

[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.]



MEMBERSHIP

April 30, 2021

Consolidated Financial Results for the Three Months Ended March 31, 2021 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jti.co.jp/>
Representative: Masamichi Terabatake, Representative Director and President,
Chief Executive Officer
Contact: Hiroyuki Fukuda, Senior Vice President, Communications
Telephone: +81-3-6636-2914
Scheduled date to file Quarterly Securities Report: April 30, 2021
Scheduled starting date of the dividend payments: –
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Three Months of the Fiscal Year Ending December 31, 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2021	547,366	5.3	160,129	24.2	156,342	35.8	114,039	31.3
March 31, 2020	519,620	2.8	128,953	(29.4)	115,102	(33.4)	86,882	(35.0)

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
March 31, 2021	113,786	31.7	243,127	-	64.13	64.10
March 31, 2020	86,373	(28.5)	(103,489)	-	48.69	48.67

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
March 31, 2021	5,398,190	2,705,275	2,628,611	48.7	1,481.52
December 31, 2020	5,381,382	2,599,495	2,522,834	46.9	1,421.92

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, 2020	-	77.00	-	77.00	154.00
Year ending December 31, 2021	-				
Year ending December 31, 2021 (Forecast)		65.00	-	65.00	130.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2021 (January 1, 2021 to December 31, 2021)

(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, 2021	2,080,000	(0.6)	363,000	(22.6)	240,000 (22.6)	135.30

Note: Revisions to the consolidated earnings forecasts most recently announced: None

[Additional Information] Growth rate in adjusted operating profit at constant rates of exchange:

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

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Three months ended March 31, 2021 (Cumulative)	186,881	27.2
Year ending December 31, 2021 (Forecast)	512,000	5.1

Note: Revisions to the consolidated earnings forecasts most recently announced: None

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 visit the Company's website (<https://www.jt.com/investors/index.html>), where materials for investors' meeting have been released today, and refer to the quarterly securities report scheduled to be submitted today.

Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): 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 “1. Matters regarding summary information, (1) Changes in accounting policies and changes in accounting estimates.”
- (3) Number of shares issued (ordinary shares)
- a. Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2021	2,000,000,000 shares
As of December 31, 2020	2,000,000,000 shares
 - b. Number of treasury shares at the end of the period

As of March 31, 2021	225,734,042 shares
As of December 31, 2020	225,754,671 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2021	1,774,254,698 shares
Three months ended March 31, 2020	1,773,937,665 shares

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

* Proper use of earnings forecasts, and other special matters

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

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant rates of exchange 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 rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant rates of exchange 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 and increase in profit due to inflation in some markets calculated using certain methods from adjusted operating profit for the current period in the International Tobacco Business.

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” (hereinafter referred to as “IAS 29”). However, the impact of IAS 29 is not included in adjusted operating profit at constant rates of exchange.

Attached Materials

Index

1. Matters Regarding Summary Information	2
(1) Changes in Accounting Policies and Changes in Accounting Estimates.....	2
(2) Revisions to the Consolidated Earnings Forecasts Most Recently Announced.....	2
2. Condensed Interim Consolidated Financial Statements	4
(1) Condensed Interim Consolidated Statement of Financial Position.....	4
(2) Condensed Interim Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	6
(3) Condensed Interim Consolidated Statement of Changes in Equity	8
(4) Condensed Interim Consolidated Statement of Cash Flows.....	10
(5) Segment Information	12
(6) Note on Premise of Going Concern	15

1. Matters Regarding Summary Information

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

The significant 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, 2020 except 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 beginning of the first quarter ended March 31, 2021.

IFRS	Description of new standards and amendments
IFRS 16 Leases	Amendment for COVID-19-related rent concessions on or after June 30, 2021

IFRS 16 amendment mentioned above has been early applied.

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

Part of the condensed interim consolidated financial statements for the year ended December 31, 2020 has been reclassified to conform with the presentation for the year ending December 31, 2021.

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

No items to report.

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.

Risk Associated with the Spread of COVID-19

Concerning the spread of COVID-19, the Group continues to conduct business operations of each business fully in compliance with the policies and directives of the governments and relevant authorities of each country, and nothing is obstructing business continuity at present. For the three months ended March 31, 2021, the impact of the spread of COVID-19 led to a decrease in duty-free sales in the tobacco business due to a lag in the recovery in the number of travelers, and to lower sales, etc. in the Processed Food Business for food-service products within the frozen and ambient foods due to people voluntarily staying home, etc. while industry volume in the International Tobacco Business increased in some markets with higher unit prices due to travel restrictions.

Regarding the impact of the spread of COVID-19 in the second quarter and thereafter, bearing in mind that the impact will have to run its course, and that it is difficult at this time to predict the spread of COVID-19 will be brought under control and its future impact on each business. In addition, regarding the business and financial impacts, it is also necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country. Accordingly, the most recently announced consolidated earnings forecasts are left unchanged. In the event of further spread of COVID-19 going forward, the Group's business performance may be negatively affected. If the need for a revision to the Group's earnings forecasts arises, the Company will swiftly announce such a revision.

At present, there are no problems in procuring the necessary funds for business operations, and the amount of credit available through commitment lines is sufficient.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	538,844	424,306
Trade and other receivables	412,144	431,276
Inventories	539,762	553,038
Other financial assets	18,828	21,262
Other current assets	493,992	499,995
Subtotal	2,003,570	1,929,876
Non-current assets held for sale	348	966
Total current assets	2,003,919	1,930,842
Non-current assets		
Property, plant and equipment	759,290	767,178
Goodwill	1,909,392	1,987,879
Intangible assets	363,604	363,375
Investment property	4,744	4,170
Retirement benefit assets	70,528	76,359
Investments accounted for using the equity method	40,230	41,930
Other financial assets	107,143	113,487
Deferred tax assets	122,534	112,969
Total non-current assets	3,377,464	3,467,348
Total assets	5,381,382	5,398,190

	(Millions of yen)	
	As of December 31, 2020	As of March 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	436,540	382,827
Bonds and borrowings	141,469	158,322
Income tax payables	46,462	29,784
Other financial liabilities	27,588	26,738
Provisions	19,420	26,037
Other current liabilities	652,314	611,831
Total current liabilities	1,323,793	1,235,540
Non-current liabilities		
Bonds and borrowings	817,412	840,980
Other financial liabilities	50,164	49,647
Retirement benefit liabilities	331,752	312,834
Provisions	31,338	25,698
Other non-current liabilities	162,982	158,610
Deferred tax liabilities	64,447	69,606
Total non-current liabilities	1,458,095	1,457,375
Total liabilities	2,781,888	2,692,915
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(491,507)	(491,462)
Other components of equity	(605,776)	(488,977)
Retained earnings	2,783,718	2,772,650
Equity attributable to owners of the parent company	2,522,834	2,628,611
Non-controlling interests	76,660	76,664
Total equity	2,599,495	2,705,275
Total liabilities and equity	5,381,382	5,398,190

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

Condensed Interim Consolidated Statement of Income

Three months ended March 31, 2020 and 2021

	(Millions of yen)	
	2020	2021
Revenue	519,620	547,366
Cost of sales	(221,131)	(216,602)
Gross profit	298,489	330,764
Other operating income	3,032	2,409
Share of profit in investments accounted for using the equity method	620	558
Selling, general and administrative expenses	(173,187)	(173,603)
Operating profit	128,953	160,129
Financial income	1,600	3,538
Financial costs	(15,452)	(7,325)
Profit before income taxes	115,102	156,342
Income taxes	(28,221)	(42,303)
Profit for the period	86,882	114,039
Attributable to:		
Owners of the parent company	86,373	113,786
Non-controlling interests	508	252
Profit for the period	86,882	114,039
Interim earnings per share		
Basic (Yen)	48.69	64.13
Diluted (Yen)	48.67	64.10

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

	(Millions of yen)	
	2020	2021
Operating profit	128,953	160,129
Amortization cost of acquired intangibles arising from business acquisitions	17,059	16,270
Adjustment items (income)	(1,321)	(1,329)
Adjustment items (costs)	2,175	3,021
Adjusted operating profit	146,866	178,091

Condensed Interim Consolidated Statement of Comprehensive Income

Three months ended March 31, 2020 and 2021

		(Millions of yen)
	2020	2021
Profit for the period	86,882	114,039
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	(3,968)	999
Remeasurements of defined benefit plans	-	11,793
Total of items that will not be reclassified to profit or loss	(3,968)	12,791
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(186,392)	116,617
Net gain (loss) on derivatives designated as cash flow hedges	(11)	(320)
Total of items that may be reclassified subsequently to profit or loss	(186,403)	116,297
Other comprehensive income (loss), net of taxes	(190,371)	129,088
Comprehensive income (loss) for the period	(103,489)	243,127
Attributable to:		
Owners of the parent company	(103,727)	242,441
Non-controlling interests	237	686
Comprehensive income (loss) for the period	(103,489)	243,127

(3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share Capital	Capital surplus	Treasury shares	Other components of equity			Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
Subscription rights to shares				Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges		
As of January 1, 2020	100,000	736,400	(492,469)	1,556	(444,366)	(132)	11,201
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(186,215)	(11)	(3,874)
Comprehensive income (loss) for the period	-	-	-	-	(186,215)	(11)	(3,874)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	368	(273)	-	-	-
Share-based payments	-	-	-	30	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(367)
Other increase (decrease)	-	-	-	-	-	(14)	-
Total transactions with the owners	-	-	368	(243)	-	(14)	(367)
As of March 31, 2020	<u>100,000</u>	<u>736,400</u>	<u>(492,101)</u>	<u>1,313</u>	<u>(630,581)</u>	<u>(157)</u>	<u>6,960</u>
As of January 1, 2021	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	116,195	(320)	996
Comprehensive income (loss) for the period	-	-	-	-	116,195	(320)	996
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	45	(26)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
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)	-	-	-	-	-	(46)	-
Total transactions with the owners	-	-	45	(26)	-	(46)	-
As of March 31, 2021	<u>100,000</u>	<u>736,400</u>	<u>(491,462)</u>	<u>1,226</u>	<u>(498,180)</u>	<u>(244)</u>	<u>8,221</u>

(Millions of yen)

	Equity attributable to owners of the parent company					Total equity
	Other components of equity		Retained earnings	Total	Non-controlling interests	
	Remeasurements of defined benefit plans	Total				
As of January 1, 2020	-	(431,741)	2,750,506	2,662,696	80,916	2,743,611
Profit for the period	-	-	86,373	86,373	508	86,882
Other comprehensive income (loss)	-	(190,100)	-	(190,100)	(271)	(190,371)
Comprehensive income (loss) for the period	-	(190,100)	86,373	(103,727)	237	(103,489)
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(273)	(95)	0	-	0
Share-based payments	-	30	-	30	-	30
Dividends	-	-	(136,583)	(136,583)	(612)	(137,195)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	303	303	(1,401)	(1,098)
Transfer from other components of equity to retained earnings	-	(367)	367	-	-	-
Other increase (decrease)	-	(14)	-	(14)	-	(14)
Total transactions with the owners	-	(623)	(136,009)	(136,264)	(2,013)	(138,277)
As of March 31, 2020	-	(622,464)	2,700,870	2,422,705	79,139	2,501,844
As of January 1, 2021	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	113,786	113,786	252	114,039
Other comprehensive income (loss)	11,783	128,654	-	128,654	434	129,088
Comprehensive income (loss) for the period	11,783	128,654	113,786	242,441	686	243,127
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(26)	(19)	0	-	0
Share-based payments	-	-	-	-	-	-
Dividends	-	-	(136,617)	(136,617)	(682)	(137,299)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	-	(1)
Transfer from other components of equity to retained earnings	(11,783)	(11,783)	11,783	-	-	-
Other increase (decrease)	-	(46)	-	(46)	-	(46)
Total transactions with the owners	(11,783)	(11,855)	(124,854)	(136,664)	(682)	(137,347)
As of March 31, 2021	-	(488,977)	2,772,650	2,628,611	76,664	2,705,275

(4) Condensed Interim Consolidated Statement of Cash Flows

Three months ended March 31, 2020 and 2021

	2020	(Millions of yen) 2021
Cash flows from operating activities		
Profit before income taxes	115,102	156,342
Depreciation and amortization	46,470	44,809
Impairment losses	989	1,303
Interest and dividend income	(1,599)	(1,800)
Interest expense	5,631	5,761
Share of profit in investments accounted for using the equity method	(620)	(558)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(1,166)	31
(Increase) decrease in trade and other receivables	11,589	(7,090)
(Increase) decrease in inventories	12,355	8,994
Increase (decrease) in trade and other payables	(41,529)	(61,006)
Increase (decrease) in retirement benefit liabilities	(12,755)	(9,332)
(Increase) decrease in prepaid tobacco excise taxes	(22,012)	(17,270)
Increase (decrease) in tobacco excise tax payables	(71,056)	(36,513)
Increase (decrease) in consumption tax payables	(8,049)	(9,165)
Other	1,599	(9,621)
Subtotal	34,949	64,885
Interest and dividends received	2,966	1,807
Interest paid	(4,473)	(4,362)
Income taxes paid	(35,385)	(49,975)
Net cash flows from operating activities	(1,943)	12,354
Cash flows from investing activities		
Purchase of securities	(14,345)	(5,640)
Proceeds from sale and redemption of securities	16,398	3,162
Purchase of property, plant and equipment	(18,798)	(18,977)
Proceeds from sale of investment property	1,500	697
Purchase of intangible assets	(10,493)	(3,140)
Proceeds from withdrawal of time deposits	25	50
Proceeds from sale of investments in associates	17,402	1,114
Other	793	286
Net cash flows from investing activities	(7,518)	(22,449)

	2020	(Millions of yen) 2021
Cash flows from financing activities		
Dividends paid to owners of the parent company	(134,781)	(131,819)
Dividends paid to non-controlling interests	(552)	(756)
Capital contribution from non-controlling interests	22	8
Increase (decrease) in short-term borrowings and commercial paper	10,906	10,212
Proceeds from long-term borrowings	98,888	-
Repayments of long-term borrowings	(239)	(204)
Repayments of lease liabilities	(4,223)	(4,889)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,120)	(1)
Other	0	0
Net cash flows from financing activities	(31,099)	(127,449)
Net increase (decrease) in cash and cash equivalents	(40,561)	(137,544)
Cash and cash equivalents at the beginning of the period	357,158	538,844
Effect of exchange rate changes on cash and cash equivalents	(15,538)	23,006
Cash and cash equivalents at the end of the period	301,059	424,306

(5) Segment Information

A. Outline of Reportable Segments

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

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. With respect to tobacco products, operations are managed separately for domestic and overseas markets. The reportable segments of the Group are composed of four segments: “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business.” They are determined by the type of products sold, their characteristics, and their markets.

The “Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which include duty-free shops in Japan and markets in China, Hong Kong, and Macau where the Company’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of research and development, and the manufacture and sale of prescription drugs. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods, bakery products 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.

Three months ended March 31, 2020

(Millions of yen)

	Reportable Segments				Total	Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food				
Revenue								
External revenue	135,107	326,161	20,728	36,749	518,745	876	-	519,620
Intersegment revenue	1,738	6,751	-	0	8,489	1,408	(9,897)	-
Total revenue	<u>136,846</u>	<u>332,912</u>	<u>20,728</u>	<u>36,749</u>	<u>527,234</u>	<u>2,283</u>	<u>(9,897)</u>	<u>519,620</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>43,232</u>	<u>104,057</u>	<u>6,579</u>	<u>419</u>	<u>154,286</u>	<u>(7,530)</u>	<u>109</u>	<u>146,866</u>

Three months ended March 31, 2021

(Millions of yen)

	Reportable Segments				Total	Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food				
Revenue								
External revenue	133,348	360,233	19,659	33,793	547,033	333	-	547,366
Intersegment revenue	2,077	4,314	-	0	6,391	1,282	(7,673)	-
Total revenue	<u>135,424</u>	<u>364,547</u>	<u>19,659</u>	<u>33,793</u>	<u>553,424</u>	<u>1,615</u>	<u>(7,673)</u>	<u>547,366</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>48,021</u>	<u>133,646</u>	<u>4,228</u>	<u>326</u>	<u>186,221</u>	<u>(8,390)</u>	<u>260</u>	<u>178,091</u>

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

Three months ended March 31, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	43,232	104,057	6,579	419	154,286	(7,530)	109	146,866
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(12,998)	-	-	(17,059)	-	-	(17,059)
Adjustment items (income) (Note 3)	-	33	-	-	33	1,287	-	1,321
Adjustment items (costs) (Note 4)	-	(1,408)	(6)	(0)	(1,414)	(761)	-	(2,175)
Operating profit (loss)	39,171	89,685	6,573	419	135,847	(7,003)	109	128,953
Financial income								1,600
Financial costs								(15,452)
Profit before income taxes								115,102

Three months ended March 31, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	48,021	133,646	4,228	326	186,221	(8,390)	260	178,091
Amortization cost of acquired intangibles arising from business acquisitions	(4,061)	(12,209)	-	-	(16,270)	-	-	(16,270)
Adjustment items (income) (Note 3)	-	1,327	-	-	1,327	1	-	1,329
Adjustment items (costs) (Note 4)	(7)	(1,747)	0	(1,069)	(2,823)	(198)	-	(3,021)
Operating profit (loss)	43,953	121,018	4,228	(744)	168,456	(8,587)	260	160,129
Financial income								3,538
Financial costs								(7,325)
Profit before income taxes								156,342

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

Three months ended March 31, 2020 and 2021

	(Millions of yen)	
	2020	2021
Restructuring incomes	1,287	4
Other	33	1,325
Adjustment items (income)	1,321	1,329

Restructuring incomes for three months ended March 31, 2020 mainly relate to gains on sale of real estate. Other (income) for three months ended March 31, 2021 mainly relates to gains on sale of investments in associates for past fiscal years.

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

Three months ended March 31, 2020 and 2021

	(Millions of yen)	
	2020	2021
Restructuring costs	1,430	2,932
Other	745	89
Adjustment items (costs)	2,175	3,021

(6) Note on Premise of Going Concern

No items to report