

[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, 2023
Quarterly accounting period:	Third quarter of the 39th term (from July 1, 2023 to September 30, 2023)
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:	Hiromasa Furukawa, Senior Vice President, Chief Financial Officer, Corporate Communications
Place of contact:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6636-2914 (Main)
Contact person:	Hiromasa Furukawa, Senior Vice President, Chief Financial Officer, 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, 2022	Nine months ended September 30, 2023	38th term
Accounting period	From January 1, 2022 to September 30, 2022	From January 1, 2023 to September 30, 2023	From January 1, 2022 to December 31, 2022
Revenue [Third quarter] (Millions of yen)	2,008,548 [741,720]	2,157,018 [764,206]	2,657,832
Profit before income taxes (Millions of yen)	535,596	586,209	593,450
Profit for the period (Millions of yen)	403,930	444,532	444,174
Profit attributable to owners of the parent company [Third quarter] (Millions of yen)	403,807 [139,744]	442,010 [155,001]	442,716
Comprehensive income (loss) for the period (Millions of yen)	1,247,747	757,058	998,229
Total equity (Millions of yen)	3,865,913	4,001,649	3,616,761
Total assets (Millions of yen)	6,728,182	7,101,511	6,548,078
Basic earnings per share [Third quarter] (Yen)	227.53 [78.74]	249.01 [87.31]	249.45
Diluted earnings per share (Yen)	227.45	248.95	249.36
Ratio of equity attributable to owners of the parent company to total assets (%)	56.32	55.19	54.07
Net cash flows from operating activities (Millions of yen)	343,623	490,434	483,799
Net cash flows from investing activities (Millions of yen)	(69,978)	(104,040)	(101,822)
Net cash flows from financing activities (Millions of yen)	(357,364)	(413,746)	(306,176)
Cash and cash equivalents at the end of the period (Millions of yen)	778,464	869,042	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 nine months ended September 30, 2023, there were no material changes in the business of the Group (the Company, 221 consolidated subsidiaries and 18 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report.

Changes in principal subsidiaries and affiliates are as follows.

##### (Tobacco Business)

JT INTERNATIONAL GROUP HOLDING B.V., a specified subsidiary of the Company, has been removed from the scope of consolidation from the third quarter ended September 30, 2023 because it was extinguished through an absorption-type merger with JT INTERNATIONAL HOLDING B.V., a specified subsidiary of the Company on August 23, 2023.

The liquidation of JT Engineering Inc. was scheduled for April 2023, but this has been rescheduled to 2024.

## **II. Review of Operations**

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

During the nine months ended September 30, 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 September 30, 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)		
	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change
Revenue	2,008.5	2,157.0	7.4%
Adjusted operating profit	637.8	664.4	4.2%
Operating profit	579.3	631.8	9.1%
Profit attributable to owners of the parent company	403.8	442.0	9.5%

#### **<Revenue>**

Revenue increased by 7.4% from the same period of the previous year to ¥2,157.0 billion due to increases in sales in the Tobacco Business and the Pharmaceutical Business. Core revenue <sup>(Note 1)</sup> at constant FX increased by 5.9% from the same period of the previous year.

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

Adjusted operating profit at constant FX increased by 5.9% from the same period of the previous year due to increases in all businesses. Adjusted operating profit including foreign exchange effects increased by 4.2% from the same period of the previous year to ¥664.4 billion, due to unfavorable currency movements as a result of the Japanese yen appreciating against several local currencies.

#### **<Operating profit>**

Operating profit increased by 9.1% from the same period of the previous year to ¥631.8 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 9.5% from the same period of the previous year to ¥442.0 billion, due to an increase in operating profit.

(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	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change
Total volume	402.0	410.6	2.1%
Combustibles volume <sup>(Note 1)</sup>	396.0	404.2	2.1%
RRP volume <sup>(Note 2)</sup>	6.0	6.5	8.2%
Core revenue	1,760.7	1,891.3	7.4%
Adjusted operating profit	653.4	676.8	3.6%

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

Total volume increased by 2.1% from the same period of the previous year to 410.6 billion cigarettes due to consistent growth in market shares in Asia and EMA and increase in industry volume in some markets, despite decrease in industry volume in the markets in Western Europe. Combustibles volume increased by 2.1% from the same period of the previous year due to increases mainly in EMA. RRP volume increased by 8.2% from the same period of the previous year mainly due to consistent growth in market shares in the HTS category in Japan and the products being launched into new markets. Market share grew in various markets, including the key markets of Italy, Taiwan, Japan, the Philippines, Romania, and Russia.

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

Core revenue from tobacco business and adjusted operating profit increased by 7.4% and 3.6%, respectively, from the same period of the previous year due mainly to favorable pricing effects mainly in EMA and Western Europe. RRP-related revenue <sup>(Note 2)</sup> increased by 5.6% from the same period of the previous year to ¥62.1 billion.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 6.0% and 5.3%, 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	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Change
Revenue	59.7	69.8	17.0%
Adjusted operating profit	7.3	13.1	80.5%

**<Revenue and adjusted operating profit>**

Revenue increased by 17.0% 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 80.5% 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, 2022	Nine months ended September 30, 2023	Change
Revenue	112.8	111.5	(1.2)%
Adjusted operating profit	1.9	4.6	150.1%

**<Revenue and adjusted operating profit>**

Revenue was generally at similar levels from the same period of the previous year due to the absence of revenue from transfer of the bakery business, despite an increase in sales of products for commercial use from the recovery of eating out demand in addition to price revisions carried out in the previous and current years in the frozen and ambient foods.

Adjusted operating profit increased by 150.1% from the same period of the previous year due to the effects of price revisions carried out in the previous and current years and an increase in sales of products for commercial use, despite a significant increase in costs of raw materials and other costs compared with the previous year.

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

### **a. Financial position**

#### **[Assets]**

Total assets at the end of the nine months ended September 30, 2023 increased by ¥553.4 billion from the end of the previous fiscal year to ¥7,101.5 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, 2023 increased by ¥168.5 billion from the end of the previous fiscal year to ¥3,099.9 billion. This was mainly due to the issuance of bonds and an increase in bonds as a result of foreign exchange effects, despite the redemption of bonds and a decrease in trade and other payables.

#### **[Equity]**

Total equity at the end of the nine months ended September 30, 2023 increased by ¥384.9 billion from the end of the previous fiscal year to ¥4,001.6 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, 2023 increased by ¥2.2 billion from the end of the previous fiscal year to ¥869.0 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥778.5 billion.

#### **[Net cash flows from operating activities]**

Net cash flows from operating activities during the nine months ended September 30, 2023 were ¥490.4 billion, compared with ¥343.6 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 income taxes, an increase in inventories, and payments of trade and other payables.

#### **[Net cash flows from investing activities]**

Net cash flows used in investing activities during the nine months ended September 30, 2023 were ¥104.0 billion, compared with ¥70.0 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 nine months ended September 30, 2023 were ¥413.7 billion, compared with ¥357.4 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, 2023, the Group has made the following revisions to “II Review of Operations, 1. Management Policy, Business Environment, Issues to Be Addressed, Etc., (5) Business Environment and Basic Strategies for Attaining Group-Wide Profit Targets, iii. Sustainability strategy” mentioned in the previous fiscal year’s Annual Securities Report.

#### iii. Materiality and sustainability

The Group believes that contributing to the development of society through our business activities is essential for long-term growth of our business, and that efforts to achieve sustainability in our businesses and society have long been considered fundamental to management. Based on the belief that nature and society are connected to people’s lives, and that people’s lives and corporate activities can only be sustainable if nature and society are sustainable, the JT Group, with our management principle of pursuing the 4S model, has formulated five challenges as the JT Group Materiality in order to contribute to the development of sustainable nature and society through the achievement of the JT Group Purpose. According to the JT Group Materiality, we will review the targets for sustainability initiatives for the entire company and each business, and aim to achieve sustainable growth in our businesses and society by harnessing the driving force of the entire Group.

#### <JT Group Materiality>

As nature, society, and people’s lives are intertwined, sustaining our ways of living, and the activities of corporate entities, will depend on the sustainability of the environment and society in which we exist.

In realizing the JT Group Purpose, we are contributing to that sustainability through our commitment to working on the issues identified in our materiality.

Living with the Planet	Value Creation that Exceeds Consumer Expectations	Investing in People and Provide Motivation	Responsible Supply Chain Management	Good Governance
Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on our environment	Create diverse products and services beyond consumer expectations	Invest in people to support their development with attention to diversity, and enhance human capital by fostering a corporate culture that maximizes individuality and ability of each person	Create a sustainable supply chain capable of withstanding sudden changes in the business environment, by tackling social issues such as respecting human rights or preservation of our environment	Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity
<ul style="list-style-type: none"> <li>Undertake initiatives to tackle climate change and conserve our environment</li> <li>Promote resource recycling and develop sustainable products with high environmental value</li> </ul>	<ul style="list-style-type: none"> <li>Develop innovative products and services and offer variety of situations to experience our products <ul style="list-style-type: none"> <li>Develop and offer RRP (Reduced-Risk Products)</li> <li>Develop innovative original drugs</li> <li>Develop food products in response to diverse consumer values and interests among others</li> </ul> </li> <li>Research, explore and create seeds for future business centered on the concept of “enriching life”</li> </ul>	<ul style="list-style-type: none"> <li>Establish a fair and safe working environment, provide each employee with the opportunity for growth and promote diversity, equity and inclusion</li> <li>Establish a structure that encourages our employees to participate in and create with our society</li> </ul>	<ul style="list-style-type: none"> <li>Engage with the suppliers through human rights/ environmental due diligence</li> <li>Deliver initiatives that contribute to resolving social issues together with our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Construct and implement a framework for transparent, fair, prompt, and decisive decision-making</li> <li>Engage proactively with diverse stakeholders</li> </ul>



#### **(4) Operational and Financial Issues to Be Addressed**

During the nine months ended September 30, 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 nine months ended September 30, 2023 were ¥53.0 billion.

During the nine months ended September 30, 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 September 30, 2023 accounted for ¥737.3 billion and ¥811.1 billion, respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥157.2 billion and ¥147.9 billion, respectively.

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

Short-term borrowings from financial institutions totaled ¥63.7 billion as of December 31, 2022 and ¥55.0 billion as of September 30, 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 September 30, 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 third quarter ended September 30, 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 September 30, 2023)	Number of shares issued (Shares; as of the date of filing: October 31, 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)
July 1, 2023 to September 30, 2023	—	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, 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 224,694,700	—	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,736,700	17,737,367	(Note 2)
Shares less than one unit	Ordinary shares 1,568,600	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,737,367	—

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 43 shares of treasury shares.

### b. Treasury shares

(As of September 30, 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	224,694,700	—	224,694,700	11.23
Total	—	224,694,700	—	224,694,700	11.23

Note: The treasury shares of 194,719 shares were allotted on July 12, 2023, based on the allocation of treasury shares towards Restricted Stock Remuneration and Performance Share Units, which was resolved at the meeting of the Board of Directors of the Company held on June 19, 2023.

## 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, 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 this third quarter period (from July 1, 2023 to September 30, 2023) and for the nine months ended September 30, 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 September 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	866,885	869,042
Trade and other receivables	477,239	570,067
Inventories	691,906	826,945
Other financial assets	37,677	77,975
Other current assets	649,181	636,265
Subtotal	2,722,889	2,980,294
Assets held for sale	702	2,791
Total current assets	2,723,591	2,983,085
<b>Non-current assets</b>		
Property, plant and equipment (Note 7)	775,957	812,785
Goodwill (Note 7)	2,446,063	2,708,089
Intangible assets (Note 7)	246,442	228,129
Investment property	9,495	8,324
Retirement benefit assets	57,792	68,495
Investments accounted for using the equity method	56,943	53,560
Other financial assets	140,366	158,800
Deferred tax assets	91,430	80,243
Total non-current assets	3,824,487	4,118,426
<b>Total assets</b>	<b>6,548,078</b>	<b>7,101,511</b>

	(Millions of yen)	
	As of December 31, 2022	As of September 30, 2023
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	540,089	486,271
Bonds and borrowings	137,308	59,858
Income tax payables	37,470	77,043
Other financial liabilities	40,065	47,235
Provisions	26,610	11,868
Other current liabilities	781,093	881,055
Subtotal	1,562,635	1,563,329
Liabilities directly associated with assets held for sale	29	-
Total current liabilities	1,562,664	1,563,329
<b>Non-current liabilities</b>		
Bonds and borrowings	821,003	954,126
Other financial liabilities	41,735	44,243
Retirement benefit liabilities	244,116	261,697
Provisions	26,490	38,799
Other non-current liabilities	195,248	184,669
Deferred tax liabilities	40,061	53,000
Total non-current liabilities	1,368,653	1,536,533
Total liabilities	2,931,317	3,099,862
<b>Equity</b>		
Share capital	100,000	100,000
Capital surplus	736,400	736,479
Treasury shares	(490,183)	(489,200)
Other components of equity	104,309	406,686
Retained earnings	3,089,909	3,165,111
Equity attributable to owners of the parent company	3,540,435	3,919,075
Non-controlling interests	76,326	82,574
Total equity	3,616,761	4,001,649
<b>Total liabilities and equity</b>	<b>6,548,078</b>	<b>7,101,511</b>

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

(For the nine-month period)

**Nine months ended September 30, 2022 and 2023**

(Millions of yen)

	2022	2023
Revenue (Notes 5, 10)	2,008,548	2,157,018
Cost of sales	(806,482)	(879,375)
Gross profit	1,202,066	1,277,643
Other operating income (Note 11)	10,873	22,786
Share of profit in investments accounted for using the equity method	6,266	6,814
Selling, general and administrative expenses (Note 12)	(639,863)	(675,397)
Operating profit (Note 5)	579,341	631,847
Financial income (Note 13)	17,758	29,654
Financial costs (Note 13)	(61,503)	(75,292)
Profit before income taxes	535,596	586,209
Income taxes	(131,666)	(141,677)
Profit for the period	403,930	444,532
<b>Attributable to</b>		
Owners of the parent company	403,807	442,010
Non-controlling interests	123	2,521
Profit for the period	403,930	444,532
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	227.53	249.01
Diluted (Yen) (Note 14)	227.45	248.95

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

(Millions of yen)

	2022	2023
Operating profit	579,341	631,847
Amortization cost of acquired intangibles arising from business acquisitions	55,872	45,038
Adjustment items (income)	(8,326)	(14,544)
Adjustment items (costs)	10,936	2,015
Adjusted operating profit (Note 5)	637,823	664,356

(For the three-month period)

**Three months ended September 30, 2022 and 2023**

(Millions of yen)

	2022	2023
Revenue (Note 5)	741,720	764,206
Cost of sales	(298,613)	(315,564)
Gross profit	443,107	448,642
Other operating income	2,991	13,740
Share of profit in investments accounted for using the equity method	2,643	3,259
Selling, general and administrative expenses	(252,372)	(247,350)
Operating profit (Note 5)	196,369	218,291
Financial income	7,872	12,660
Financial costs	(29,630)	(18,173)
Profit before income taxes	174,611	212,779
Income taxes	(35,685)	(56,710)
Profit for the period	138,926	156,069
<b>Attributable to</b>		
Owners of the parent company	139,744	155,001
Non-controlling interests	(817)	1,068
Profit for the period	138,926	156,069
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	78.74	87.31
Diluted (Yen) (Note 14)	78.71	87.29

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

(Millions of yen)

	2022	2023
Operating profit	196,369	218,291
Amortization cost of acquired intangibles arising from business acquisitions	21,073	14,499
Adjustment items (income)	(2,198)	(11,093)
Adjustment items (costs)	7,728	(173)
Adjusted operating profit (Note 5)	222,973	221,524



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

(For the nine-month period)

**Nine months ended September 30, 2022 and 2023**

(Millions of yen)

	2022	2023
Profit for the period	403,930	444,532
<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	1,573	2,637
Remeasurements of defined benefit plans	41,665	-
Total of items that will not be reclassified to profit or loss	43,238	2,637
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	783,774	307,020
Net gain (loss) on derivatives designated as cash flow hedges	16,805	2,869
Total of items that may be reclassified subsequently to profit or loss	800,579	309,889
Other comprehensive income (loss), net of taxes	843,817	312,526
Comprehensive income (loss) for the period	1,247,747	757,058
<b>Attributable to</b>		
Owners of the parent company	1,246,060	749,622
Non-controlling interests	1,687	7,436
Comprehensive income (loss) for the period	1,247,747	757,058

(For the three-month period)

**Three months ended September 30, 2022 and 2023**

(Millions of yen)

	2022	2023
Profit for the period	138,926	156,069
<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	535	441
Remeasurements of defined benefit plans	2,613	-
Total of items that will not be reclassified to profit or loss	3,148	441
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	91,441	61,260
Net gain (loss) on derivatives designated as cash flow hedges	11,331	4,075
Total of items that may be reclassified subsequently to profit or loss	102,772	65,335
Other comprehensive income (loss), net of taxes	105,920	65,776
Comprehensive income (loss) for the period	244,846	221,846
<b>Attributable to</b>		
Owners of the parent company	245,292	220,279
Non-controlling interests	(446)	1,567
Comprehensive income (loss) for the period	244,846	221,846

#### (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, 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 9)	-	-	-	-	-	-	-
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
<b>As of January 1, 2023</b>	100,000	736,400	(490,183)	1,001	85,796	8,546	8,966
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	302,350	2,869	2,393
Comprehensive income (loss) for the period	-	-	-	-	302,350	2,869	2,393
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	79	984	(439)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	(719)
Other increase (decrease)	-	-	-	-	-	(4,077)	-
Total transactions with the owners	-	79	983	(439)	-	(4,077)	(719)
<b>As of September 30, 2023</b>	100,000	736,479	(489,200)	563	388,146	7,338	10,640

(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	-	-	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 9)	-	-	(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
As of January 1, 2023	-	104,309	3,089,909	3,540,435	76,326	3,616,761
Profit for the period	-	-	442,010	442,010	2,521	444,532
Other comprehensive income (loss)	-	307,612	-	307,612	4,914	312,526
Comprehensive income (loss) for the period	-	307,612	442,010	749,622	7,436	757,058
Acquisition of treasury shares	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	(439)	(505)	119	-	119
Share-based payments	-	-	392	392	22	414
Dividends (Note 9)	-	-	(367,415)	(367,415)	(2,582)	(369,997)
Changes in the scope of consolidation	-	-	-	-	(33)	(33)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(0)	(0)	1,406	1,406
Transfer from other components of equity to retained earnings	-	(719)	719	-	-	-
Other increase (decrease)	-	(4,077)	-	(4,077)	-	(4,077)
Total transactions with the owners	-	(5,235)	(366,808)	(370,981)	(1,188)	(372,169)
As of September 30, 2023	-	406,686	3,165,111	3,919,075	82,574	4,001,649

**(5) Condensed Interim Consolidated Statement of Cash Flows**  
**Nine months ended September 30, 2022 and 2023**

(Millions of yen)

	2022	2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	535,596	586,209
Depreciation and amortization	151,695	130,241
Impairment losses	18,410	6,441
Interest and dividend income	(17,681)	(29,093)
Interest expense	19,977	21,428
Share of profit in investments accounted for using the equity method	(6,266)	(6,814)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(3,933)	(13,697)
(Increase) decrease in trade and other receivables	(16,126)	(65,614)
(Increase) decrease in inventories	(37,200)	(97,471)
Increase (decrease) in trade and other payables	(131,714)	(63,768)
Increase (decrease) in retirement benefit liabilities	(2,244)	(1,867)
(Increase) decrease in prepaid tobacco excise taxes	96,038	6,943
Increase (decrease) in tobacco excise tax payables	(107,747)	46,987
Increase (decrease) in consumption tax payables	8,032	21,280
Other	(50,141)	43,604
Subtotal	456,696	584,807
Interest and dividends received	17,412	28,666
Interest paid	(21,406)	(21,580)
Income taxes paid	(109,080)	(101,459)
Net cash flows from operating activities	343,623	490,434
<b>Cash flows from investing activities</b>		
Purchase of securities	(28,081)	(76,638)
Proceeds from sale and redemption of securities	14,326	31,946
Purchase of property, plant and equipment	(52,482)	(61,412)
Proceeds from sale of investment property	4,717	15,767
Purchase of intangible assets	(12,240)	(17,389)
Payments into time deposits	(90)	-
Proceeds from withdrawal of time deposits	1,252	-
Proceeds from sale of investments in associates	43	1,369
Other	2,577	2,315
Net cash flows from investing activities	(69,978)	(104,040)

		(Millions of yen)
	2022	2023
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company (Note 9)	(265,876)	(366,964)
Dividends paid to non-controlling interests	(1,115)	(2,183)
Capital contribution from non-controlling interests	27	438
Increase (decrease) in short-term borrowings and commercial paper	(34,478)	(13,120)
Proceeds from long-term borrowings	1,509	2,911
Repayments of long-term borrowings	(12,441)	(14,436)
Proceeds from issuance of bonds (Note 8)	-	59,795
Redemption of bonds (Note 8)	(30,000)	(62,445)
Repayments of lease liabilities	(14,990)	(17,724)
Acquisition of treasury shares	(1)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(0)	(16)
Other	0	0
Net cash flows from financing activities	(357,364)	(413,746)
<b>Net increase (decrease) in cash and cash equivalents</b>	(83,719)	(27,352)
<b>Cash and cash equivalents at the beginning of the period</b>	721,731	866,885
<b>Effect of exchange rate changes on cash and cash equivalents</b>	140,452	29,509
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	778,464	869,042

## 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, 2023 and for the nine-month period ended September 30, 2023 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on October 31, 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 items.

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 year ending December 31, 2023.

#### (Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ending December 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
IAS 12	Income taxes	Introduction of temporary exceptions to the income tax accounting and disclosure requirements arising from tax law enacted or substantively enacted to implement International Tax Reform-Pillar Two Model Rules

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

IAS 12 states a temporary exception to eliminate the need for recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two Model Rules. The Group has adopted this exception retroactively.

The Group does not recognize any deferred tax assets and liabilities related to the Pillar Two Model Rules.

#### **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 nine months ended September 30, 2023 increased by ¥6,623 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.

(For the nine-month period)

Nine months ended September 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 (Note 2)	609,306	413,417	737,945	1,760,667
Adjusted operating profit (Note 1)	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.

Nine months ended September 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	1,974,535	69,799	111,486	2,155,820	1,199	-	2,157,018
Intersegment revenue	243	-	24	267	2,089	(2,356)	-
Total revenue	<u>1,974,778</u>	<u>69,799</u>	<u>111,509</u>	<u>2,156,086</u>	<u>3,288</u>	<u>(2,356)</u>	<u>2,157,018</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>676,831</u>	<u>13,118</u>	<u>4,648</u>	<u>694,596</u>	<u>(30,261)</u>	<u>21</u>	<u>664,356</u>

¥1,891,278 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)	599,069	467,596	824,614	1,891,278
Adjusted operating profit (Note 1)	212,824	209,995	254,011	676,831

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, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 4)	3,448	-	4	3,453	4,873	-	8,326
Adjustment items (costs) (Note 5)	(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

Nine months ended September 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	676,831	13,118	4,648	694,596	(30,261)	21	664,356
Amortization cost of acquired intangibles arising from business acquisitions	(45,038)	-	-	(45,038)	-	-	(45,038)
Adjustment items (income) (Note 4)	521	-	856	1,378	13,166	-	14,544
Adjustment items (costs) (Note 5)	(1,038)	-	(5)	(1,043)	(972)	-	(2,015)
Operating profit (loss)	631,276	13,118	5,499	649,892	(18,067)	21	631,847
Financial income							29,654
Financial costs							(75,292)
Profit before income taxes							586,209

(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:

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Restructuring incomes	548	14,022
Other	7,778	521
Adjustment items (income)	8,326	14,544

Restructuring incomes for the nine months ended September 30, 2023 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in “11. Other Operating Income.”

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

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Restructuring costs	5,385	1,967
Other	5,552	48
Adjustment items (costs)	10,936	2,015

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 ¥155 million and ¥(244) million for the nine months ended September 30, 2022 and 2023, respectively. Restructuring costs included in “Selling, general and administrative expenses” were ¥5,230 million and ¥2,210 million for the nine months ended September 30, 2022 and 2023, respectively. The breakdown of restructuring costs is described in “12. 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, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 (Note 2)	208,853	145,533	301,027	655,414
Adjusted operating profit (Note 1)	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.

Three months ended September 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	703,487	22,148	38,083	763,718	488	-	764,206
Intersegment revenue	92	-	8	100	652	(752)	-
Total revenue	<u>703,578</u>	<u>22,148</u>	<u>38,091</u>	<u>763,818</u>	<u>1,140</u>	<u>(752)</u>	<u>764,206</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>226,651</u>	<u>3,071</u>	<u>1,698</u>	<u>231,421</u>	<u>(9,900)</u>	<u>4</u>	<u>221,524</u>

¥674,082 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)	206,476	164,645	302,961	674,082
Adjusted operating profit (Note 1)	67,672	72,129	86,851	226,651

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, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 4)	2,208	-	0	2,208	(10)	-	2,198
Adjustment items (costs) (Note 5)	(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

Three months ended September 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	226,651	3,071	1,698	231,421	(9,900)	4	221,524
Amortization cost of acquired intangibles arising from business acquisitions	(14,499)	-	-	(14,499)	-	-	(14,499)
Adjustment items (income) (Note 4)	395	-	11	406	10,687	-	11,093
Adjustment items (costs) (Note 5)	337	-	5	342	(169)	-	173
Operating profit (loss)	212,884	3,071	1,715	217,670	618	4	218,291
Financial income							12,660
Financial costs							(18,173)
Profit before income taxes							212,779

(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 September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Restructuring incomes	34	10,698
Other	2,164	395
Adjustment items (income)	2,198	11,093

Restructuring incomes for the three months ended September 30, 2023 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 5) The breakdown of “Adjustment items (costs)” is as follows:

Three months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Restructuring costs	2,207	(172)
Other	5,521	(1)
Adjustment items (costs)	7,728	(173)

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, 2023 includes cash and cash equivalents of ¥116,621 million and ¥137,897 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	74,065	-	20,646
Transfer to investment property	(6)	-	-
Transfer to assets held for sale	(4,218)	-	(1)
Depreciation or amortization	(74,194)	-	(55,986)
Impairment losses	(6,408)	-	(0)
Reversal of impairment losses	359	-	-
Sale or disposal	(2,848)	-	(293)
Exchange differences on translation of foreign operations	51,097	262,026	16,700
Other	(1,018)	-	622
As of September 30, 2023	812,785	2,708,089	228,129

## 8. Bonds

The bonds issued for the nine months ended September 30, 2023 are as follows:

Company	Name of bond	Date of issuance	(Millions of yen)	(%)	Collateral	Date of maturity
			Carrying amount	Interest rate		
Japan Tobacco Inc.	15th domestic straight bond	April 20, 2023	10,000	0.713	Yes	April 19, 2030
Japan Tobacco Inc.	16th domestic straight bond	April 20, 2023	30,000	0.920	Yes	April 20, 2033
Japan Tobacco Inc.	17th domestic straight bond	April 20, 2023	20,000	1.630	Yes	April 20, 2043

Also, for the nine months ended September 30, 2023, the Group purchased a portion of the following bonds.

Company	Name of bond	Total amount issued	Purchase amount	Residual amount
		Millions of USD	Millions of USD	Millions of USD
JT International Financial Services B.V.	Straight bond in USD due 2028	500	1	500
JT International Financial Services B.V.	Straight bond in USD due 2031	625	21	604

## 9. Dividends

Dividends paid for each interim period are as follows:

Nine months ended September 30, 2022

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(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

Nine months ended September 30, 2023

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(Resolution)					
Annual Shareholders' Meeting (March 24, 2023)	Ordinary shares	200,558	113	December 31, 2022	March 27, 2023
Board of Directors (July 31, 2023)	Ordinary shares	166,856	94	June 30, 2023	September 1, 2023

## 10. Revenue

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

Nine months ended September 30, 2022

(Millions of yen)

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

Nine months ended September 30, 2023

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	1,891,278	-	-	-	1,891,278
Other	83,256	69,799	111,486	1,199	265,740
Total	1,974,535	69,799	111,486	1,199	2,157,018

(Note ) Revenues from RRP in core revenue from the “Tobacco Business” were ¥58,863 million and ¥62,149 million for the nine months ended September 30, 2022 and 2023, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

## 11. Other Operating Income

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	5,781	14,877
Other (Note)	5,092	7,909
Total	10,873	22,786

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Gain on sale of property, plant and equipment, intangible assets and investment property	541	13,980
Other	7	43
Total	548	14,022

## 12. Selling, General and Administrative Expenses

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Advertising expenses	17,465	24,735
Promotion expenses	73,735	81,256
Commission (Note)	53,236	63,491
Employee benefit expenses (Note)	244,752	263,865
Research and development expenses	49,215	53,043
Depreciation and amortization (Note)	87,918	78,660
Impairment losses on other than financial assets (Note)	18,410	6,441
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	4,021	2,282
Other (Note)	91,111	101,625
Total	639,863	675,397

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Employee benefit expenses	(51)	775
Impairment losses on other than financial assets	1,688	99
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	2,749	863
Other	844	473
Total	5,230	2,210

### 13. Financial Income and Financial Costs

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

Nine months ended September 30, 2022 and 2023

(Millions of yen)

Financial Income	2022	2023
Dividend income	490	463
Interest income	17,191	28,630
Other	77	561
Total	17,758	29,654

Nine months ended September 30, 2022 and 2023

(Millions of yen)

Financial Costs	2022	2023
Interest expenses	19,977	21,428
Foreign exchange losses (Note 1)	17,069	41,101
Employee benefit expenses (Note 2)	2,388	3,826
Loss on net monetary position	14,508	5,780
Other	7,562	3,158
Total	61,503	75,292

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

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

#### 14. 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, 2022 and 2023

	2022	2023
Profit for the period attributable to owners of the parent company	403,807	442,010
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	403,807	442,010

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

Nine months ended September 30, 2022 and 2023

	2022	2023
Weighted-average number of shares during the period	1,774,714	1,775,086

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

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

Nine months ended September 30, 2022 and 2023

	2022	2023
Profit for the period used for calculation of basic interim earnings per share	403,807	442,010
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	403,807	442,010

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

Nine months ended September 30, 2022 and 2023

	2022	2023
Weighted-average number of ordinary shares during the period	1,774,714	1,775,086
Increased number of ordinary shares under subscription rights to shares	640	437
Weighted-average number of diluted ordinary shares during the period	1,775,355	1,775,523

(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, 2022 and 2023

(Millions of yen)

	2022	2023
Profit for the period attributable to owners of the parent company	139,744	155,001
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	139,744	155,001

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

Three months ended September 30, 2022 and 2023

(Thousands of shares)

	2022	2023
Weighted-average number of shares during the period	1,774,851	1,775,278

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Profit for the period used for calculation of basic interim earnings per share	139,744	155,001
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	139,744	155,001

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

Three months ended September 30, 2022 and 2023

(Thousands of shares)

	2022	2023
Weighted-average number of ordinary shares during the period	1,774,851	1,775,278
Increased number of ordinary shares under subscription rights to shares	614	358
Weighted-average number of diluted ordinary shares during the period	1,775,465	1,775,636



## 15. 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 September 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	157,249	156,294	147,897	147,891
Bonds (Note)	737,329	645,061	811,084	718,594

(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 September 30, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	17,604	-	17,604
Equity securities	23,226	-	11,777	35,002
Other	665	13,718	15,009	29,392
Total	23,891	31,322	26,786	81,999
Derivative liabilities	-	29,050	-	29,050
Total	-	29,050	-	29,050

**16. Commitments**

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

	As of December 31, 2022	(Millions of yen) As of September 30, 2023
Acquisition of property, plant and equipment	36,933	58,447

**17. Contingencies**

As of September 30, 2023, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2022.

**18. Subsequent Events**

No items to report

## 2. Others

## (Dividends)

The Board of Directors, at a meeting held on July 31, 2023, declared the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends	¥166,856 million
---------------------------------------	------------------

(b) Amount per share	¥94.00
----------------------	--------

(c) Effective date of requests for payment, and commencement date of payments September 1, 2023

(Note) Dividends have been paid to shareholders registered or recorded on the shareholder registry as of June 30, 2023.

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

No items to report

(TRANSLATION)

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

October 31, 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 September 30, 2023, 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, 2023, 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, 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.