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## [Cover]

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Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
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Company name (Japanese):	日本たばこ産業株式会社 (Nihon Tabako Sangyo Kabushiki-Kaisha)
Company name (English):	JAPAN TOBACCO INC.
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## A. Company Information

### I. Overview of the Group

#### 1. Trends in Principal Management Benchmarks

Term	Three months ended March 31, 2023	Three months ended March 31, 2024	39th term
Accounting period	From January 1, 2023 to March 31, 2023	From January 1, 2024 to March 31, 2024	From January 1, 2023 to December 31, 2023
Revenue (Millions of yen)	665,278	740,333	2,841,077
Profit before income taxes (Millions of yen)	183,146	201,266	621,601
Profit for the period (Millions of yen)	145,226	157,766	485,310
Profit attributable to owners of the parent company (Millions of yen)	144,684	157,266	482,288
Comprehensive income (loss) for the period (Millions of yen)	170,311	339,015	668,217
Total equity (Millions of yen)	3,586,249	4,072,470	3,912,491
Total assets (Millions of yen)	6,346,628	7,159,003	7,282,097
Basic earnings per share (Yen)	81.52	88.58	271.69
Diluted earnings per share (Yen)	81.49	88.57	271.63
Ratio of equity attributable to owners of the parent company to total assets (%)	55.26	55.73	52.60
Net cash flows from operating activities (Millions of yen)	55,663	61,833	567,014
Net cash flows from investing activities (Millions of yen)	(41,707)	(27,674)	(126,129)
Net cash flows from financing activities (Millions of yen)	(196,398)	(341,248)	(270,500)
Cash and cash equivalents at the end of the period (Millions of yen)	665,152	766,948	1,040,206

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

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

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

#### 2. Business Description

During the three months ended March 31, 2024, there were no material changes in the business of the Group (the Company, 219 consolidated subsidiaries and 18 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

## **II. Review of Operations**

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

During the three months ended March 31, 2024, there were no new businesses or other risks.

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

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

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

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

Matters concerning the future in this document were determined as of March 31, 2024.

#### **(Non-GAAP financial measures)**

The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance.

#### **Adjusted operating profit**

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

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

#### **Constant FX**

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

#### **Core revenue from tobacco business**

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

#### **(Hyperinflationary Accounting Adjustments)**

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

#### **(RRP)**

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

Heated tobacco products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate tobacco vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy. The Company's portfolio includes heated tobacco sticks (HTS) that use high temperature heating, and infused tobacco capsules (Infused) that use low temperature heating.

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

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

## (1) Business Results

### a. Consolidated results

(Billions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024	Change
Revenue	665.3	740.3	11.3%
Adjusted operating profit	223.4	226.7	1.5%
Operating profit	206.4	215.8	4.6%
Profit attributable to owners of the parent company	144.7	157.3	8.7%

#### <Revenue>

Revenue increased by 11.3% from the same period of the previous year to ¥740.3 billion due to increases in sales in the Tobacco Business and the Processed Food Business. Core revenue <sup>(Note 1)</sup> at constant FX increased by 5.7% from the same period of the previous year.

#### <Adjusted operating profit>

Adjusted operating profit at constant FX increased by 3.4% from the same period of the previous year driven by increases in the Tobacco Business and the Processed Food Business. Adjusted operating profit including foreign exchange effects increased by 1.5% from the same period of the previous year to ¥226.7 billion due to unfavorable currency movements as a result of the Japanese yen appreciating against several local currencies.

#### <Operating profit>

Operating profit increased by 4.6% from the same period of the previous year to ¥215.8 billion due to an increase in adjusted operating profit, a decrease in amortization cost of acquired intangibles arising from business acquisitions, an increase in gains on sale of real estate in adjustment items, and other factors.

#### <Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 8.7% from the same period of the previous year to ¥157.3 billion, due to an increase in operating profit and a decrease in financing costs.

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

b. Operating segments

**[Tobacco Business]**

(Billions of cigarettes, Billions of yen)

Tobacco Business	Three months ended March 31, 2023	Three months ended March 31, 2024	Change
Total volume	130.2	132.9	2.1%
Combustibles volume <sup>(Note 1)</sup>	128.2	130.3	1.7%
RRP volume <sup>(Note 2)</sup>	2.0	2.5	25.2%
Core revenue	579.1	653.3	12.8%
Adjusted operating profit	225.1	231.9	3.0%

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

Total volume increased by 2.1% from the same period of the previous year to 132.9 billion cigarettes due mainly to consistent growth in market shares in several markets, an increase in combustibles volume, and an increase in RRP volume. Combustibles volume increased by 1.7% from the same period of the previous year due to increases mainly in EMA. RRP volume increased by 25.2% 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, the Philippines, and Russia.

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

Core revenue from tobacco business and adjusted operating profit increased by 12.8% and 3.0%, respectively, from the same period of the previous year, due to favorable pricing effects in several markets. RRP-related revenue <sup>(Note 2)</sup> increased by 17.7% from the same period of the previous year to ¥23.9 billion due to an increase in RRP volume.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 6.6% and 4.9%, respectively, from the same period of the previous year.

(Note: 1) Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral tobacco and E-Vapor.

(Note: 2) RRP volume does not include volume from devices and associated accessories, etc., while RRP-related revenue includes revenue from devices and associated accessories, etc.

(Note: 3) Industry volume and market share were estimated by the Company.

(Note: 4) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes Japan and the entire Asian region, Western Europe includes the Western European region, EMA includes Africa, the Middle East, Eastern Europe, Turkey, Americas, and all duty-free markets. Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes Italy, the U.K., Spain, etc., and EMA includes Turkey, Romania, Russia, etc. For details, please refer to "IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (2) Revenues and Performances of Reportable Segments."

**[Pharmaceutical Business]**

(Billions of yen)

Pharmaceutical Business	Three months ended March 31, 2023	Three months ended March 31, 2024	Change
Revenue	24.9	23.3	(6.4)%
Adjusted operating profit	6.9	3.8	(44.5)%

**<Revenue and adjusted operating profit>**

Revenue decreased by 6.4% from the same period of the previous year due to the absence of one-time income pertaining to license agreements for licensed compounds received in the same period of the previous year, despite sales growth in the area of skin diseases and allergens at our consolidated subsidiary, Torii Pharmaceutical Co., Ltd.

Adjusted operating profit decreased by 44.5% from the same period of the previous year due to a decrease in revenue as well as an increase in research and development expenses.

**[Processed Food Business]**

(Billions of yen)

Processed Food Business	Three months ended March 31, 2023	Three months ended March 31, 2024	Change
Revenue	35.6	35.7	0.3%
Adjusted operating profit	1.4	2.0	43.5%

**<Revenue and adjusted operating profit>**

Revenue was largely in line with the same period of the previous year, mainly driven by a positive contribution from price revisions implemented in the previous fiscal year in the frozen and ambient foods as well as the seasonings businesses, despite discontinuation of some products due to a portfolio optimization.

Adjusted operating profit increased by 43.5% from the same period of the previous year due to the positive contribution from price revisions implemented in the previous fiscal year, which offset the increase in raw material costs and unfavorable currency movements.

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

### **a. Financial position**

#### **[Assets]**

Total assets at the end of the three months ended March 31, 2024 decreased by ¥123.1 billion from the end of the previous fiscal year to ¥7,159.0 billion. This was due mainly to a decrease in cash and cash equivalents due to the repayment of short-term borrowings, despite an increase in goodwill resulting from foreign exchange effects.

#### **[Liabilities]**

Total liabilities at the end of the three months ended March 31, 2024 decreased by ¥283.1 billion from the end of the previous fiscal year to ¥3,086.5 billion. This was mainly due to a decrease in short-term borrowings and trade and other payables.

#### **[Equity]**

Total equity at the end of the three months ended March 31, 2024 increased by ¥160.0 billion from the end of the previous fiscal year to ¥4,072.5 billion. This was mainly due to an increase in exchange differences on translation of foreign operations.

### **b. Cash flow position**

Cash and cash equivalents at the end of the three months ended March 31, 2024 decreased by ¥273.3 billion from the end of the previous fiscal year to ¥766.9 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥665.2 billion.

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

Net cash flows from operating activities during the three months ended March 31, 2024 were ¥61.8 billion, compared with ¥55.7 billion provided in the same period of the previous year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of tobacco excise taxes and income taxes as well as payments of trade and other payables.

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

Net cash flows used in investing activities during the three months ended March 31, 2024 were ¥27.7 billion, compared with ¥41.7 billion used in the same period of the previous year. This was mainly due to the purchase of securities, purchase of property, plant and equipment, and purchase of intangible assets.

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

Net cash flows used in financing activities during the three months ended March 31, 2024 were ¥341.2 billion, compared with ¥196.4 billion used in the same period of the previous year. This was mainly due to the repayment of short-term borrowings and the payment of cash dividends.

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

During the three months ended March 31, 2024, there were no material changes in management policy, management strategy, etc. stipulated by the Group mentioned in the previous fiscal year's Annual Securities Report.

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

During the three months ended March 31, 2024, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year's Annual Securities Report.

#### **(5) Research and Development Activities**

Research and development expenses of the entire Group during the three months ended March 31, 2024 were ¥17.3 billion.

During the three months ended March 31, 2024, 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, 2023 and as of March 31, 2024 accounted for ¥785.9 billion and ¥817.0 billion, respectively, and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥147.4 billion and ¥147.9 billion, respectively.

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

Short-term borrowings from financial institutions totaled ¥209.0 billion as of December 31, 2023 and ¥54.6 billion as of March 31, 2024. There was no commercial paper outstanding.

##### **c. Liquidity**

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of March 31, 2024, 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 three months ended March 31, 2024.



### III. Filing Company

#### 1. Information on the Company's Shares

##### (1) Total Number of Shares Authorized

###### a. Total number of shares authorized

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

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

Class	Number of shares issued (Shares; as of March 31, 2024)	Number of shares issued (Shares; as of the date of filing: May 9, 2024)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange Prime Market	(Note 2)
Total	2,000,000,000	2,000,000,000	–	–

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

##### (2) Status of Subscription Rights to Shares

###### a. Stock options

No items to report.

###### b. Other status of subscription rights to shares

No items to report.

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

No items to report.

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

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
January 1, 2024 to March 31, 2024	–	2,000,000	–	100,000	–	736,400

Note: At the 39th Ordinary General Meeting of Shareholders held on March 22, 2024, a resolution was passed to reduce capital reserve by ¥100,000 million and transfer the amount to other capital surplus. The effective date is scheduled to be June 28, 2024.

## (5) Status of Major Shareholders

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

## (6) Status of Voting Rights

### a. Number of shares issued

(As of March 31, 2024)

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 224,658,300	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,317,300	17,733,173	(Note 2)
Shares less than one unit	Ordinary shares 2,024,400	–	(Note 3)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,733,173	–

- 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 64 shares of treasury shares.

### b. Treasury shares

(As of March 31, 2024)

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	224,658,300	–	224,658,300	11.23
Total	–	224,658,300	–	224,658,300	11.23

## 2. Status of Officers

After filing the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the three months ended March 31, 2024.

## **IV. Accounting**

### **1. Preparation Policy for the Condensed Interim Consolidated Financial Statements**

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

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

### **2. Audit Certification**

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for the three months ended March 31, 2024 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, 2023	As of March 31, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	1,040,206	766,948
Trade and other receivables	535,302	571,262
Inventories	832,611	875,469
Other financial assets	58,633	50,459
Other current assets	789,888	717,788
Subtotal	3,256,639	2,981,925
Assets held for sale	2,921	2,887
Total current assets	3,259,561	2,984,811
<b>Non-current assets</b>		
Property, plant and equipment (Note 7)	821,499	846,256
Goodwill (Note 7)	2,616,440	2,731,698
Intangible assets (Note 7)	200,819	193,655
Investment property	9,338	9,370
Retirement benefit assets	65,856	70,084
Investments accounted for using the equity method	56,726	60,134
Other financial assets	155,267	160,113
Other non-current assets	7,212	6,928
Deferred tax assets	89,379	95,954
Total non-current assets	4,022,536	4,174,191
<b>Total assets</b>	<b>7,282,097</b>	<b>7,159,003</b>

	(Millions of yen)	
	As of December 31, 2023	As of March 31, 2024
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	592,802	523,215
Bonds and borrowings	233,333	80,321
Income tax payables	29,647	37,456
Other financial liabilities	44,470	44,996
Provisions	18,634	17,384
Other current liabilities	1,008,390	926,436
Total current liabilities	1,927,276	1,629,808
<b>Non-current liabilities</b>		
Bonds and borrowings	908,926	939,268
Other financial liabilities	40,678	39,282
Retirement benefit liabilities	279,443	279,153
Provisions	45,527	45,790
Other non-current liabilities	127,170	113,845
Deferred tax liabilities	40,586	39,388
Total non-current liabilities	1,442,329	1,456,725
Total liabilities	3,369,605	3,086,533
<b>Equity</b>		
Share capital	100,000	100,000
Capital surplus	736,478	736,444
Treasury shares	(489,194)	(489,122)
Other components of equity	290,550	470,118
Retained earnings	3,192,323	3,172,063
Equity attributable to owners of the parent company	3,830,156	3,989,504
Non-controlling interests	82,336	82,966
Total equity	3,912,491	4,072,470
<b>Total liabilities and equity</b>	7,282,097	7,159,003

**(2) Condensed Interim Consolidated Statement of Income**  
**Three months ended March 31, 2023 and 2024**

(Millions of yen)

	2023	2024
Revenue (Notes 5, 10)	665,278	740,333
Cost of sales	(262,332)	(320,101)
Gross profit	402,946	420,232
Other operating income (Note 11)	3,439	6,377
Share of profit in investments accounted for using the equity method	1,299	2,073
Selling, general and administrative expenses (Note 12)	(201,280)	(212,863)
Operating profit (Note 5)	206,404	215,818
Financial income (Note 13)	7,483	14,877
Financial costs (Note 13)	(30,741)	(29,429)
Profit before income taxes	183,146	201,266
Income taxes	(37,920)	(43,499)
Profit for the period	145,226	157,766
<b>Attributable to</b>		
Owners of the parent company	144,684	157,266
Non-controlling interests	542	501
Profit for the period	145,226	157,766
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	81.52	88.58
Diluted (Yen) (Note 14)	81.49	88.57

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

(Millions of yen)

	2023	2024
Operating profit	206,404	215,818
Amortization cost of acquired intangibles arising from business acquisitions	15,068	12,952
Adjustment items (income)	(6)	(1,963)
Adjustment items (costs)	1,901	(112)
Adjusted operating profit (Note 5)	223,367	226,695

**(3) Condensed Interim Consolidated Statement of Comprehensive Income**  
**Three months ended March 31, 2023 and 2024**

(Millions of yen)

	2023	2024
Profit for the period	145,226	157,766
<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	1,132	1,220
Total of items that will not be reclassified to profit or loss	1,132	1,220
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	26,518	183,361
Net gain (loss) on derivatives designated as cash flow hedges	(2,564)	(3,104)
Hedge costs	-	(229)
Total of items that may be reclassified subsequently to profit or loss	23,954	180,028
Other comprehensive income (loss), net of taxes	25,086	181,248
Comprehensive income (loss) for the period	170,311	339,015
<b>Attributable to</b>		
Owners of the parent company	166,722	337,642
Non-controlling interests	3,589	1,373
Comprehensive income (loss) for the period	170,311	339,015

#### (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	Hedge costs
<b>As of January 1, 2023</b>	100,000	736,400	(490,183)	1,001	85,796	8,546	-
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	23,590	(2,564)	-
Comprehensive income (loss) for the period	-	-	-	-	23,590	(2,564)	-
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	145	(112)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	688	-
Total transactions with the owners	-	-	145	(112)	-	688	-
<b>As of March 31, 2023</b>	<u>100,000</u>	<u>736,400</u>	<u>(490,038)</u>	<u>889</u>	<u>109,385</u>	<u>6,670</u>	<u>-</u>
<b>As of January 1, 2024</b>	100,000	736,478	(489,194)	557	270,810	9,145	(17)
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	182,493	(3,104)	(229)
Comprehensive income (loss) for the period	-	-	-	-	182,493	(3,104)	(229)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	(34)	74	(40)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(703)	-
Total transactions with the owners	-	(34)	73	(40)	-	(703)	-
<b>As of March 31, 2024</b>	<u>100,000</u>	<u>736,444</u>	<u>(489,122)</u>	<u>517</u>	<u>453,303</u>	<u>5,339</u>	<u>(247)</u>



(Millions of yen)

Equity attributable to owners of the parent company							
	Other components of equity			Retained earnings	Total	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total				
<b>As of January 1, 2023</b>	8,966	-	104,309	3,089,909	3,540,435	76,326	3,616,761
Profit for the period	-	-	-	144,684	144,684	542	145,226
Other comprehensive income (loss)	1,013	-	22,038	-	22,038	3,047	25,086
Comprehensive income (loss) for the period	1,013	-	22,038	144,684	166,722	3,589	170,311
Acquisition of treasury shares	-	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	(112)	(33)	0	-	0
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	(200,558)	(200,558)	(973)	(201,531)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	1	1	19	20
Transfer from other components of equity to retained earnings	(232)	-	(232)	232	-	-	-
Other increase (decrease)	-	-	688	-	688	-	688
Total transactions with the owners	(232)	-	344	(200,358)	(199,869)	(954)	(200,823)
<b>As of March 31, 2023</b>	<u>9,747</u>	<u>-</u>	<u>126,692</u>	<u>3,034,234</u>	<u>3,507,288</u>	<u>78,962</u>	<u>3,586,249</u>
<b>As of January 1, 2024</b>	10,054	-	290,550	3,192,323	3,830,156	82,336	3,912,491
Profit for the period	-	-	-	157,266	157,266	501	157,766
Other comprehensive income (loss)	1,217	-	180,376	-	180,376	872	181,248
Comprehensive income (loss) for the period	1,217	-	180,376	157,266	337,642	1,373	339,015
Acquisition of treasury shares	-	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	-	(40)	-	0	-	0
Share-based payments	-	-	-	123	123	-	123
Dividends (Note 9)	-	-	-	(177,531)	(177,531)	(897)	(178,428)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(182)	(182)	154	(28)
Transfer from other components of equity to retained earnings	(64)	-	(64)	64	-	-	-
Other increase (decrease)	-	-	(703)	-	(703)	-	(703)
Total transactions with the owners	(64)	-	(808)	(177,525)	(178,294)	(743)	(179,037)
<b>As of March 31, 2024</b>	<u>11,206</u>	<u>-</u>	<u>470,118</u>	<u>3,172,063</u>	<u>3,989,504</u>	<u>82,966</u>	<u>4,072,470</u>

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

(Millions of yen)

	2023	2024
<b>Cash flows from operating activities</b>		
Profit before income taxes	183,146	201,266
Depreciation and amortization	42,230	43,965
Impairment losses	756	190
Interest and dividend income	(7,479)	(14,231)
Interest expense	6,811	7,477
Share of profit in investments accounted for using the equity method	(1,299)	(2,073)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	59	(1,829)
(Increase) decrease in trade and other receivables	6,099	(19,610)
(Increase) decrease in inventories	(14,370)	(10,873)
Increase (decrease) in trade and other payables	(62,781)	(80,986)
Increase (decrease) in retirement benefit liabilities	(5,529)	(12,259)
(Increase) decrease in prepaid tobacco excise taxes	11,639	59,795
Increase (decrease) in tobacco excise tax payables	(82,635)	(49,852)
Increase (decrease) in consumption tax payables	7,238	10,511
Other	6,590	(36,634)
Subtotal	90,474	94,857
Interest and dividends received	7,525	14,537
Interest paid	(7,018)	(7,569)
Income taxes paid	(35,319)	(39,991)
Net cash flows from operating activities	55,663	61,833
<b>Cash flows from investing activities</b>		
Purchase of securities	(23,684)	(10,171)
Proceeds from sale and redemption of securities	8,530	9,646
Purchase of property, plant and equipment	(22,234)	(26,491)
Proceeds from sale of investment property	1,132	2,079
Purchase of intangible assets	(6,794)	(2,362)
Proceeds from sale of investments in associates	973	-
Other	370	(376)
Net cash flows from investing activities	(41,707)	(27,674)

	2023	(Millions of yen) 2024
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company (Note 9)	(195,461)	(172,715)
Dividends paid to non-controlling interests	(1,033)	(897)
Capital contribution from non-controlling interests	25	92
Increase (decrease) in short-term borrowings and commercial paper	4,445	(156,465)
Proceeds from long-term borrowings	1,239	197
Repayments of long-term borrowings	(54)	(36)
Redemption of bonds(Note 8)	-	(4,819)
Repayments of lease liabilities	(5,560)	(6,504)
Acquisition of treasury shares	(0)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(0)	(99)
Other	0	0
Net cash flows from financing activities	(196,398)	(341,248)
<b>Net increase (decrease) in cash and cash equivalents</b>	(182,442)	(307,089)
<b>Cash and cash equivalents at the beginning of the period</b>	866,885	1,040,206
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(19,291)	33,831
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	665,152	766,948

## Notes to Condensed Interim Consolidated Financial Statements

### 1. Reporting Entity

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

The condensed interim consolidated financial statements for the three-month period ended March 31, 2024 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on May 9, 2024 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, 2023.

### 3. Material Accounting Policy Information

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, 2023 except for the following item. The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

#### (Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ending December 31, 2024.

	IFRS Accounting Standards	Description of new standards and amendments
IFRS 7	Financial Instruments: Disclosures	Providing requirements for disclosure relating to supplier finance
IAS 7	Statement of Cash Flows	arrangements

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

Part of the consolidated financial statements for the year ended December 31, 2023 has been reclassified to conform with the presentation for the first quarter ended March 31, 2024.

#### **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, 2023. For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

## **5. Operating Segments**

### **(1) Outline of Reportable Segments**

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

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. The reportable segments of the Group are composed of three segments: “Tobacco Business,” “Pharmaceutical Business” and “Processed Food Business.”

The “Tobacco Business” consists of the manufacture and sale of tobacco products in domestic areas and overseas. The “Pharmaceutical Business” consists of the research and development, manufacture and sale of prescription drugs. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods and seasonings.

(2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments are as follows. The Board of Directors assesses segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Since financial income, financial costs and income taxes are managed by the Group head office, these income and expense categories are excluded from segmental performance. Transactions within segments are primarily based upon prevailing market prices.

Three months ended March 31, 2023

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
	(Millions of yen)						
Revenue							
External revenue	604,331	24,925	35,579	664,835	443	-	665,278
Intersegment revenue	61	-	8	69	654	(723)	-
Total revenue	<u>604,392</u>	<u>24,925</u>	<u>35,586</u>	<u>664,904</u>	<u>1,097</u>	<u>(723)</u>	<u>665,278</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>225,142</u>	<u>6,924</u>	<u>1,409</u>	<u>233,475</u>	<u>(10,116)</u>	<u>8</u>	<u>223,367</u>

¥579,070 million of the external revenue from the tobacco business is core revenue.

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

	Clusters			
	Asia	Western Europe	EMA	Total
	(Millions of yen)			
Core revenue (Note 3)	196,152	140,487	242,431	579,070
Adjusted operating profit (Note 1)	75,843	64,736	84,563	225,142

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Three months ended March 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
<b>Revenue</b>							
External revenue	680,981	23,341	35,689	740,011	322	-	740,333
Intersegment revenue	64	-	6	69	705	(774)	-
Total revenue	<u>681,045</u>	<u>23,341</u>	<u>35,695</u>	<u>740,080</u>	<u>1,027</u>	<u>(774)</u>	<u>740,333</u>
<b>Segment profit (loss)</b>							
Adjusted operating profit (Note 1)	<u>231,883</u>	<u>3,842</u>	<u>2,021</u>	<u>237,746</u>	<u>(11,074)</u>	<u>24</u>	<u>226,695</u>

¥653,314 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 3)	199,519	172,595	281,201	653,314
Adjusted operating profit (Note 1)	73,586	78,846	79,451	231,883

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.



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

Three months ended March 31, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	225,142	6,924	1,409	233,475	(10,116)	8	223,367
Amortization cost of acquired intangibles arising from business acquisitions	(15,068)	-	-	(15,068)	-	-	(15,068)
Adjustment items (income) (Note 4)	0	-	3	3	3	-	6
Adjustment items (costs) (Note 5)	(1,319)	-	(97)	(1,416)	(485)	-	(1,901)
Operating profit (loss)	208,756	6,924	1,315	216,994	(10,598)	8	206,404
Financial income							7,483
Financial costs							(30,741)
Profit before income taxes							183,146

Three months ended March 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	231,883	3,842	2,021	237,746	(11,074)	24	226,695
Amortization cost of acquired intangibles arising from business acquisitions	(12,952)	-	-	(12,952)	-	-	(12,952)
Adjustment items (income) (Note 4)	7	-	-	7	1,956	-	1,963
Adjustment items (costs) (Note 5)	291	-	(20)	271	(159)	-	112
Operating profit (loss)	219,229	3,842	2,001	225,072	(9,278)	24	215,818
Financial income							14,877
Financial costs							(29,429)
Profit before income taxes							201,266

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

(Note 2) "Other" includes business activities relating to real estate rental and corporate expenditure relating to corporate communication and operation of the head office.

(Note 3) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

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

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
	2023	<b>2024</b>
Restructuring incomes	6	1,956
Other	-	7
Adjustment items (income)	6	1,963

Restructuring incomes for the three months ended March 31, 2024 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in "11. Other Operating Income."

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

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
	2023	<b>2024</b>
Restructuring costs	1,899	(112)
Other	2	-
Adjustment items (costs)	1,901	(112)

Restructuring costs included in "Cost of sales" were ¥(40) million for the three months ended March 31, 2023. Restructuring costs included in "Selling, general and administrative expenses" were ¥1,939 million and ¥(112) million for the three months ended March 31, 2023 and 2024, respectively. The breakdown of restructuring costs is described in "12. Selling, general and administrative expenses."

## 6. Cash and Cash Equivalents

The Group's Iranian subsidiaries' ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. The Group's Canadian subsidiary, JTI-Macdonald Corp. (hereinafter referred to as "JTI-Mac") is subject to certain restrictions on the use of funds other than in the ordinary course of business due to the adoption of the "Companies' Creditors Arrangement Act (CCAA)." "Cash and cash equivalents" as of March 31, 2024 includes cash and cash equivalents of ¥136,246 million and ¥152,678 million held by the Group's Iranian subsidiaries and JTI-Mac, respectively.

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

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

Carrying Amount	(Millions of yen)		
	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2024	821,499	2,616,440	200,819
Individual acquisition	22,585	-	2,312
Depreciation or amortization	(27,365)	-	(16,580)
Impairment losses	(190)	-	-
Reversal of impairment losses	41	-	-
Sale or disposal	(613)	-	(32)
Exchange differences on translation of foreign operations	30,822	115,258	6,992
Other	(522)	-	145
As of March 31, 2024	<u>846,256</u>	<u>2,731,698</u>	<u>193,655</u>

## 8. Bonds

For the three months ended March 31, 2024, the Group purchased a portion of the following bonds.

Company	Name of bond	Total amount issued	Purchase amount	Residual amount
JT International Financial Services B.V.	Straight bond in USD due 2031	USD 593 mil.	USD 13 mil.	USD 580 mil.
JT International Financial Services B.V.	Straight bond in EUR due 2029	EUR 472 mil.	EUR 22 mil.	EUR 450 mil.

## 9. Dividends

Dividends paid for each interim period are as follows:

### Three months ended March 31, 2023

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

### Three months ended March 31, 2024

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Annual Shareholders' Meeting (March 22, 2024)	Ordinary shares	177,531	100	December 31, 2023	March 25, 2024

## 10. Revenue

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

Three months ended March 31, 2023

(Millions of yen)

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

Three months ended March 31, 2024

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	653,314	-	-	-	653,314
Other	27,667	23,341	35,689	322	87,018
Total	<u>680,981</u>	<u>23,341</u>	<u>35,689</u>	<u>322</u>	<u>740,333</u>

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥20,278 million and ¥23,868 million for the three months ended March 31, 2023 and 2024, 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:

Three months ended March 31, 2023 and 2024

	2023	(Millions of yen) 2024
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	190	2,032
Other (Note)	3,249	4,345
Total	<u>3,439</u>	<u>6,377</u>

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

Three months ended March 31, 2023 and 2024

	2023	(Millions of yen) 2024
Gain on sale of property, plant and equipment, intangible assets and investment property	3	1,956
Other	3	-
Total	<u>6</u>	<u>1,956</u>

## 12. Selling, General and Administrative Expenses

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

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
	2023	2024
Advertising expenses	6,434	8,291
Promotion expenses	17,356	23,132
Commission (Note)	21,397	15,936
Employee benefit expenses (Note)	82,670	87,601
Research and development expenses	17,069	17,274
Depreciation and amortization	25,660	24,816
Impairment losses on other than financial assets (Note)	756	190
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	533	410
Other (Note)	29,404	35,213
Total	<u>201,280</u>	<u>212,863</u>

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

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
	2023	2024
Employee benefit expenses	1,172	(118)
Impairment losses on other than financial assets	84	-
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	310	159
Other	373	(153)
Total	<u>1,939</u>	<u>(112)</u>

### 13. Financial Income and Financial Costs

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

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
Financial Income	2023	2024
Dividend income	49	285
Interest income	7,430	13,946
Other	3	646
Total	<u>7,483</u>	<u>14,877</u>

Three months ended March 31, 2023 and 2024

	(Millions of yen)	
Financial Costs	2023	2024
Interest expenses	6,811	7,477
Foreign exchange losses (Note 1)	20,526	12,124
Employee benefit expenses (Note 2)	1,247	1,354
Loss on net monetary position	1,621	7,567
Other	537	906
Total	<u>30,741</u>	<u>29,429</u>

(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

##### (1) Basis of Calculating Basic Interim Earnings per Share

###### A. Profit Attributable to Ordinary Shareholders of the Parent Company

Three months ended March 31, 2023 and 2024

		(Millions of yen)
	2023	2024
Profit for the period attributable to owners of the parent company	144,684	157,266
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	144,684	157,266

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

Three months ended March 31, 2023 and 2024

		(Thousands of shares)
	2023	2024
Weighted-average number of shares during the period	1,774,915	1,775,336

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

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

Three months ended March 31, 2023 and 2024

		(Millions of yen)
	2023	2024
Profit for the period used for calculation of basic interim earnings per share	144,684	157,266
Adjustment	—	—
Profit for the period used for calculation of diluted interim earnings per share	144,684	157,266

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

Three months ended March 31, 2023 and 2024

		(Thousands of shares)
	2023	2024
Weighted-average number of ordinary shares during the period	1,774,915	1,775,336
Increased number of ordinary shares under subscription rights to shares	550	323
Weighted-average number of diluted ordinary shares during the period	1,775,465	1,775,659

## 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, 2023		As of March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	147,390	147,627	147,900	147,838
Bonds	785,901	732,331	817,045	765,055

(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, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	19,187	-	19,187
Equity securities	22,696	-	11,585	34,281
Notes and accounts receivable	-	5,307	-	5,307
Other	686	4,799	14,976	20,461
Total	23,382	29,293	26,560	79,236
Derivative liabilities	-	25,076	-	25,076
Total	-	25,076	-	25,076

As of March 31, 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	8,942	-	8,942
Equity securities	24,133	-	12,298	36,431
Notes and accounts receivable	-	4,146	-	4,146
Other	789	4,807	16,032	21,628
Total	<u>24,921</u>	<u>17,896</u>	<u>28,331</u>	<u>71,148</u>
Derivative liabilities	-	24,123	-	24,123
Total	<u>-</u>	<u>24,123</u>	<u>-</u>	<u>24,123</u>

**16. Commitments**

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

	As of December 31, 2023	(Millions of yen) As of March 31, 2024
Acquisition of property, plant and equipment	61,017	64,903

**17. Contingencies**

As of March 31, 2024, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2023.

### 18. Subsequent Events

The Company's subsidiary, JT International Financial Services B.V. issued senior notes with an aggregate principal amount of EUR 600 million due 2034 on April 11, 2024 as follows.

	Euro-denominated senior notes due 2034
1. Total amount of issue	EUR 600 million
2. Interest rate	3.625% per annum
3. Offering price	97.976% of nominal amount
4. Redemption price	100% of nominal amount
5. Settlement date	April 11, 2024
6. Maturity date	April 11, 2034
7. Redemption	The senior notes will be redeemed in full upon maturity. JT International Financial Services B.V. may, at any time after the date of payment, purchase the senior notes and have such purchased senior notes cancelled.
8. Guarantor	Japan Tobacco Inc.
9. Use of proceeds	Proceeds are intended to be used for general corporate purposes.

**2. Others**

No items to report

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

No items to report

(TRANSLATION)

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

May 9, 2024

To the Board of Directors of  
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,  
Certified Public Accountant: Takeshi Ito

### Accountant's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of March 31, 2024, and the condensed interim consolidated statement of income, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the three-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.

### Basis for Accountant's Conclusion

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

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

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

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

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

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

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

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

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

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

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



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

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

### Notes to the Readers of Independent Accountant's Review Report

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