase in combustibles volume in EMA. Combustibles volume decreased by 0.6% from the same period of the previous year due to decrease in industry volume in the main markets such as the U.K., Japan, and the Philippines, despite an increase mainly in Global Travel Retail (duty-free market), Iran, Myanmar, Poland, Spain, and Taiwan. RRP volume increased by 10.7% from the same period of the previous year mainly due to growth in the HTS category in Japan and increased market share through Ploom X. Market share grew in various markets, including the key markets of Italy, Spain, Taiwan, Turkey, and the Philippines.

#### <Core revenue from tobacco business and adjusted operating profit>

Core revenue from tobacco business and adjusted operating profit increased by 14.9% and 16.1%, respectively, from the same period of the previous year due mainly to continuous growth in market share in several markets, and favorable pricing, and foreign exchange effects. RRP-related revenue<sup>(Note 2)</sup> increased by 1.0% from the same period of the previous year to ¥58.9 billion due mainly to increase in RRP volume and market share in Japan.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 3.9% and 5.5%, respectively, from the same period of the previous year.

- (Note: 1) Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral tobacco and E-Vapor.
- (Note: 2) RRP volume does not include volume from devices and associated accessories, etc., while RRP-related revenue includes revenue from devices and associated accessories, etc.
- (Note: 3) Industry volume and market share were estimated by the Company.
- (Note: 4) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes the entire Asian region, Western Europe includes the Western European region, EMA includes Africa, the Middle East, Eastern Europe, Turkey, Americas, and all duty-free markets. Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes Italy, the U.K., Spain, etc., and EMA includes Turkey, Romania, Russia, etc. For details, please refer to “IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (2) Revenues and Performances of Reportable Segments.”

**[Pharmaceutical Business]**

(Billions of yen)

Pharmaceutical Business	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change
Revenue	56.8	59.7	5.1%
Adjusted operating profit	6.6	7.3	10.0%

**<Revenue and adjusted operating profit>**

Revenue increased by 5.1% from the same period of the previous year due to an increase in revenue at Torii Pharmaceutical Co., Ltd., which is a consolidated subsidiary of the Company.

Adjusted operating profit increased by 10.0% from the same period of the previous year due to an increase in revenue despite an increase in research and development expenses.

**[Processed Food Business]**

(Billions of yen)

Processed Food Business	Nine months ended September 30, 2021	Nine months ended September 30, 2022	Change
Revenue	106.7	112.8	5.8%
Adjusted operating profit	2.4	1.9	(21.2)%

**<Revenue and adjusted operating profit>**

Revenue increased by 5.8% from the same period of the previous year due to price revisions in the frozen and ambient foods and other businesses.

Adjusted operating profit decreased by 21.2% from the same period of the previous year due to further rise in costs of raw materials, etc. and unfavorable foreign exchange effects, despite the positive effects of price revisions.

## **(2) Financial Position and Cash Flow Position**

### **a. Financial position**

#### **[Assets]**

Total assets at the end of the nine months ended September 30, 2022 increased by ¥954.0 billion from the end of the previous fiscal year to ¥6,728.2 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, 2022 decreased by ¥25.9 billion from the end of the previous fiscal year to ¥2,862.3 billion. This was mainly due to a decrease in trade and other payables, despite an increase in income taxes payables.

#### **[Equity]**

Total equity at the end of the nine months ended September 30, 2022 increased by ¥979.8 billion from the end of the previous fiscal year to ¥3,865.9 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, 2022 increased by ¥56.7 billion from the end of the previous fiscal year to ¥778.5 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥630.7 billion.

#### **[Cash flows from operating activities]**

Net cash flows from operating activities during the nine months ended September 30, 2022 were ¥343.6 billion, compared with ¥428.9 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 trade and other payables.

#### **[Cash flows from investing activities]**

Net cash flows used in investing activities during the nine months ended September 30, 2022 were ¥70.0 billion, compared with ¥70.1 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 financing activities]**

Net cash flows used in financing activities during the nine months ended September 30, 2022 were ¥357.4 billion, compared with ¥291.3 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends.

## **(3) Management Policy, Management Strategy, Etc.**

During the nine months ended September 30, 2022, 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, 2022, 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, 2022 were ¥49.2 billion.

During the nine months ended September 30, 2022, 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, 2022, the plan for capital expenditures (facility construction and expansion) for the whole of the fiscal year under review was set at ¥121.0 billion, but at the end of the nine months ended September 30, 2022, this was revised to ¥109.0 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, 2021 and as of September 30, 2022 accounted for ¥651.0 billion and ¥688.2 billion, respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥197.0 billion and ¥187.8 billion, respectively.

##### **(Short-term debt)**

Short-term borrowings from financial institutions totaled ¥70.6 billion as of December 31, 2021 and ¥64.1 billion as of September 30, 2022. There was no commercial paper outstanding.

##### **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, 2022, 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, 2022.

### 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 (Shares)
Ordinary shares	8,000,000,000
Total	8,000,000,000

###### b. Number of shares issued

Class	Number of shares issued (Shares; as of September 30, 2022)	Number of shares issued (Shares; as of the date of filing: October 31, 2022)	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 Prime Market	(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, 2022 to September 30, 2022	—	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. Number of shares issued

(As of September 30, 2022)

Classification	Number of shares (Shares)	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 225,148,500	—	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,958,200	17,739,582	(Note 2)
Shares less than one unit	Ordinary shares 893,300	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,739,582	—

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 24 shares of treasury shares.

### b. Treasury shares

(As of September 30, 2022)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	225,148,500	—	225,148,500	11.26
Total	—	225,148,500	—	225,148,500	11.26

Note: The treasury shares of 210,200 shares were allotted on May 24, 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 28, 2022.

## 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, 2022.

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

No items to report

## **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, 2022 to September 30, 2022) and for the nine months ended September 30, 2022 were reviewed by Deloitte Touche Tohmatsu LLC.

# 1. Condensed Interim Consolidated Financial Statements

## (1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	721,731	778,464
Trade and other receivables	456,587	548,032
Inventories	563,182	685,228
Other financial assets	17,254	58,776
Other current assets	562,034	548,358
Subtotal	2,320,789	2,618,858
Assets held for sale	500	7,837
Total current assets	2,321,289	2,626,696
<b>Non-current assets</b>		
Property, plant and equipment (Note 7)	755,843	802,176
Goodwill (Note 7)	2,060,965	2,623,292
Intangible assets (Note 7)	307,152	276,198
Investment property	4,985	13,735
Retirement benefit assets	53,177	58,474
Investments accounted for using the equity method	41,721	70,410
Other financial assets	108,658	141,031
Deferred tax assets	120,419	116,171
Total non-current assets	3,452,920	4,101,487
<b>Total assets</b>	<b>5,774,209</b>	<b>6,728,182</b>

	(Millions of yen)	
	As of December 31, 2021	As of September 30, 2022
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	555,777	455,657
Bonds and borrowings	142,901	167,863
Income tax payables	30,794	75,693
Other financial liabilities	28,342	54,249
Provisions	24,858	25,425
Other current liabilities	717,653	696,519
Subtotal	1,500,326	1,475,406
Liabilities directly associated with assets held for sale	-	2,422
Total current liabilities	1,500,326	1,477,828
<b>Non-current liabilities</b>		
Bonds and borrowings	775,721	772,157
Other financial liabilities	43,885	48,274
Retirement benefit liabilities	296,176	256,484
Provisions	22,867	19,089
Other non-current liabilities	179,195	208,880
Deferred tax liabilities	69,959	79,559
Total non-current liabilities	1,387,803	1,384,441
Total liabilities	2,888,128	2,862,270
<b>Equity</b>		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,899)	(490,188)
Other components of equity	(400,086)	400,168
Retained earnings	2,863,843	3,043,008
Equity attributable to owners of the parent company	2,809,258	3,789,389
Non-controlling interests	76,823	76,524
Total equity	2,886,081	3,865,913
<b>Total liabilities and equity</b>	<b>5,774,209</b>	<b>6,728,182</b>



**(2) Condensed Interim Consolidated Statement of Income**

(For the nine-month period)

**Nine months ended September 30, 2021 and 2022**

(Millions of yen)

	2021	2022
Revenue (Notes 5, 9)	1,766,075	2,008,548
Cost of sales	(708,648)	(806,482)
Gross profit	1,057,427	1,202,066
Other operating income (Note 10)	10,265	10,873
Share of profit in investments accounted for using the equity method	3,542	6,266
Selling, general and administrative expenses (Note 11)	(590,538)	(639,863)
Operating profit (Note 5)	480,696	579,341
Financial income (Note 12)	15,812	17,758
Financial costs (Note 12)	(32,687)	(61,503)
Profit before income taxes	463,821	535,596
Income taxes	(123,536)	(131,666)
Profit for the period	340,285	403,930
<b>Attributable to</b>		
Owners of the parent company	338,813	403,807
Non-controlling interests	1,472	123
Profit for the period	340,285	403,930
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	190.95	227.53
Diluted (Yen) (Note 14)	190.87	227.45

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

(Millions of yen)

	2021	2022
Operating profit	480,696	579,341
Amortization cost of acquired intangibles arising from business acquisitions	52,328	55,872
Adjustment items (income)	(6,795)	(8,326)
Adjustment items (costs)	16,659	10,936
Adjusted operating profit (Note 5)	542,888	637,823

(For the three-month period)

**Three months ended September 30, 2021 and 2022**

(Millions of yen)

	2021	2022
Revenue (Note 5)	621,536	741,720
Cost of sales	(253,225)	(298,613)
Gross profit	368,311	443,107
Other operating income	4,944	2,991
Share of profit in investments accounted for using the equity method	1,891	2,643
Selling, general and administrative expenses	(216,534)	(252,372)
Operating profit (Note 5)	158,612	196,369
Financial income	8,898	7,872
Financial costs	(17,784)	(29,630)
Profit before income taxes	149,726	174,611
Income taxes	(35,380)	(35,685)
Profit for the period	114,345	138,926
<b>Attributable to</b>		
Owners of the parent company	113,623	139,744
Non-controlling interests	723	(817)
Profit for the period	114,345	138,926
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	64.03	78.74
Diluted (Yen) (Note 14)	64.00	78.71

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

(Millions of yen)

	2021	2022
Operating profit	158,612	196,369
Amortization cost of acquired intangibles arising from business acquisitions	18,583	21,073
Adjustment items (income)	(3,568)	(2,198)
Adjustment items (costs)	11,038	7,728
Adjusted operating profit (Note 5)	184,665	222,973

**(3) Condensed Interim Consolidated Statement of Comprehensive Income**

(For the nine-month period)

**Nine months ended September 30, 2021 and 2022**

(Millions of yen)

	2021	2022
Profit for the period	340,285	403,930
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,657	1,573
Remeasurements of defined benefit plans (Note 13)	11,774	41,665
Total of items that will not be reclassified to profit or loss	13,432	43,238
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	167,143	783,774
Net gain (loss) on derivatives designated as cash flow hedges	(79)	16,805
Total of items that may be reclassified subsequently to profit or loss	167,064	800,579
Other comprehensive income (loss), net of taxes	180,496	843,817
Comprehensive income (loss) for the period	520,781	1,247,747
<b>Attributable to</b>		
Owners of the parent company	519,054	1,246,060
Non-controlling interests	1,727	1,687
Comprehensive income (loss) for the period	520,781	1,247,747

(For the three-month period)

**Three months ended September 30, 2021 and 2022**

(Millions of yen)

	2021	2022
Profit for the period	114,345	138,926
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	202	535
Remeasurements of defined benefit plans	(19)	2,613
Total of items that will not be reclassified to profit or loss	184	3,148
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	5,197	91,441
Net gain (loss) on derivatives designated as cash flow hedges	167	11,331
Total of items that may be reclassified subsequently to profit or loss	5,363	102,772
Other comprehensive income (loss), net of taxes	5,547	105,920
Comprehensive income (loss) for the period	119,892	244,846
<b>Attributable to</b>		
Owners of the parent company	119,266	245,292
Non-controlling interests	627	(446)
Comprehensive income (loss) for the period	119,892	244,846

#### (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
<b>As of January 1, 2021</b>	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 8)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(220)	-
Total transactions with the owners	-	-	600	(46)	-	(220)	-
<b>As of September 30, 2021</b>	100,000	736,400	(490,907)	1,206	(447,514)	(177)	8,920
<b>As of January 1, 2022</b>	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	782,156	16,805	1,646
Comprehensive income (loss) for the period	-	-	-	-	782,156	16,805	1,646
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	-	712	(197)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 8)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	(85)
Other increase (decrease)	-	-	-	-	-	(70)	-
Total transactions with the owners	-	-	711	(197)	-	(70)	(85)
<b>As of September 30, 2022</b>	100,000	736,400	(490,188)	1,004	373,981	16,461	8,722

(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, 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 8)	-	-	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the scope of consolidation	-	-	-	-	-	-
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
As of January 1, 2022	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	-	-	403,807	403,807	123	403,930
Other comprehensive income (loss)	41,646	842,253	-	842,253	1,564	843,817
Comprehensive income (loss) for the period	41,646	842,253	403,807	1,246,060	1,687	1,247,747
Acquisition of treasury shares	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	(197)	(514)	0	-	0
Share-based payments	-	-	345	345	21	366
Dividends (Note 8)	-	-	(266,203)	(266,203)	(1,576)	(267,779)
Changes in the scope of consolidation	-	-	-	-	(431)	(431)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	(0)	(1)
Transfer from other components of equity to retained earnings	(41,646)	(41,731)	41,731	-	-	-
Other increase (decrease)	-	(70)	-	(70)	-	(70)
Total transactions with the owners	(41,646)	(41,998)	(224,642)	(265,929)	(1,985)	(267,915)
As of September 30, 2022	-	400,168	3,043,008	3,789,389	76,524	3,865,913

**(5) Condensed Interim Consolidated Statement of Cash Flows**  
**Nine months ended September 30, 2021 and 2022**

(Millions of yen)

	2021	2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	463,821	535,596
Depreciation and amortization	139,743	151,695
Impairment losses	9,095	18,410
Interest and dividend income	(8,731)	(17,681)
Interest expense	17,535	19,977
Share of profit in investments accounted for using the equity method	(3,542)	(6,266)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(2,973)	(3,933)
(Increase) decrease in trade and other receivables	(57,867)	(16,126)
(Increase) decrease in inventories	29,815	(37,200)
Increase (decrease) in trade and other payables	(16,982)	(131,714)
Increase (decrease) in retirement benefit liabilities	(16,601)	(2,244)
(Increase) decrease in prepaid tobacco excise taxes	(12,577)	96,038
Increase (decrease) in tobacco excise tax payables	(30,227)	(107,747)
Increase (decrease) in consumption tax payables	(2,648)	8,032
Other	30,875	(50,141)
Subtotal	538,736	456,696
Interest and dividends received	10,207	17,412
Interest paid	(15,914)	(21,406)
Income taxes paid	(104,096)	(109,080)
Net cash flows from operating activities	428,933	343,623
<b>Cash flows from investing activities</b>		
Purchase of securities	(19,587)	(28,081)
Proceeds from sale and redemption of securities	16,738	14,326
Purchase of property, plant and equipment	(60,995)	(52,482)
Proceeds from sale of investment property	4,722	4,717
Purchase of intangible assets	(11,520)	(12,240)
Payments into time deposits	(888)	(90)
Proceeds from withdrawal of time deposits	637	1,252
Proceeds from sale of investments in associates	2,512	43
Other	(1,718)	2,577
Net cash flows from investing activities	(70,101)	(69,978)

		(Millions of yen)
	2021	2022
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company (Note 8)	(251,617)	(265,876)
Dividends paid to non-controlling interests	(1,390)	(1,115)
Capital contribution from non-controlling interests	35	27
Increase (decrease) in short-term borrowings and commercial paper	12,201	(34,478)
Proceeds from long-term borrowings	3,295	1,509
Repayments of long-term borrowings	(12,234)	(12,441)
Proceeds from issuance of bonds	55,334	-
Redemption of bonds	(82,058)	(30,000)
Repayments of lease liabilities	(14,899)	(14,990)
Acquisition of treasury shares	(0)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	(0)
Other	0	0
Net cash flows from financing activities	(291,334)	(357,364)
<b>Net increase (decrease) in cash and cash equivalents</b>	67,498	(83,719)
<b>Cash and cash equivalents at the beginning of the period</b>	538,844	721,731
<b>Effect of exchange rate changes on cash and cash equivalents</b>	24,313	140,452
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	630,655	778,464



## 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, 2022 and for the nine-month period ended September 30, 2022 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on October 31, 2022 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, 2021.

### 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, 2021 except for the following items. The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

#### (Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the beginning of the first quarter ended March 31, 2022.

IFRS		Description of new standards and amendments
IFRS 3	Business Combinations	Amendments to update references to the conceptual framework
IFRS 9	Financial Instruments	Clarifying fees and costs to be included in the 10 per cent test for derecognition of financial liabilities

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

### 4. Significant Accounting Estimates and Judgments

Preparation of condensed interim consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the interim period end date. These estimates and assumptions are based on the best judgment of management in light 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 changes 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, 2021. For the spread of COVID-19 and recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

## 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. The reportable segments of the Group are composed of three segments: “Tobacco Business,” “Pharmaceutical Business” and “Processed Food Business.”

The Group has changed the previous four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from this fiscal year.

Due to the change in the segment classification, the segment information for the nine months and three months ended September 30, 2021 has been reclassified to conform with the presentation for the nine months and three months ended September 30, 2022.

The “Tobacco Business” consists of the manufacture and sale of tobacco products in domestic areas and overseas. The “Pharmaceutical Business” consists of the research and development, 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, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	1,601,153	56,781	106,655	1,764,589	1,486	-	1,766,075
Intersegment revenue	232	-	0	232	3,842	(4,073)	-
Total revenue	<u>1,601,384</u>	<u>56,781</u>	<u>106,655</u>	<u>1,764,820</u>	<u>5,328</u>	<u>(4,073)</u>	<u>1,766,075</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>562,875</u>	<u>6,608</u>	<u>2,357</u>	<u>571,840</u>	<u>(28,873)</u>	<u>(79)</u>	<u>542,888</u>

¥1,532,103 million of the external revenue from the tobacco business is core revenue.

Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	610,668	389,938	531,497	1,532,103
Adjusted operating profit	233,932	180,406	148,537	562,875

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes Italy, the United Kingdom, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

Nine months ended September 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	1,834,539	59,665	112,798	2,007,001	1,547	-	2,008,548
Intersegment revenue	215	-	0	215	6,852	(7,067)	-
Total revenue	<u>1,834,754</u>	<u>59,665</u>	<u>112,798</u>	<u>2,007,217</u>	<u>8,399</u>	<u>(7,067)</u>	<u>2,008,548</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>653,450</u>	<u>7,267</u>	<u>1,858</u>	<u>662,575</u>	<u>(24,704)</u>	<u>(48)</u>	<u>637,823</u>

¥1,760,667 million of the external revenue from the tobacco business is core revenue.

Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	609,306	413,417	737,945	1,760,667
Adjusted operating profit	230,763	193,244	229,443	653,450

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes Italy, the United Kingdom, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

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

Nine months ended September 30, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	562,875	6,608	2,357	571,840	(28,873)	(79)	542,888
Amortization cost of acquired intangibles arising from business acquisitions	(52,328)	-	-	(52,328)	-	-	(52,328)
Adjustment items (income) (Note 3)	2,975	200	129	3,304	3,491	-	6,795
Adjustment items (costs) (Note 4)	(15,091)	0	(1,170)	(16,261)	(398)	-	(16,659)
Operating profit (loss)	498,430	6,808	1,316	506,555	(25,780)	(79)	480,696
Financial income							15,812
Financial costs							(32,687)
Profit before income taxes							463,821

Nine months ended September 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	653,450	7,267	1,858	662,575	(24,704)	(48)	637,823
Amortization cost of acquired intangibles arising from business acquisitions	(55,872)	-	-	(55,872)	-	-	(55,872)
Adjustment items (income) (Note 3)	3,448	-	4	3,453	4,873	-	8,326
Adjustment items (costs) (Note 4)	(6,973)	-	(1,140)	(8,114)	(2,823)	-	(10,936)
Operating profit (loss)	594,053	7,267	722	602,043	(22,653)	(48)	579,341
Financial income							17,758
Financial costs							(61,503)
Profit before income taxes							535,596

(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, 2021 and 2022

(Millions of yen)

	2021	2022
Restructuring incomes	1,815	548
Other	4,979	7,778
Adjustment items (income)	6,795	8,326

Restructuring incomes for the nine months ended September 30, 2021 and 2022 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in “10. 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. Other (income) for the nine months ended September 30, 2022 mainly related to gains on sale of real estate and reversal of liabilities recognized at the time of acquisition.

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

Nine months ended September 30, 2021 and 2022

(Millions of yen)

	2021	2022
Restructuring costs	10,001	5,385
Cooperation fee for terminating leaf tobacco farming	6,429	-
Other	229	5,552
Adjustment items (costs)	16,659	10,936

Restructuring costs for the nine months ended September 30, 2021 mainly related to costs of measures to strengthen the operations and rationalization in a market in the “Tobacco Business.” Restructuring costs for the nine months ended September 30, 2022 mainly related to loss on disposal of real estate and cost of measures to strengthen the operations in the “Tobacco Business.” Restructuring costs included in “Cost of sales” were ¥5 million and ¥155 million for the nine months ended September 30, 2021 and 2022, respectively. Restructuring costs included in “Selling, general and administrative expenses” were ¥9,996 million and ¥5,230 million for the nine months ended September 30, 2021 and 2022, respectively. The breakdown of restructuring costs is described in “11. Selling, general and administrative expenses.” Other (costs) for the nine months ended September 30, 2022 mainly related to impairment loss on a trademark in the “Tobacco Business” and loss on sale of shares of a subsidiary.

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

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	565,009	19,730	36,208	620,948	588	-	621,536
Intersegment revenue	82	-	0	82	1,216	(1,298)	-
Total revenue	<u>565,091</u>	<u>19,730</u>	<u>36,208</u>	<u>621,030</u>	<u>1,804</u>	<u>(1,298)</u>	<u>621,536</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>190,186</u>	<u>3,052</u>	<u>904</u>	<u>194,143</u>	<u>(9,452)</u>	<u>(25)</u>	<u>184,665</u>

¥539,468 million of the external revenue from the tobacco business is core revenue.

Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	216,272	129,378	193,818	539,468
Adjusted operating profit	80,625	57,535	52,026	190,186

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes Italy, the United Kingdom, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

Three months ended September 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	681,579	20,364	39,337	741,280	440	-	741,720
Intersegment revenue	77	-	0	78	643	(721)	-
Total revenue	<u>681,656</u>	<u>20,364</u>	<u>39,337</u>	<u>741,358</u>	<u>1,083</u>	<u>(721)</u>	<u>741,720</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>228,332</u>	<u>2,402</u>	<u>409</u>	<u>231,143</u>	<u>(8,169)</u>	<u>(1)</u>	<u>222,973</u>

¥655,414 million of the external revenue from the tobacco business is core revenue.

Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	208,853	145,533	301,027	655,414
Adjusted operating profit	74,295	65,019	89,019	228,332

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes Italy, the United Kingdom, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.



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

Three months ended September 30, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	190,186	3,052	904	194,143	(9,452)	(25)	184,665
Amortization cost of acquired intangibles arising from business acquisitions	(18,583)	-	-	(18,583)	-	-	(18,583)
Adjustment items (income) (Note 3)	79	-	-	79	3,489	-	3,568
Adjustment items (costs) (Note 4)	(10,941)	(0)	(58)	(10,999)	(39)	-	(11,038)
Operating profit (loss)	160,740	3,052	847	164,639	(6,002)	(25)	158,612
Financial income							8,898
Financial costs							(17,784)
Profit before income taxes							149,726

Three months ended September 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	228,332	2,402	409	231,143	(8,169)	(1)	222,973
Amortization cost of acquired intangibles arising from business acquisitions	(21,073)	-	-	(21,073)	-	-	(21,073)
Adjustment items (income) (Note 3)	2,208	-	0	2,208	(10)	-	2,198
Adjustment items (costs) (Note 4)	(5,750)	-	(103)	(5,853)	(1,874)	-	(7,728)
Operating profit (loss)	203,717	2,402	306	206,425	(10,054)	(1)	196,369
Financial income							7,872
Financial costs							(29,630)
Profit before income taxes							174,611

(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, 2021 and 2022

(Millions of yen)

	2021	2022
Restructuring incomes	1,683	34
Other	1,885	2,164
Adjustment items (income)	3,568	2,198

Other (income) for the three months ended September 30, 2021 mainly related to gains on sale of real estate. Other (income) for the three months ended September 30, 2022 mainly related to gains on reversal of liabilities recognized at the time of acquisition.

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

Three months ended September 30, 2021 and 2022

(Millions of yen)

	2021	2022
Restructuring costs	4,608	2,207
Cooperation fee for terminating leaf tobacco farming	6,429	-
Other	2	5,521
Adjustment items (costs)	11,038	7,728

Other (costs) for the three months ended September 30, 2022 mainly related to impairment loss on a trademark in the “Tobacco Business” and loss on sale of shares of a subsidiary.

## 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, 2022 includes cash and cash equivalents of ¥98,905 million and ¥103,541 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:

	(Millions of yen)		
Carrying Amount	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2022	755,843	2,060,965	307,152
Individual acquisition	62,993	-	11,512
Transfer to investment property	(10,971)	-	-
Transfer to assets held for sale	(3,690)	-	(45)
Depreciation or amortization	(84,311)	-	(67,175)
Impairment losses	(14,259)	-	(3,463)
Reversal of impairment losses	185	-	-
Sale or disposal	(4,692)	-	(669)
Exchange differences on translation of foreign operations	103,371	563,642	29,029
Other	(2,293)	(1,316)	(143)
As of September 30, 2022	802,176	2,623,292	276,198

## 8. Dividends

Dividends paid for each interim period are as follows:

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

Nine months ended September 30, 2022

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 23, 2022)	Ordinary shares	133,089	75	December 31, 2021	March 24, 2022
Board of Directors (July 29, 2022)	Ordinary shares	133,114	75	June 30, 2022	September 1, 2022

## 9. 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, 2021

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note 2)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	1,532,103	-	-	-	1,532,103
Other	69,050	56,781	106,655	1,486	233,972
Total	<u>1,601,153</u>	<u>56,781</u>	<u>106,655</u>	<u>1,486</u>	<u>1,766,075</u>

Nine months ended September 30, 2022

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note 2)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	1,760,667	-	-	-	1,760,667
Other	73,872	59,665	112,798	1,547	247,881
Total	<u>1,834,539</u>	<u>59,665</u>	<u>112,798</u>	<u>1,547</u>	<u>2,008,548</u>

(Note 1) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

(Note 2) Revenues from RRP in core revenue from the “Tobacco Business” were ¥58,277 million and ¥58,863 million for the nine months ended September 30, 2021 and 2022, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

### (2) Gross Turnover

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

Nine months ended September 30, 2021 and 2022

(Millions of yen)

	2021	2022
Gross turnover	6,341,758	6,926,330
Tobacco excise taxes and agency transaction amount	(4,575,683)	(4,917,782)
Revenue	<u>1,766,075</u>	<u>2,008,548</u>

## 10. Other Operating Income

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

Nine months ended September 30, 2021 and 2022

(Millions of yen)

	2021	2022
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	4,625	5,781
Other (Note)	5,640	5,092
Total	10,265	10,873

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

Nine months ended September 30, 2021 and 2022

(Millions of yen)

	2021	2022
Gain on sale of property, plant and equipment, intangible assets and investment property	1,811	541
Other	4	7
Total	1,815	548

### 11. 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, 2021 and 2022

		(Millions of yen)
	2021	2022
Advertising expenses	17,175	17,465
Promotion expenses	61,447	73,735
Commission (Note)	45,080	53,236
Employee benefit expenses (Note)	244,750	244,752
Research and development expenses	46,756	49,215
Depreciation and amortization	82,180	87,918
Impairment losses on other than financial assets (Note)	9,095	18,410
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	2,491	4,021
Cooperation fee for terminating leaf tobacco farming	6,429	-
Other (Note)	75,136	91,111
Total	590,538	639,863

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

Nine months ended September 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Employee benefit expenses	7,606	(51)
Impairment losses on other than financial assets	1,461	1,688
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	322	2,749
Other	608	844
Total	9,996	5,230

## 12. 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, 2021 and 2022

(Millions of yen)

Financial Income	2021	2022
Dividend income	599	490
Interest income	8,132	17,191
Gain on net monetary position	6,951	-
Other	131	77
Total	15,812	17,758

Nine months ended September 30, 2021 and 2022

(Millions of yen)

Financial Costs	2021	2022
Interest expenses	17,535	19,977
Foreign exchange losses (Note 1)	8,857	17,069
Employee benefit expenses (Note 2)	1,746	2,388
Loss on net monetary position	-	14,508
Other	4,549	7,562
Total	32,687	61,503

(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.

## 13. Other Comprehensive Income

“Remeasurements of defined benefit plans” for the nine months ended September 30, 2022 include remeasurements arising from the effects of significant market fluctuations in relation to retirement benefit assets or liabilities.

#### 14. Interim Earnings per Share

(For the 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, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period attributable to owners of the parent company	338,813	403,807
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	338,813	403,807

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

Nine months ended September 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of shares during the period	1,774,385	1,774,714

##### (2) Basis of Calculating Diluted Interim Earnings per Share

###### A. Profit Attributable to Diluted Ordinary Shareholders

Nine months ended September 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period used for calculation of basic interim earnings per share	338,813	403,807
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	338,813	403,807

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

Nine months ended September 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of ordinary shares during the period	1,774,385	1,774,714
Increased number of ordinary shares under subscription rights to shares	745	640
Weighted-average number of diluted ordinary shares during the period	1,775,129	1,775,355



(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, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period attributable to owners of the parent company	113,623	139,744
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	113,623	139,744

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

Three months ended September 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of shares during the period	1,774,521	1,774,851

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended September 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period used for calculation of basic interim earnings per share	113,623	139,744
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	113,623	139,744

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

Three months ended September 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of ordinary shares during the period	1,774,521	1,774,851
Increased number of ordinary shares under subscription rights to shares	734	614
Weighted-average number of diluted ordinary shares during the period	1,775,255	1,775,465

## 15. 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, 2021		As of September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	196,970	198,290	187,774	186,924
Bonds (Note)	651,016	682,984	688,172	586,906

(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, 2021

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	7,362	-	7,362
Equity securities	19,988	-	7,804	27,792
Other	562	6,518	7,725	14,805
Total	20,550	13,880	15,529	49,959
Derivative liabilities	-	10,926	-	10,926
Total	-	10,926	-	10,926

As of September 30, 2022

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	46,943	-	46,943
Equity securities	21,305	-	9,389	30,694
Other	592	5,584	13,046	19,222
Total	21,897	52,527	22,435	96,859
Derivative liabilities	-	39,044	-	39,044
Total	-	39,044	-	39,044

## 16. Commitments

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

	As of December 31, 2021	As of September 30, 2022
Acquisition of property, plant and equipment	28,817	39,293

## 17. Hyperinflationary Accounting Adjustments

As required by IAS 29, the Group's condensed interim consolidated financial statements include the financial statements of the subsidiaries in the hyperinflationary economy, restated in terms of the measuring unit current at the end of the reporting period.

For the restatement of the financial statements of the subsidiaries in Turkey from the beginning of the second quarter ended June 30, 2022 and in Ethiopia from the beginning of the third quarter ended September 30, 2022, the Group applies the conversion coefficients derived from the Consumer Price Index of Turkey published by the Turkish Statistical Institute and from the Consumer Price Index of Ethiopia published by the Central Statistical Agency of Ethiopia.

Consumer Price Index and corresponding conversion coefficients of Turkey are presented below.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2010	182	576
31 December 2011	201	521
31 December 2012	213	491
31 December 2013	229	457
31 December 2014	248	423
31 December 2015	270	388
31 December 2016	293	358
31 December 2017	327	320
31 December 2018	394	266
31 December 2019	441	238
31 December 2020	505	207
31 December 2021	687	152
30 September 2022	1,047	100

Consumer Price Index and corresponding conversion coefficients of Ethiopia are presented below.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2017	117	277
31 December 2018	129	251
31 December 2019	154	210
31 December 2020	182	178
31 December 2021	246	131
30 September 2022	323	100

The Group's subsidiaries in the hyperinflationary economy have restated their non-monetary items held at historical cost, such as property, plant and equipment, by applying the conversion coefficients at the acquisition date. Monetary items and non-monetary items held at current cost are not restated as they are considered to be expressed in terms of the measuring unit current at the end of the reporting period.

For the purpose of consolidation, condensed interim consolidated financial statements of the Group's subsidiaries in the hyperinflationary economy are translated using the spot exchange rates at the end of the reporting period.

## 18. Contingencies

As of September 30, 2022, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2021.

## 19. Subsequent Events

The Group's subsidiary, JT International Financial Services B.V., issued senior notes with an aggregate principal amount of US\$ 500 million due 2032 on October 24, 2022 as follows.

	US dollar-dominated senior notes due 2032
1. Total amount of issue	US\$ 500 million
2. Interest rate	6.875% per annum
3. Offering price	98.626% of nominal amount
4. Redemption price	100% of nominal amount
5. Settlement date	October 24, 2022
6. Maturity date	October 24, 2032
7. Redemption	The senior notes will be redeemed in full upon maturity. JT International Financial Services B.V. may, at any time after the date of payment, purchase the senior notes and have such purchased senior notes cancelled.
8. Guarantor	Japan Tobacco Inc.
9. Use of proceeds	Proceeds are intended to be used for general corporate purposes.



(TRANSLATION)

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

October 31, 2022

To the Board of Directors of  
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant: Yukitaka Maruchi

Designated Engagement Partner,  
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,  
Certified Public Accountant: Yoichi Matsushita

### 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, 2022, 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, 2022, 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.