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October 31, 2023

## Consolidated Financial Results for the Nine Months Ended September 30, 2023 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)  
Listed Stock Exchange: Tokyo Stock Exchange  
URL: <https://www.jti.co.jp/>  
Representative: Masamichi Terabatake, Representative Director and President,  
Chief Executive Officer  
Contact: Hiromasa Furukawa, Senior Vice President, Chief Financial Officer and Corporate  
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Scheduled date to file Quarterly Securities Report: October 31, 2023  
Scheduled starting date of the dividend payments: –  
Drawing up supplementary documents on quarterly financial results: Yes  
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

### 1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to September 30, 2023)

#### (1) Consolidated Operating Results (Cumulative) (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
September 30, 2023	2,157,018	7.4	631,847	9.1	586,209	9.4	444,532	10.1
September 30, 2022	2,008,548	13.7	579,341	20.5	535,596	15.5	403,930	18.7

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Nine months ended						
September 30, 2023	442,010	9.5	757,058	(39.3)	249.01	248.95
September 30, 2022	403,807	19.2	1,247,747	139.6	227.53	227.45

#### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2023	7,101,511	4,001,649	3,919,075	55.2	2,207.55
December 31, 2022	6,548,078	3,616,761	3,540,435	54.1	1,994.78

## 2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	-	75.00	-	113.00	188.00
Year ending December 31, 2023	-	94.00	-		
Year ending December 31, 2023 (Forecast)				94.00	188.00

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

## 3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending December 31, 2023	2,844,000	7.0	678,000	3.7	464,000	4.8	261.39

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

[Additional Information] Growth rate in adjusted operating profit at constant FX:

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

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant FX	
	Millions of yen	%
Nine months ended September 30, 2023 (Cumulative)	675,502	5.9
Year ending December 31, 2023 (Forecast)	764,000	5.0

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

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

For detailed information on the consolidated financial results, please refer to the materials for investors' meeting that were released on the Company's website (<https://www.jt.com/investors/>) on October 31, 2023.

## Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes  
Excluded: One company (JT INTERNATIONAL GROUP HOLDING B.V.)
- (2) Changes in accounting policies and changes in accounting estimates
- a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: Yes
- For details, please refer to “1. Matters Regarding Summary Information, (1) Changes in Accounting Policies and Changes in Accounting Estimates.”
- (3) Number of shares issued (ordinary shares)
- a. Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2023	2,000,000,000 shares
As of December 31, 2022	2,000,000,000 shares
  - b. Number of treasury shares at the end of the period

As of September 30, 2023	224,694,743 shares
As of December 31, 2022	225,146,463 shares
  - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2023	1,775,085,981 shares
Nine months ended September 30, 2022	1,774,714,367 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

- (1) The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to “FORWARD-LOOKING STATEMENTS” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
- (2) The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance.

### 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, adjusted operating profit at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant FX is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year from adjusted operating profit for the current period in the Tobacco Business. The results for the nine months ended September 30, 2023 on a constant FX basis exclude the increase in profit due to inflation in some markets calculated using certain methods.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 “Financial Reporting in Hyperinflationary Economies.”

## Attached Materials

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## 1. Matters Regarding Summary Information

### (1) Changes in Accounting Policies and Changes in Accounting Estimates

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 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 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	Adoption of temporary exception to the requirement from tax law enacted or substantively enacted to implement international tax reform-the 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 or disclosure for 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.

(Changes in Accounting Estimates)

The Group had previously used a period of 10 to 15 years for the estimated useful lives of tobacco production machinery. However, in consideration of changes in the business environment, the Group has, from the year ending December 31, 2023, revised the estimated useful lives for some tobacco production machinery to 18 years based on estimated economically useful lives that are more consistent with actual conditions and applied this change prospectively.

As a result, operating profit for the nine months ended September 30, 2023 increased by ¥6,623 million compared to the figure calculated using the previous method.

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

The Group has revised the earnings forecasts in light of circumstances up until now.

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced		Year-on-year changes [%]
		Amount	%	
Revenue	2,844.0	85.0	3.1	7.0
Adjusted operating profit	721.0	38.0	5.6	(0.9)
Operating profit	678.0	45.0	7.1	3.7
Profit attributable to owners of the parent company	464.0	7.0	1.5	4.8
Adjusted operating profit at constant FX	764.0	34.0	4.7	5.0

## **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties.

Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition, changing consumer preferences and behavior;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

### **Notes on the Russia-Ukraine War**

The Group is fully committed to complying with all applicable sanctions, restrictions, 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 its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

## 2. Condensed Interim Consolidated Financial Statements

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

	As of December 31, 2022	(Millions of yen) As of September 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	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	775,957	812,785
Goodwill	2,446,063	2,708,089
Intangible assets	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>	6,548,078	7,101,511

	As of December 31, 2022	(Millions of yen) 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>	6,548,078	7,101,511



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

**Condensed Interim Consolidated Statement of Income**

Nine months ended September 30, 2022 and 2023

(Millions of yen)

	2022	2023
Revenue	2,008,548	2,157,018
Cost of sales	(806,482)	(879,375)
Gross profit	1,202,066	1,277,643
Other operating income	10,873	22,786
Share of profit in investments accounted for using the equity method	6,266	6,814
Selling, general and administrative expenses	(639,863)	(675,397)
Operating profit	579,341	631,847
Financial income	17,758	29,654
Financial costs	(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)	227.53	249.01
Diluted (Yen)	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	637,823	664,356

## Condensed Interim Consolidated Statement of Comprehensive Income

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

### (3) 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	-	-	-	-	-	-	-
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>	<b>100,000</b>	<b>736,400</b>	<b>(490,188)</b>	<b>1,004</b>	<b>373,981</b>	<b>16,461</b>	<b>8,722</b>
<b>As of January 1, 2023</b>	<b>100,000</b>	<b>736,400</b>	<b>(490,183)</b>	<b>1,001</b>	<b>85,796</b>	<b>8,546</b>	<b>8,966</b>
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	-	-	-	-	-	-	-
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>	<b>100,000</b>	<b>736,479</b>	<b>(489,200)</b>	<b>563</b>	<b>388,146</b>	<b>7,338</b>	<b>10,640</b>

(Millions of yen)

	Equity attributable to owners of the parent company					Total equity
	Other components of equity		Retained earnings	Total	Non-controlling interests	
	Remeasurements of defined benefit plans	Total				
<b>As of January 1, 2022</b>	-	(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	-	-	(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)
<b>As of September 30, 2022</b>	-	400,168	3,043,008	3,789,389	76,524	3,865,913
<b>As of January 1, 2023</b>	-	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	-	-	(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)
<b>As of September 30, 2023</b>	-	406,686	3,165,111	3,919,075	82,574	4,001,649

**(4) Condensed Interim Consolidated Statement of Cash Flows**

Nine months ended September 30, 2022 and 2023

	2022	(Millions of yen) 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)

	2022	(Millions of yen) 2023
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company	(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	-	59,795
Redemption of bonds	(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</b>	778,464	869,042

## **(5) Segment Information**

### **A. Outline of Reportable Segments**

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods.

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.

## B. 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.

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.

	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							<u>535,596</u>

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							<u>586,209</u>

(Note 1) For adjusted operating profit, amortization cost of acquired intangibles arising from business acquisitions, and adjustment items (income and costs) are excluded from operating profit (loss).

(Note 2) 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.

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”.

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.

#### **(6) Note on Premise of Going Concern**

No items to report