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

October 31, 2024

# Consolidated Financial Results for the Nine Months Ended September 30, 2024 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: https://www.jt.com/
Representative: Masamichi Terabatake, Representative Director and President, Chief Executive Officer
Contact: Hiromasa Furukawa, Senior Vice President, Chief Financial Officer and Corporate Communications
Telephone: +81-3-6636-2914
Scheduled starting date of the dividend payments: –
Drawing up supplementary documents on financial results: Yes
Holding 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, 2024 (from January 1, 2024 to September 30, 2024)

### (1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit for the period | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| September 30, 2024 | 2,393,278 | 11.0 | 636,629 | 0.8 | 580,272 | (1.0) | 444,543 | 0.0 |
| September 30, 2023 | 2,157,018 | 7.4 | 631,847 | 9.1 | 586,209 | 9.4 | 444,532 | 10.1 |

| | Profit attributable to owners of the parent company | | Comprehensive income for the period | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Yen | Yen |
| September 30, 2024 | 442,414 | 0.1 | 413,000 | (45.4) | 249.18 | 249.14 |
| September 30, 2023 | 442,010 | 9.5 | 757,058 | (39.3) | 249.01 | 248.95 |

### (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 |
|---|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| September 30, 2024 | 6,946,032 | 3,972,067 | 3,891,480 | 56.0 | 2,191.65 |
| December 31, 2023 | 7,282,097 | 3,912,491 | 3,830,156 | 52.6 | 2,157.46 |

## 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, 2023 | - | 94.00 | - | 100.00 | 194.00 |
| Year ending December 31, 2024 | - | 97.00 | - | | |
| Year ending December 31, 2024 (Forecast) | | | | 97.00 | 194.00 |

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

## 3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(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, 2024 | 3,163,500 | 11.3 | 688,000 | 2.3 | 467,000 | (3.2) | 263.02 |

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. The Group expects an annual average of mid-single digit growth during the period of the "Business Plan 2024" (fiscal year ending December 31, 2024 to fiscal year ending December 31, 2026), which was announced on February 13, 2024.

(Percentages indicate year-on-year changes.)

| | Adjusted operating profit at constant FX | |
|---|---|---|
| | Millions of yen | % |
| Nine months ended September 30, 2024 (Cumulative) | 681,678 | 2.6 |
| Year ending December 31, 2024 (Forecast) | 774,000 | 6.3 |

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 on October 31, 2024.

- The Company's website: https://www.jt.com/investors/

## Notes

(1) Significant changes in the scope of consolidation during the period: None

(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: None
   For details, please refer to "3. Condensed Interim Consolidated Financial Statements , (5) 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, 2024 | 2,000,000,000 shares |
| As of December 31, 2023 | 2,000,000,000 shares |

   b. Number of treasury shares at the end of the period

| | |
|---|---|
| As of September 30, 2024 | 224,410,290 shares |
| As of December 31, 2023 | 224,692,028 shares |

   c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Nine months ended September 30, 2024 | 1,775,481,173 shares |
| Nine months ended September 30, 2023 | 1,775,085,981 shares |

* Review of the Japanese-language originals of the attached interim consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* 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 core revenue from tobacco business or from adjusted operating profit for the current period in the Tobacco Business. The results for the nine months ended September 30, 2024 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. Overview of Business Results

The results are presented in "2024 Third Quarter Results (CFO Presentation)," which was disclosed on TDnet and the Company's website on October 31, 2024. Please refer to the following.

・ 2024 Third Quarter Results (CFO Presentation):
https://www.jt.com/investors/results/forecast/pdf/2024/Third_Quarter/20241031_05.pdf

The details of financial position and cash flow position are as follows.

a. Financial position

**[Assets]**

Total assets at the end of the nine months ended September 30, 2024 decreased by ¥336.1 billion from the end of the previous fiscal year to ¥6,946.0 billion. This was due mainly to a decrease in cash and cash equivalents, despite an increase in inventories.

**[Liabilities]**

Total liabilities at the end of the nine months ended September 30, 2024 decreased by ¥395.6 billion from the end of the previous fiscal year to ¥2,974.0 billion. This was mainly due to a decrease in other current liabilities.

**[Equity]**

Total equity at the end of the nine months ended September 30, 2024 increased by ¥59.6 billion from the end of the previous fiscal year to ¥3,972.1 billion. This was mainly due to an increase in retained earnings as a result of the recording of profit attributable to owners of the parent company, despite a decrease in exchange differences on translation of foreign operations.

b. Cash flow position

Cash and cash equivalents at the end of the nine months ended September 30, 2024 decreased by ¥245.4 billion from the end of the previous fiscal year to ¥794.8 billion. Cash and cash equivalents at the end of the same period of the previous year were ¥869.0 billion.

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

Net cash flows from operating activities during the nine months ended September 30, 2024 were ¥392.0 billion, compared with ¥490.4 billion provided in the same period of the previous year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of income taxes, an increase in inventories, and payments of trade and other payables.

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

Net cash flows used in investing activities during the nine months ended September 30, 2024 were ¥142.6 billion, compared with ¥104.0 billion used in the same period of the previous year. This was mainly due to the purchase of securities, purchase of property, plant and equipment, and purchase of intangible assets.

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

Net cash flows used in financing activities during the nine months ended September 30, 2024 were ¥439.4 billion, compared with ¥413.7 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends.

## 2. Matters Regarding Summary Information

### 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 | 3,163.5 | 54.5 | 1.8 | 11.3 |
| Adjusted operating profit | 746.0 | 36.0 | 5.1 | 2.5 |
| Operating profit | 688.0 | 28.0 | 4.2 | 2.3 |
| Profit attributable to owners of the parent company | 467.0 | (8.0) | (1.7) | (3.2) |
| Adjusted operating profit at constant FX | 774.0 | 29.0 | 3.9 | 6.3 |

## 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 applicable regulations and international sanctions while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business. As this moment, the Company is unable to reasonably estimate the outlook and the impact on its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

## 3. Condensed Interim Consolidated Financial Statements

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

(Millions of yen)

| | As of December 31, 2023 | **As of September 30, 2024** |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,040,206 | 794,847 |
| Trade and other receivables | 535,302 | 566,369 |
| Inventories | 832,611 | 871,479 |
| Other financial assets | 58,633 | 100,812 |
| Other current assets | 789,888 | 645,719 |
| Subtotal | 3,256,639 | 2,979,228 |
| Assets held for sale | 2,921 | 6,362 |
| Total current assets | 3,259,561 | 2,985,590 |
| **Non-current assets** | | |
| Property, plant and equipment | 821,499 | 830,727 |
| Goodwill | 2,616,440 | 2,592,234 |
| Intangible assets | 200,819 | 164,132 |
| Investment property | 9,338 | 4,807 |
| Retirement benefit assets | 65,856 | 71,213 |
| Investments accounted for using the equity method | 56,726 | 60,867 |
| Other financial assets | 155,267 | 145,621 |
| Other non-current assets | 7,212 | 6,077 |
| Deferred tax assets | 89,379 | 84,765 |
| Total non-current assets | 4,022,536 | 3,960,442 |
| **Total assets** | 7,282,097 | 6,946,032 |

(Millions of yen)

| | As of December 31, 2023 | **As of September 30, 2024** |
|---|---|---|
| **Liabilities and equity** | | |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 592,802 | 481,935 |
| Bonds and borrowings | 233,333 | 189,337 |
| Income tax payables | 29,647 | 37,320 |
| Other financial liabilities | 44,470 | 41,001 |
| Provisions | 18,634 | 20,476 |
| Other current liabilities | 1,008,390 | 806,962 |
| Total current liabilities | 1,927,276 | 1,577,030 |
| **Non-current liabilities** | | |
| Bonds and borrowings | 908,926 | 888,868 |
| Other financial liabilities | 40,678 | 38,332 |
| Retirement benefit liabilities | 279,443 | 257,432 |
| Provisions | 45,527 | 37,830 |
| Other non-current liabilities | 127,170 | 134,694 |
| Deferred tax liabilities | 40,586 | 39,779 |
| Total non-current liabilities | 1,442,329 | 1,396,935 |
| Total liabilities | 3,369,605 | 2,973,965 |
| **Equity** | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 736,478 | 736,698 |
| Treasury shares | (489,194) | (488,582) |
| Other components of equity | 290,550 | 240,744 |
| Retained earnings | 3,192,323 | 3,302,619 |
| Equity attributable to owners of the parent company | 3,830,156 | 3,891,480 |
| Non-controlling interests | 82,336 | 80,587 |
| Total equity | 3,912,491 | 3,972,067 |
| **Total liabilities and equity** | 7,282,097 | 6,946,032 |

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

**Condensed Interim Consolidated Statement of Income**

**Nine months ended September 30, 2023 and 2024**

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| Revenue | 2,157,018 | 2,393,278 |
| Cost of sales | (879,375) | (1,040,289) |
| Gross profit | 1,277,643 | 1,352,989 |
| Other operating income | 22,786 | 20,560 |
| Share of profit in investments accounted for using the equity method | 6,814 | 8,365 |
| Selling, general and administrative expenses | (675,397) | (745,284) |
| Operating profit | 631,847 | 636,629 |
| Financial income | 29,654 | 50,973 |
| Financial costs | (75,292) | (107,331) |
| Profit before income taxes | 586,209 | 580,272 |
| Income taxes | (141,677) | (135,729) |
| Profit for the period | 444,532 | 444,543 |
| **Attributable to:** | | |
| Owners of the parent company | 442,010 | 442,414 |
| Non-controlling interests | 2,521 | 2,129 |
| Profit for the period | 444,532 | 444,543 |
| **Interim earnings per share** | | |
| Basic (Yen) | 249.01 | 249.18 |
| Diluted (Yen) | 248.95 | 249.14 |

**Reconciliation from "Operating profit" to "Adjusted operating profit"**

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| Operating profit | 631,847 | 636,629 |
| Amortization cost of acquired intangibles arising from business acquisitions | 45,038 | 38,366 |
| Adjustment items (income) | (14,544) | (9,270) |
| Adjustment items (costs) | 2,015 | 6,762 |
| Adjusted operating profit | 664,356 | 672,487 |

**Condensed Interim Consolidated Statement of Comprehensive Income**

**Nine months ended September 30, 2023 and 2024**

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| Profit for the period | 444,532 | 444,543 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | 2,637 | 1,641 |
| Remeasurements of defined benefit plans | - | 16,360 |
| Total of items that will not be reclassified to profit or loss | 2,637 | 18,001 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Exchange differences on translation of foreign operations | 307,020 | (45,463) |
| Net gain (loss) on derivatives designated as cash flow hedges | 2,869 | (4,045) |
| Hedge costs | - | (35) |
| Total of items that may be reclassified subsequently to profit or loss | 309,889 | (49,543) |
| Other comprehensive income (loss), net of taxes | 312,526 | (31,542) |
| Comprehensive income (loss) for the period | 757,058 | 413,000 |
| **Attributable to:** | | |
| Owners of the parent company | 749,622 | 411,797 |
| Non-controlling interests | 7,436 | 1,203 |
| Comprehensive income (loss) for the period | 757,058 | 413,000 |

## (3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Other components of equity | | | |
| | Share Capital | Capital surplus | Treasury shares | Subscription rights to shares | Exchange differences on translation of foreign operations | Net gain (loss) on derivatives designated as cash flow hedges | Hedge costs |
| **As of January 1, 2023** | 100,000 | 736,400 | (490,183) | 1,001 | 85,796 | 8,546 | - |
| Profit for the period | - | - | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | 302,350 | 2,869 | - |
| Comprehensive income (loss) for the period | - | - | - | - | 302,350 | 2,869 | - |
| 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 | - | - | - | - | - | - | - |
| Other increase (decrease) | - | - | - | - | - | (4,077) | - |
| Total transactions with the owners | - | 79 | 983 | (439) | - | (4,077) | - |
| **As of September 30, 2023** | 100,000 | 736,479 | (489,200) | 563 | 388,146 | 7,338 | - |
| **As of January 1, 2024** | 100,000 | 736,478 | (489,194) | 557 | 270,810 | 9,145 | (17) |
| Profit for the period | - | - | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | (44,501) | (4,045) | (35) |
| Comprehensive income (loss) for the period | - | - | - | - | (44,501) | (4,045) | (35) |
| Acquisition of treasury shares | - | - | (2) | - | - | - | - |
| Disposal of treasury shares | - | 221 | 614 | (191) | - | - | - |
| 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 | - | - | - | - | - | - | - |
| Other increase (decrease) | - | - | - | - | - | (1,611) | - |
| Total transactions with the owners | - | 221 | 613 | (191) | - | (1,611) | - |
| **As of September 30, 2024** | 100,000 | 736,698 | (488,582) | 366 | 226,309 | 3,490 | (52) |

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Other components of equity | | | | | | |
| | Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Total | Retained earnings | Total | Non-controlling interests | Total equity |
| **As of January 1, 2023** | 8,966 | - | 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) | 2,393 | - | 307,612 | - | 307,612 | 4,914 | 312,526 |
| Comprehensive income (loss) for the period | 2,393 | - | 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) | 719 | - | - | - |
| Other increase (decrease) | - | - | (4,077) | - | (4,077) | - | (4,077) |
| Total transactions with the owners | (719) | - | (5,235) | (366,808) | (370,981) | (1,188) | (372,169) |
| **As of September 30, 2023** | 10,640 | - | 406,686 | 3,165,111 | 3,919,075 | 82,574 | 4,001,649 |
| **As of January 1, 2024** | 10,054 | - | 290,550 | 3,192,323 | 3,830,156 | 82,336 | 3,912,491 |
| Profit for the period | - | - | - | 442,414 | 442,414 | 2,129 | 444,543 |
| Other comprehensive income (loss) | 1,604 | 16,361 | (30,617) | - | (30,617) | (926) | (31,542) |
| Comprehensive income (loss) for the period | 1,604 | 16,361 | (30,617) | 442,414 | 411,797 | 1,203 | 413,000 |
| Acquisition of treasury shares | - | - | - | - | (2) | - | (2) |
| Disposal of treasury shares | - | - | (191) | (493) | 151 | - | 151 |
| Share-based payments | - | - | - | 496 | 496 | 24 | 520 |
| Dividends | - | - | - | (349,759) | (349,759) | (2,366) | (352,126) |
| Changes in the scope of consolidation | - | - | - | - | - | (71) | (71) |
| Changes in the ownership interest in a subsidiary without a loss of control | - | - | - | 252 | 252 | (539) | (287) |
| Transfer from other components of equity to retained earnings | (1,025) | (16,361) | (17,386) | 17,386 | - | - | - |
| Other increase (decrease) | - | - | (1,611) | - | (1,611) | - | (1,611) |
| Total transactions with the owners | (1,025) | (16,361) | (19,189) | (332,118) | (350,473) | (2,952) | (353,425) |
| **As of September 30, 2024** | 10,632 | - | 240,744 | 3,302,619 | 3,891,480 | 80,587 | 3,972,067 |

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

**Nine months ended September 30, 2023 and 2024**

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income taxes | 586,209 | 580,272 |
| Depreciation and amortization | 130,241 | 130,252 |
| Impairment losses | 6,441 | 11,468 |
| Interest and dividend income | (29,093) | (49,973) |
| Interest expense | 21,428 | 24,652 |
| Share of profit in investments accounted for using the equity method | (6,814) | (8,365) |
| (Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property | (13,697) | (6,234) |
| (Increase) decrease in trade and other receivables | (65,614) | (32,726) |
| (Increase) decrease in inventories | (97,471) | (66,455) |
| Increase (decrease) in trade and other payables | (63,768) | (92,010) |
| Increase (decrease) in retirement benefit liabilities | (1,867) | (6,922) |
| (Increase) decrease in prepaid tobacco excise taxes | 6,943 | 115,780 |
| Increase (decrease) in tobacco excise tax payables | 46,987 | (176,406) |
| Increase (decrease) in consumption tax payables | 21,280 | 12,334 |
| Other | 43,604 | 48,405 |
| Subtotal | 584,807 | 484,072 |
| Interest and dividends received | 28,666 | 48,525 |
| Interest paid | (21,580) | (23,751) |
| Income taxes paid | (101,459) | (116,831) |
| Net cash flows from operating activities | 490,434 | 392,015 |
| **Cash flows from investing activities** | | |
| Purchase of securities | (76,638) | (54,101) |
| Proceeds from sale and redemption of securities | 31,946 | 54,410 |
| Purchase of property, plant and equipment | (61,412) | (86,208) |
| Proceeds from sale of investment property | 15,767 | 6,437 |
| Purchase of intangible assets | (17,389) | (16,919) |
| Payments into time deposits | - | (47,657) |
| Proceeds from sale of investments in associates | 1,369 | - |
| Other | 2,315 | 1,399 |
| Net cash flows from investing activities | (104,040) | (142,640) |

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| **Cash flows from financing activities** | | |
| Dividends paid to owners of the parent company | (366,964) | (349,057) |
| Dividends paid to non-controlling interests | (2,183) | (2,321) |
| Capital contribution from non-controlling interests | 438 | 115 |
| Increase (decrease) in short-term borrowings and commercial paper | (13,120) | (152,814) |
| Proceeds from long-term borrowings | 2,911 | 100 |
| Repayments of long-term borrowings | (14,436) | (4,481) |
| Proceeds from issuance of bonds | 59,795 | 97,616 |
| Redemption of bonds | (62,445) | (8,719) |
| Repayments of lease liabilities | (17,724) | (19,758) |
| Acquisition of treasury shares | (1) | (2) |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | (16) | (100) |
| Other | 0 | 0 |
| Net cash flows from financing activities | (413,746) | (439,420) |
| **Net increase (decrease) in cash and cash equivalents** | (27,352) | (190,046) |
| **Cash and cash equivalents at the beginning of the period** | 866,885 | 1,040,206 |
| **Effect of exchange rate changes on cash and cash equivalents** | 29,509 | (55,312) |
| **Cash and cash equivalents at the end of the period** | 869,042 | 794,847 |

**(5) 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, 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<br>IAS 7 | Financial Instruments: Disclosures<br>Statement of Cash Flows | Providing requirements for disclosure relating to supplier finance 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 nine months ended September 30, 2024.

**(6) 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, 2023

(Millions of yen)

| | Reportable Segments | | | | Other (Note 2) | 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 | 1,974,778 | 69,799 | 111,509 | 2,156,086 | 3,288 | (2,356) | 2,157,018 |
| Segment profit (loss) | | | | | | | |
| Adjusted operating profit (Note 1) | 676,831 | 13,118 | 4,648 | 694,596 | (30,261) | 21 | 664,356 |

\1,891,278 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

| | Clusters | | | |
|---|---|---|---|---|
| | Asia | Western Europe | EMA | Total |
| Core revenue (Note 3) | 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.

Nine months ended September 30, 2024

(Millions of yen)

| | Reportable Segments | | | | Other (Note 2) | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Tobacco | Pharmaceuticals | Processed Food | Total | | | |
| Revenue | | | | | | | |
| External revenue | 2,211,739 | 67,049 | 113,487 | 2,392,276 | 1,002 | - | 2,393,278 |
| Intersegment revenue | 289 | - | 21 | 310 | 2,240 | (2,550) | - |
| Total revenue | 2,212,028 | 67,049 | 113,508 | 2,392,585 | 3,242 | (2,550) | 2,393,278 |
| Segment profit (loss) | | | | | | | |
| Adjusted operating profit (Note 1) | 699,602 | 5,158 | 6,355 | 711,115 | (38,651) | 24 | 672,487 |

\2,122,355 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) | 609,018 | 536,469 | 976,868 | 2,122,355 |
| Adjusted operating profit (Note 1) | 194,657 | 224,638 | 280,306 | 699,602 |

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, 2023

(Millions of yen)

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

Nine months ended September 30, 2024

(Millions of yen)

| | Reportable Segments | | | | Other (Note 2) | Elimination | Consolidated |
|---|---|---|---|---|---|---|---|
| | Tobacco | Pharmaceuticals | Processed Food | Total | | | |
| Adjusted operating profit (Note 1) | 699,602 | 5,158 | 6,355 | 711,115 | (38,651) | 24 | 672,487 |
| Amortization cost of acquired intangibles arising from business acquisitions | (38,366) | - | - | (38,366) | - | - | (38,366) |
| Adjustment items (income) (Note 4) | 3,141 | - | - | 3,141 | 6,130 | - | 9,270 |
| Adjustment items (costs) (Note 5) | (5,974) | - | (30) | (6,004) | (758) | - | (6,762) |
| Operating profit (loss) | 658,403 | 5,158 | 6,325 | 669,885 | (33,279) | 24 | 636,629 |
| Financial income | | | | | | | 50,973 |
| Financial costs | | | | | | | (107,331) |
| Profit before income taxes | | | | | | | 580,272 |

(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:
Nine months ended September 30, 2023 and 2024

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| Restructuring incomes | 14,022 | 6,130 |
| Other | 521 | 3,141 |
| Adjustment items (income) | 14,544 | 9,270 |

Restructuring incomes for the nine months ended September 30, 2023 and 2024 mainly related to gains on sale of real estate.
Other (income) for the nine months ended September 30, 2024 mainly related to gains on deconsolidation of subsidiaries.

(Note 5) The breakdown of "Adjustment items (costs)" is as follows:
Nine months ended September 30, 2023 and 2024

(Millions of yen)

| | 2023 | **2024** |
|---|---|---|
| Restructuring costs | 1,967 | 6,094 |
| Other | 48 | 668 |
| Adjustment items (costs) | 2,015 | 6,762 |

Restructuring costs for the nine months ended September 30, 2024 mainly related to rationalization in a market in the "Tobacco Business."

**(7) Note on Premise of Going Concern**

No items to report

**(8) Subsequent Events**

A. Acquisition of the Vector Group Ltd.

On August 21, 2024, The Group entered into an agreement with Vector Group Ltd. (VGR), a company operating tobacco business in the United States, to acquire VGR.

Based on the agreement, the Group conducted a tender offer for all outstanding fully diluted shares of VGR, through Vapor Merger Sub Inc., (the Offeror) an entity the Group established for the purpose of this acquisition. The conditions of the tender offer were satisfied on October 4, 2024, Eastern Daylight Time (EDT). After the completion of the tender offer, VGR and the Offeror merged with VGR as the surviving entity on October 7, 2024, EDT, and VGR became a wholly-owned subsidiary of the Company. The total acquisition price is approximately $2.4 billion (approximately ¥356.9 billion).

B. Borrowings

The Company's overseas subsidiaries, JT International SA and JT International Holding B.V., entered into loan agreements with banks as follows:

| | |
|---|---|
| 1. Lenders: | JPMorgan Chase Bank, N.A., London Branch, Bank of America, N.A, London Branch, CITIBANK, N.A., Deutsche Bank Luxembourg S.A., Mizuho Bank, Ltd.,MUFG Bank, Ltd., Standard Chartered Bank (Hong Kong) Limited, and Sumitomo Mitsui Banking Corporation Düsseldorf Branch |
| 2. Aggregate amount of borrowings: | $3.896 billion(approximately \579.4billion) |
| 3. Interest rates: | Floating rates (Compounded reference rate based on SOFR plus spread) |
| 4. Execution date: | October 7, 2024 |
| 5. Repayment date: | October 6, 2025 |
| 6. Collateral/Guarantee: | Guarantee by the Company |
| 7. Use of proceeds: | The funds to acquire VGR by the Group, etc. |