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[Cover]

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Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
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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	Three months ended March 31, 2022	Three months ended March 31, 2023	38th term
Accounting period	From January 1, 2022 to March 31, 2022	From January 1, 2023 to March 31, 2023	From January 1, 2022 to December 31, 2022
Revenue (Millions of yen)	581,505	665,278	2,657,832
Profit before income taxes (Millions of yen)	174,699	183,146	593,450
Profit for the period (Millions of yen)	124,602	145,226	444,174
Profit attributable to owners of the parent company (Millions of yen)	124,110	144,684	442,716
Comprehensive income (loss) for the period (Millions of yen)	230,570	170,311	998,229
Total equity (Millions of yen)	2,983,147	3,586,249	3,616,761
Total assets (Millions of yen)	5,747,354	6,346,628	6,548,078
Basic earnings per share (Yen)	69.94	81.52	249.45
Diluted earnings per share (Yen)	69.91	81.49	249.36
Ratio of equity attributable to owners of the parent company to total assets (%)	50.56	55.26	54.07
Net cash flows from operating activities (Millions of yen)	38,983	55,663	483,799
Net cash flows from investing activities (Millions of yen)	(22,726)	(41,707)	(101,822)
Net cash flows from financing activities (Millions of yen)	(116,767)	(196,398)	(306,176)
Cash and cash equivalents at the end of the period (Millions of yen)	655,260	665,152	866,885

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 three months ended March 31, 2023, there were neither material changes in the business of the Group (the Company, 223 consolidated subsidiaries and 15 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 three months ended March 31, 2023, 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.

In the Russian market, the Group is fully committed to complying with all applicable sanctions, regulations, etc. 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 March 31, 2023.

(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 a mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Constant FX

Adjusted operating profit at constant FX is a financial benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year from core revenue or from adjusted operating profit for the current period in the Tobacco Business. Adjusted operating profit results at constant FX excludes the increase in revenue or profit caused by inflation in some markets calculated using certain methods.

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.

(Hyperinflationary Accounting Adjustments)

The Group applies accounting adjustments to the underlying financial statements of the subsidiaries in the hyperinflationary economy as required by IAS 29, "Financial Reporting in Hyperinflationary Economies."

(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)

	Three months ended March 31, 2022	Three months ended March 31, 2023	Change
Revenue	581.5	665.3	14.4%
Adjusted operating profit	194.9	223.4	14.6%
Operating profit	178.4	206.4	15.7%
Profit attributable to owners of the parent company	124.1	144.7	16.6%

<Revenue>

Revenue increased by 14.4% from the same period of the previous year to ¥665.3 billion due to increases in sales in the Tobacco Business and the Pharmaceutical Business and favorable foreign exchange effects as a result of depreciation of the Japanese yen. Core revenue (Note 1) at constant FX increased by 6.2% from the same period of the previous year.

<Adjusted operating profit>

Adjusted operating profit at constant FX increased by 5.1% from the same period of the previous year due to increases in all businesses. Adjusted operating profit including foreign exchange effects increased by 14.6% from the previous fiscal year to ¥223.4 billion, mainly due to the favorable foreign exchange effects as a result of depreciation of the Japanese yen in the Tobacco Business.

<Operating profit>

Operating profit increased by 15.7% from the same period of the previous year to ¥206.4 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 16.6% from the previous fiscal year to ¥144.7 billion, due mainly to an increase in operating profit and a decrease in income taxes as a result of lower tax burden rates, despite an increase in financial costs.

(Note: 1) Core revenue at constant FX is the sum of core revenue at constant FX from the Tobacco Business and revenue from the Pharmaceutical Business, Processed Food Business and other.

b. Operating segments

[Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Three months ended March 31, 2022	Three months ended March 31, 2023	Change
Total volume	128.5	130.2	1.3%
Combustibles volume ^(Note 1)	126.6	128.2	1.2%
RRP volume ^(Note 2)	2.0	2.0	3.0%
Core revenue	502.0	579.1	15.3%
Adjusted operating profit	197.3	225.1	14.1%

<Total volume> ^{(Note 3) (Note 4)}

Total volume increased by 1.3% from the same period of the previous year to 130.2 billion cigarettes due mainly to consistent growth in market shares in several markets, an increase in combustibles volume, and an increase in RRP volume. Combustibles volume increased by 1.2% from the same period of the previous year due to increases in Asia and EMA. RRP volume increased by 3.0% from the same period of the previous year mainly due to growth in the HTS category in Japan. Market share grew in various markets, including the key markets of Italy, Taiwan, Japan, the Philippines, and Russia.

<Core revenue from tobacco business and adjusted operating profit>

Core revenue from the tobacco business and adjusted operating profit increased by 15.3% and 14.1%, respectively, from the same period of the previous year due mainly to favorable price variance effects and foreign exchange effects. RRP-related revenue ^(Note 2) increased by 6.4% from the same period of the previous year to ¥20.3 billion due mainly to an increase in RRP volume in Japan.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 6.3% and 4.6%, 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 Japan and 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	Three months ended March 31, 2022	Three months ended March 31, 2023	Change
Revenue	21.3	24.9	17.1%
Adjusted operating profit	4.6	6.9	51.6%

<Revenue and adjusted operating profit>

Revenue increased by 17.1% from the same period of the previous year due to one-time income pertaining to license agreements for licensed compounds and an increase in revenue at Torii Pharmaceutical Co., Ltd., which is a consolidated subsidiary of the Company.

Adjusted operating profit increased by 51.6% 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	Three months ended March 31, 2022	Three months ended March 31, 2023	Change
Revenue	35.7	35.6	(0.2)%
Adjusted operating profit	0.4	1.4	242.2%

<Revenue and adjusted operating profit>

Revenue was at similar levels from the same period of the previous year due to an increase in revenue from the recovery of eating out demand in addition to price revisions carried out in the previous year, despite the absence of revenue from transfer of the bakery business.

Adjusted operating profit increased by 242.2% from the same period of the previous year as the positive effects of price revisions offset further worsening in costs of raw materials, etc. from the previous fiscal year, as well as due to an increase in revenue from the recovery of eating out demand.

(2) Financial Position and Cash Flow Position

a. Financial position

[Assets]

Total assets at the end of the three months ended March 31, 2023 decreased by ¥201.5 billion from the end of the previous fiscal year to ¥6,346.6 billion. This was mainly due to a decrease in cash and cash equivalents arising from the payment of cash dividends and tobacco excise tax.

[Liabilities]

Total liabilities at the end of the three months ended March 31, 2023 decreased by ¥170.9 billion from the end of the previous fiscal year to ¥2,760.4 billion. This was mainly due to a decrease in trade and other payables and a decrease in local tobacco excise tax payables.

[Equity]

Total equity at the end of the three months ended March 31, 2023 decreased by ¥30.5 billion from the end of the previous fiscal year to ¥3,586.2 billion. This was mainly due to a decrease in retained earnings as a result of the payment of cash dividends despite the recording of profit attributable to owners of the parent company.

b. Cash flow position

Cash and cash equivalents at the end of the three months ended March 31, 2023 decreased by ¥201.7 billion from the end of the previous fiscal year to ¥665.2 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥655.3 billion.

[Net cash flows from operating activities]

Net cash flows from operating activities during the three months ended March 31, 2023 were ¥55.7 billion, compared with ¥39.0 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 tobacco excise taxes and income taxes as well as payments of trade and other payables.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the three months ended March 31, 2023 were ¥41.7 billion, compared with ¥22.7 billion used in the same period of the previous year. This was mainly due to the purchase of securities, purchase of property, plant and equipment, and purchase of intangible assets.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the three months ended March 31, 2023 were ¥196.4 billion, compared with ¥116.8 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 three months ended March 31, 2023, 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 three months ended March 31, 2023, 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 three months ended March 31, 2023 were ¥17.1 billion.

During the three months ended March 31, 2023, 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) 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, 2022 and as of March 31, 2023 accounted for ¥737.3 billion and ¥747.8 billion, respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥157.2 billion and ¥159.2 billion, respectively.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥63.7 billion as of December 31, 2022 and ¥68.0 billion as of March 31, 2023. 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 March 31, 2023, 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 first quarter ended March 31, 2023.

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 March 31, 2023)	Number of shares issued (Shares; as of the date of filing: May 2, 2023)	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)
January 1, 2023 to March 31, 2023	—	2,000,000	—	100,000	—	736,400

(5) Status of Major Shareholders

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

(6) Status of Voting Rights

a. Number of shares issued

(As of March 31, 2023)

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 225,079,800	—	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,829,100	17,738,291	(Note 2)
Shares less than one unit	Ordinary shares 1,091,100	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,738,291	—

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 67 shares of treasury shares.

b. Treasury shares

(As of March 31, 2023)

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	225,079,800	—	225,079,800	11.25
Total	—	225,079,800	—	225,079,800	11.25

2. Status of Officers

After filing the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the three months ended March 31, 2023.

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 the three months ended March 31, 2023 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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents (Note 6)	866,885	665,152
Trade and other receivables	477,239	473,832
Inventories	691,906	705,160
Other financial assets	37,677	40,226
Other current assets	649,181	607,279
Subtotal	2,722,889	2,491,649
Assets held for sale	702	2,075
Total current assets	2,723,591	2,493,724
Non-current assets		
Property, plant and equipment (Note 7)	775,957	775,820
Goodwill (Note 7)	2,446,063	2,480,887
Intangible assets (Note 7)	246,442	236,533
Investment property	9,495	9,172
Retirement benefit assets	57,792	60,278
Investments accounted for using the equity method	56,943	53,426
Other financial assets	140,366	145,648
Deferred tax assets	91,430	91,140
Total non-current assets	3,824,487	3,852,904
Total assets	6,548,078	6,346,628

	(Millions of yen)	
	As of December 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	540,089	473,303
Bonds and borrowings	137,308	142,110
Income tax payables	37,470	71,351
Other financial liabilities	40,065	37,026
Provisions	26,610	24,306
Other current liabilities	781,093	676,161
Subtotal	1,562,635	1,424,257
Liabilities directly associated with assets held for sale	29	30
Total current liabilities	1,562,664	1,424,287
Non-current liabilities		
Bonds and borrowings	821,003	832,878
Other financial liabilities	41,735	40,431
Retirement benefit liabilities	244,116	242,057
Provisions	26,490	26,083
Other non-current liabilities	195,248	155,958
Deferred tax liabilities	40,061	38,685
Total non-current liabilities	1,368,653	1,336,091
Total liabilities	2,931,317	2,760,378
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,183)	(490,038)
Other components of equity	104,309	126,692
Retained earnings	3,089,909	3,034,234
Equity attributable to owners of the parent company	3,540,435	3,507,288
Non-controlling interests	76,326	78,962
Total equity	3,616,761	3,586,249
Total liabilities and equity	6,548,078	6,346,628

(2) Condensed Interim Consolidated Statement of Income
Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Revenue (Notes 5, 9)	581,505	665,278
Cost of sales	(231,280)	(262,332)
Gross profit	350,224	402,946
Other operating income (Note 10)	2,616	3,439
Share of profit in investments accounted for using the equity method	816	1,299
Selling, general and administrative expenses (Note 11)	(175,288)	(201,280)
Operating profit (Note 5)	178,368	206,404
Financial income (Note 12)	5,150	7,483
Financial costs (Note 12)	(8,819)	(30,741)
Profit before income taxes	174,699	183,146
Income taxes	(50,097)	(37,920)
Profit for the period	124,602	145,226
Attributable to		
Owners of the parent company	124,110	144,684
Non-controlling interests	492	542
Profit for the period	124,602	145,226
Interim earnings per share		
Basic (Yen) (Note 13)	69.94	81.52
Diluted (Yen) (Note 13)	69.91	81.49

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

(Millions of yen)

	2022	2023
Operating profit	178,368	206,404
Amortization cost of acquired intangibles arising from business acquisitions	16,267	15,068
Adjustment items (income)	(1,142)	(6)
Adjustment items (costs)	1,388	1,901
Adjusted operating profit (Note 5)	194,881	223,367

(3) Condensed Interim Consolidated Statement of Comprehensive Income
Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Profit for the period	124,602	145,226
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	420	1,132
Remeasurements of defined benefit plans	20,055	-
Total of items that will not be reclassified to profit or loss	20,474	1,132
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	84,605	26,518
Net gain (loss) on derivatives designated as cash flow hedges	889	(2,564)
Total of items that may be reclassified subsequently to profit or loss	85,494	23,954
Other comprehensive income (loss), net of taxes	105,968	25,086
Comprehensive income (loss) for the period	230,570	170,311
Attributable to		
Owners of the parent company	229,669	166,722
Non-controlling interests	902	3,589
Comprehensive income (loss) for the period	230,570	170,311

(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, 2022	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	84,176	889	444
Comprehensive income (loss) for the period	-	-	-	-	84,176	889	444
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	94	(52)	-	-	-
Dividends (Note 8)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(31)
Other increase (decrease)	-	-	-	-	-	(9)	-
Total transactions with the owners	-	-	93	(52)	-	(9)	(31)
As of March 31, 2022	100,000	736,400	(490,806)	1,149	(323,999)	607	7,575
As of January 1, 2023	100,000	736,400	(490,183)	1,001	85,796	8,546	8,966
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	23,590	(2,564)	1,013
Comprehensive income (loss) for the period	-	-	-	-	23,590	(2,564)	1,013
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	145	(112)	-	-	-
Dividends (Note 8)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(232)
Other increase (decrease)	-	-	-	-	-	688	-
Total transactions with the owners	-	-	145	(112)	-	688	(232)
As of March 31, 2023	100,000	736,400	(490,038)	889	109,385	6,670	9,747

(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, 2022	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	-	-	124,110	124,110	492	124,602
Other comprehensive income (loss)	20,049	105,559	-	105,559	409	105,968
Comprehensive income (loss) for the period	20,049	105,559	124,110	229,669	902	230,570
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(52)	(41)	0	-	0
Dividends (Note 8)	-	-	(133,089)	(133,089)	(405)	(133,495)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	(20,049)	(20,080)	20,080	-	-	-
Other increase (decrease)	-	(9)	-	(9)	-	(9)
Total transactions with the owners	(20,049)	(20,141)	(113,051)	(133,098)	(405)	(133,504)
As of March 31, 2022	-	(314,668)	2,874,902	2,905,828	77,319	2,983,147
As of January 1, 2023	-	104,309	3,089,909	3,540,435	76,326	3,616,761
Profit for the period	-	-	144,684	144,684	542	145,226
Other comprehensive income (loss)	-	22,038	-	22,038	3,047	25,086
Comprehensive income (loss) for the period	-	22,038	144,684	166,722	3,589	170,311
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(112)	(33)	0	-	0
Dividends (Note 8)	-	-	(200,558)	(200,558)	(973)	(201,531)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	1	1	19	20
Transfer from other components of equity to retained earnings	-	(232)	232	-	-	-
Other increase (decrease)	-	688	-	688	-	688
Total transactions with the owners	-	344	(200,358)	(199,869)	(954)	(200,823)
As of March 31, 2023	-	126,692	3,034,234	3,507,288	78,962	3,586,249

(5) Condensed Interim Consolidated Statement of Cash Flows
Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Cash flows from operating activities		
Profit before income taxes	174,699	183,146
Depreciation and amortization	46,372	42,230
Impairment losses	110	756
Interest and dividend income	(3,222)	(7,479)
Interest expense	6,092	6,811
Share of profit in investments accounted for using the equity method	(816)	(1,299)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(741)	59
(Increase) decrease in trade and other receivables	22,904	6,099
(Increase) decrease in inventories	(2,262)	(14,370)
Increase (decrease) in trade and other payables	(77,420)	(62,781)
Increase (decrease) in retirement benefit liabilities	(5,369)	(5,529)
(Increase) decrease in prepaid tobacco excise taxes	24,134	11,639
Increase (decrease) in tobacco excise tax payables	(79,872)	(82,635)
Increase (decrease) in consumption tax payables	(5,667)	7,238
Other	(19,484)	6,590
Subtotal	79,458	90,474
Interest and dividends received	3,386	7,525
Interest paid	(7,005)	(7,018)
Income taxes paid	(36,856)	(35,319)
Net cash flows from operating activities	38,983	55,663
Cash flows from investing activities		
Purchase of securities	(11,965)	(23,684)
Proceeds from sale and redemption of securities	7,917	8,530
Purchase of property, plant and equipment	(16,386)	(22,234)
Proceeds from sale of investment property	352	1,132
Purchase of intangible assets	(3,236)	(6,794)
Payments into time deposits	(0)	-
Proceeds from withdrawal of time deposits	1,252	-
Proceeds from sale of investments in associates	-	973
Other	(659)	370
Net cash flows from investing activities	(22,726)	(41,707)

		(Millions of yen)
	2022	2023
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 8)	(129,249)	(195,461)
Dividends paid to non-controlling interests	(314)	(1,033)
Capital contribution from non-controlling interests	13	25
Increase (decrease) in short-term borrowings and commercial paper	17,849	4,445
Proceeds from long-term borrowings	34	1,239
Repayments of long-term borrowings	(208)	(54)
Repayments of lease liabilities	(4,892)	(5,560)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(0)
Other	0	0
Net cash flows from financing activities	(116,767)	(196,398)
Net increase (decrease) in cash and cash equivalents	(100,510)	(182,442)
Cash and cash equivalents at the beginning of the period	721,731	866,885
Effect of exchange rate changes on cash and cash equivalents	34,039	(19,291)
Cash and cash equivalents at the end of the period (Note 6)	655,260	665,152

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 March 31, 2023 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on May 2, 2023 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, 2022.

3. Material Accounting Policies

The material 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, 2022 except for the following item.

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

The Company and certain subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the beginning of the first quarter ended March 31, 2023.

(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, 2023.

IFRS		Description of new standards and amendments
IAS 1	Presentation of Financial Statements	Amendments to require companies to disclose their material accounting policy information rather than their significant accounting policies

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, 2022. For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

(Changes in Significant Accounting Estimates)

Previously, the Group used the estimated useful life of 10 to 15 years for tobacco manufacturing machinery. However, in consideration of changes in the business environment, the estimated useful lives of some tobacco manufacturing machines have been revised to 18 years from the current fiscal year based on the economically usable forecast period in line with actual conditions and this change will also be applied prospectively.

As a result of this change, operating income for the three months ended March 31, 2023 increased by ¥2,388 million compared with the previous method.

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 “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 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.

Three months ended March 31, 2022

							(Millions of yen)
	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	523,936	21,294	35,664	580,893	611	—	581,505
Intersegment revenue	59	—	0	59	1,226	(1,284)	—
Total revenue	523,994	21,294	35,664	580,952	1,837	(1,284)	581,505
Segment profit (loss)							
Adjusted operating profit (Note 1)	197,343	4,567	412	202,322	(7,403)	(38)	194,881

¥502,037 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 (Note 2)	192,925	125,200	183,912	502,037	
Adjusted operating profit (Note 1)	75,723	61,210	60,410	197,343	

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 March 31, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	604,331	24,925	35,579	664,835	443	-	665,278
Intersegment revenue	61	-	8	69	654	(723)	-
Total revenue	604,392	24,925	35,586	664,904	1,097	(723)	665,278
Segment profit (loss)							
Adjusted operating profit (Note 1)	225,142	6,924	1,409	233,475	(10,116)	8	223,367

¥579,070 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 (Note 2)	196,152	140,487	242,431	579,070
Adjusted operating profit (Note 1)	75,843	64,736	84,563	225,142

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 March 31, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	197,343	4,567	412	202,322	(7,403)	(38)	194,881
Amortization cost of acquired intangibles arising from business acquisitions	(16,267)	—	—	(16,267)	—	—	(16,267)
Adjustment items (income) (Note 4)	955	—	—	955	186	—	1,142
Adjustment items (costs) (Note 5)	(696)	—	(94)	(789)	(599)	—	(1,388)
Operating profit (loss)	181,337	4,567	318	186,221	(7,815)	(38)	178,368
Financial income							5,150
Financial costs							(8,819)
Profit before income taxes							174,699

Three months ended March 31, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	225,142	6,924	1,409	233,475	(10,116)	8	223,367
Amortization cost of acquired intangibles arising from business acquisitions	(15,068)	-	-	(15,068)	-	-	(15,068)
Adjustment items (income) (Note 4)	0	-	3	3	3	-	6
Adjustment items (costs) (Note 5)	(1,319)	-	(97)	(1,416)	(485)	-	(1,901)
Operating profit (loss)	208,756	6,924	1,315	216,994	(10,598)	8	206,404
Financial income							7,483
Financial costs							(30,741)
Profit before income taxes							183,146

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

(Note 3) “Other” includes business activities relating to real estate rental and corporate expenditure relating to corporate communication and operation of the head office.

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

Three months ended March 31, 2022 and 2023

		(Millions of yen)
	2022	2023
Restructuring incomes	79	6
Other	1,063	-
Adjustment items (income)	1,142	6

The breakdown of restructuring incomes is described in “10. Other Operating Income.”

(Note 5) The breakdown of “Adjustment items (costs)” is as follows:

Three months ended March 31, 2022 and 2023

		(Millions of yen)
	2022	2023
Restructuring costs	1,378	1,899
Other	10	2
Adjustment items (costs)	1,388	1,901

Restructuring costs included in "Cost of sales" were ¥122 million and ¥(40) million for the three months ended March 31, 2022 and 2023, respectively. Restructuring costs included in "Selling, general and administrative expenses" were ¥1,256 million and ¥1,939 million for the three months ended March 31, 2022 and 2023, respectively. The breakdown of restructuring costs is described in “11. Selling, general and administrative expenses.”

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 March 31, 2023 includes cash and cash equivalents of ¥77,404 million and ¥103,832 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, 2023	775,957	2,446,063	246,442
Individual acquisition	19,277	-	6,868
Transfer to investment property	(2)	-	-
Transfer to assets held for sale	(1,423)	-	(1)
Depreciation or amortization	(23,607)	-	(18,603)
Impairment losses	(739)	-	-
Reversal of impairment losses	254	-	-
Sale or disposal	(347)	-	(73)
Exchange differences on translation of foreign operations	6,606	34,823	2,168
Other	(157)	-	(268)
As of March 31, 2023	775,820	2,480,887	236,533

8. Dividends

Dividends paid for each interim period are as follows:

Three months ended March 31, 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

Three months ended March 31, 2023

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 24, 2023)	Ordinary shares	200,558	113	December 31, 2022	March 27, 2023

9. Revenue

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

Three months ended March 31, 2022

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	502,037	-	-	-	502,037
Other	21,899	21,294	35,664	611	79,468
Total	523,936	21,294	35,664	611	581,505

Three months ended March 31, 2023

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	579,070	-	-	-	579,070
Other	25,261	24,925	35,579	443	86,208
Total	604,331	24,925	35,579	443	665,278

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥19,062 million and ¥20,278 million for the three months ended March 31, 2022 and 2023, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

10. Other Operating Income

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

Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	1,327	190
Other (Note)	1,289	3,249
Total	2,616	3,439

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

Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Gain on sale of property, plant and equipment, intangible assets and investment property	76	3
Other	2	3
Total	79	6

11. Selling, General and Administrative Expenses

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

Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Advertising expenses	4,341	6,434
Promotion expenses	15,469	17,356
Commission (Note)	14,839	21,397
Employee benefit expenses (Note)	72,735	82,670
Research and development expenses	15,535	17,069
Depreciation and amortization	26,328	25,660
Impairment losses on other than financial assets (Note)	123	756
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	1,329	533
Other (Note)	24,588	29,404
Total	175,288	201,280

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

Three months ended March 31, 2022 and 2023

(Millions of yen)

	2022	2023
Employee benefit expenses	232	1,172
Impairment losses on other than financial assets	7	84
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	956	310
Other	61	373
Total	1,256	1,939

12. Financial Income and Financial Costs

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

Three months ended March 31, 2022 and 2023

	(Millions of yen)	
Financial Income	2022	2023
Dividend income	62	49
Interest income	3,159	7,430
Foreign exchange gains (Note 1)	1,873	-
Other	56	3
Total	5,150	7,483

Three months ended March 31, 2022 and 2023

	(Millions of yen)	
Financial Costs	2022	2023
Interest expenses	6,092	6,811
Foreign exchange losses (Note 1)	-	20,526
Employee benefit expenses (Note 2)	689	1,247
Loss on net monetary position	761	1,621
Other	1,277	537
Total	8,819	30,741

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

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

13. Interim Earnings per Share

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Three months ended March 31, 2022 and 2023

		(Millions of yen)
	2022	2023
Profit for the period attributable to owners of the parent company	124,110	144,684
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	124,110	144,684

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

Three months ended March 31, 2022 and 2023

		(Thousands of shares)
	2022	2023
Weighted-average number of shares during the period	1,774,563	1,774,915

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended March 31, 2022 and 2023

		(Millions of yen)
	2022	2023
Profit for the period used for calculation of basic interim earnings per share	124,110	144,684
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	124,110	144,684

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

Three months ended March 31, 2022 and 2023

		(Thousands of shares)
	2022	2023
Weighted-average number of ordinary shares during the period	1,774,563	1,774,915
Increased number of ordinary shares under subscription rights to shares	692	550
Weighted-average number of diluted ordinary shares during the period	1,775,255	1,775,465

14. Financial Instruments

(Fair Value of Financial Instruments)

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

(Millions of yen)

	As of December 31, 2022		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	157,249	156,294	159,161	159,045
Bonds (Note)	737,329	645,061	747,815	673,797

(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, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	24,285	-	24,285
Equity securities	21,551	-	9,786	31,337
Other	579	6,721	12,522	19,822
Total	22,130	31,006	22,308	75,444
Derivative liabilities	-	20,990	-	20,990
Total	-	20,990	-	20,990

As of March 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	15,207	-	15,207
Equity securities	22,226	-	10,478	32,704
Other	612	9,850	13,934	24,395
Total	22,838	25,057	24,412	72,307
Derivative liabilities	-	17,592	-	17,592
Total	-	17,592	-	17,592

15. Commitments

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

	As of December 31, 2022	(Millions of yen) As of March 31, 2023
Acquisition of property, plant and equipment	36,933	43,740

16. Contingencies

As of March 31, 2023, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2022.

17. Subsequent Events

Japan Tobacco Inc. (JT) issued 15th, 16th and 17th series straight bonds on April 20, 2023 as follows.

	Japan Tobacco Inc. 15th Straight bonds with General Mortgage (7 years)
1. Total amount of issue	10 billion yen
2. Interest rate	0.713% per annum
3. Issue price	100 yen per face value of 100 yen
4. Redemption price	100 yen per face value of 100 yen
5. Settlement date	April 20, 2023
6. Maturity date	April 19, 2030
7. Redemption	The bonds will be redeemed in full upon maturity. JT may, at any time after the date of payment, purchase the bonds and have such purchased bonds canceled.
8. Mortgage	General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt

	Japan Tobacco Inc. 16th Straight bonds with General Mortgage (10 years)
1. Total amount of issue	30 billion yen
2. Interest rate	0.920% per annum
3. Issue price	100 yen per face value of 100 yen
4. Redemption price	100 yen per face value of 100 yen
5. Settlement date	April 20, 2023
6. Maturity date	April 20, 2033
7. Redemption	The bonds will be redeemed in full upon maturity. JT may, at any time after the date of payment, purchase the bonds and have such purchased bonds canceled.
8. Mortgage	General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt

	Japan Tobacco Inc. 17th Straight bonds with General Mortgage (20 years)
1. Total amount of issue	20 billion yen
2. Interest rate	1.630% per annum
3. Issue price	100 yen per face value of 100 yen
4. Redemption price	100 yen per face value of 100 yen
5. Settlement date	April 20, 2023
6. Maturity date	April 20, 2043
7. Redemption	The bonds will be redeemed in full upon maturity. JT may, at any time after the date of payment, purchase the bonds and have such purchased bonds canceled.
8. Mortgage	General mortgage under the Japan Tobacco Inc. Act
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt

2. Others

No items to report

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

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

May 2, 2023

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 March 31, 2023, and the condensed interim consolidated statement of income, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the three-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 March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the three-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, actions taken to eliminate threats or safeguards applied.

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.