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October 29, 2021

Consolidated Financial Results for the Nine Months Ended September 30, 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/>
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Chief Executive Officer
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Scheduled date to file Quarterly Securities Report: October 29, 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 Nine Months of the Fiscal Year Ending December 31, 2021 (from January 1, 2021 to September 30, 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	%
Nine months ended								
September 30, 2021	1,766,075	10.9	480,696	23.2	463,821	34.2	340,285	31.1
September 30, 2020	1,592,097	(2.5)	390,181	(11.4)	345,558	(16.0)	259,621	(21.0)

	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
Nine months ended						
September 30, 2021	338,813	31.3	520,781	-	190.95	190.87
September 30, 2020	257,948	(18.4)	45,112	(82.3)	145.40	145.33

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2021	5,629,865	2,866,542	2,790,045	49.6	1,572.28
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	-	65.00	-		
Year ending December 31, 2021 (Forecast)				75.00	140.00

Note: Revisions to the cash dividends forecasts most recently announced: Yes

The company has revised upward its guidance of the year-end dividend per share by 10 yen to 75 yen. For more details, please refer to “Notice concerning revised dividends guidance” which has been released on October 29, 2021.

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	2,280,000	9.0	478,000	1.9	330,000	6.4	185.98

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

[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	%
Nine months ended September 30, 2021 (Cumulative)	538,074	21.9
Year ending December 31, 2021 (Forecast)	584,000	19.9

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 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 September 30, 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 September 30, 2021	225,479,054 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)

Nine months ended September 30, 2021	1,774,384,501 shares
Nine months ended September 30, 2020	1,774,089,057 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

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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

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

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced		Year-on-year changes [%]
		Amount	%	
Revenue	2,280.0	80.0	3.6	9.0
Adjusted operating profit	588.0	71.0	13.7	20.8
Operating profit	478.0	76.0	18.9	1.9
Profit attributable to owners of the parent company	330.0	58.0	21.3	6.4
Adjusted operating profit at constant rates of exchange	584.0	62.0	11.9	19.9

The continued spread of COVID-19 has had a significant impact on the global economy and social life, and it is difficult at this time to predict when COVID-19 will be brought under control. Amid this, the Company assumes that the economies of each country will gradually recover despite the continued impact of the spread of COVID-19 on the global economy. Furthermore, the impact on demand in the tobacco business and the Processed Food Business will continue to an extent going forward, and earnings forecasts have been formulated.

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 nine months ended September 30, 2021, travel restrictions continued in various countries due to the impact of the spread of COVID-19. Despite sales volume at duty-free shops increasing year on year, the tobacco business was unable to reach levels prior to the spread of COVID-19. On the other hand, strong industry volume continued for the International Tobacco Business in several markets due to travel restrictions. In addition, in the Processed Food Business, sales of food-service products within the frozen and ambient food business have continued to decrease due to factors such as the impact of requests to restrict bar and restaurant operations. With regard to the impacts of the spread of COVID-19, it is necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country going forward. Because it is difficult at this time to predict when the spread of COVID-19 will be brought under control and its future impact, COVID-19 may negatively affect the Group’s business performance. 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 September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	538,844	630,655
Trade and other receivables	412,144	486,139
Inventories	539,762	540,213
Other financial assets	18,828	18,262
Other current assets	493,992	494,742
Subtotal	2,003,570	2,170,011
Non-current assets held for sale	348	258
Total current assets	2,003,919	2,170,269
Non-current assets		
Property, plant and equipment	759,290	758,062
Goodwill	1,909,392	2,037,154
Intangible assets	363,604	324,593
Investment property	4,744	3,962
Retirement benefit assets	70,528	76,711
Investments accounted for using the equity method	40,230	45,146
Other financial assets	107,143	104,036
Deferred tax assets	122,534	109,932
Total non-current assets	3,377,464	3,459,596
Total assets	5,381,382	5,629,865

	(Millions of yen)	
	As of December 31, 2020	As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	436,540	426,115
Bonds and borrowings	141,469	167,136
Income tax payables	46,462	39,713
Other financial liabilities	27,588	29,874
Provisions	19,420	19,794
Other current liabilities	652,314	655,298
Total current liabilities	1,323,793	1,337,929
Non-current liabilities		
Bonds and borrowings	817,412	799,889
Other financial liabilities	50,164	46,852
Retirement benefit liabilities	331,752	307,985
Provisions	31,338	25,694
Other non-current liabilities	162,982	171,038
Deferred tax liabilities	64,447	73,937
Total non-current liabilities	1,458,095	1,425,394
Total liabilities	2,781,888	2,763,323
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(491,507)	(490,907)
Other components of equity	(605,776)	(437,565)
Retained earnings	2,783,718	2,882,117
Equity attributable to owners of the parent company	2,522,834	2,790,045
Non-controlling interests	76,660	76,497
Total equity	2,599,495	2,866,542
Total liabilities and equity	5,381,382	5,629,865

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

Condensed Interim Consolidated Statement of Income

Nine months ended September 30, 2020 and 2021

(Millions of yen)

	2020	2021
Revenue	1,592,097	1,766,075
Cost of sales	(671,038)	(708,648)
Gross profit	921,058	1,057,427
Other operating income	5,250	10,265
Share of profit in investments accounted for using the equity method	3,038	3,542
Selling, general and administrative expenses	(539,166)	(590,538)
Operating profit	390,181	480,696
Financial income	5,832	15,812
Financial costs	(50,454)	(32,687)
Profit before income taxes	345,558	463,821
Income taxes	(85,937)	(123,536)
Profit for the period	259,621	340,285
Attributable to:		
Owners of the parent company	257,948	338,813
Non-controlling interests	1,673	1,472
Profit for the period	259,621	340,285
Interim earnings per share		
Basic (Yen)	145.40	190.95
Diluted (Yen)	145.33	190.87

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

(Millions of yen)

	2020	2021
Operating profit	390,181	480,696
Amortization cost of acquired intangibles arising from business acquisitions	47,975	52,328
Adjustment items (income)	(3,124)	(6,795)
Adjustment items (costs)	6,502	16,659
Adjusted operating profit	441,533	542,888

Condensed Interim Consolidated Statement of Comprehensive Income

Nine months ended September 30, 2020 and 2021

(Millions of yen)

	2020	2021
Profit for the period	259,621	340,285
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	(3,154)	1,657
Remeasurements of defined benefit plans	(48)	11,774
Total of items that will not be reclassified to profit or loss	(3,203)	13,432
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(211,510)	167,143
Net gain (loss) on derivatives designated as cash flow hedges	203	(79)
Total of items that may be reclassified subsequently to profit or loss	(211,307)	167,064
Other comprehensive income (loss), net of taxes	(214,509)	180,496
Comprehensive income (loss) for the period	45,112	520,781
Attributable to:		
Owners of the parent company	44,113	519,054
Non-controlling interests	999	1,727
Comprehensive income (loss) for the period	45,112	520,781

(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			
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
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)	-	-	-	-	(210,936)	203	(3,076)
Comprehensive income (loss) for the period	-	-	-	-	(210,936)	203	(3,076)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	957	(328)	-	-	-
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	-	-	-	-	-	-	(368)
Other increase (decrease)	-	-	-	-	-	(2)	-
Total transactions with the owners	-	-	956	(298)	-	(2)	(368)
As of September 30, 2020	<u>100,000</u>	<u>736,400</u>	<u>(491,513)</u>	<u>1,258</u>	<u>(655,301)</u>	<u>69</u>	<u>7,756</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)	-	-	-	-	166,860	(79)	1,696
Comprehensive income (loss) for the period	-	-	-	-	166,860	(79)	1,696
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	600	(46)	-	-	-
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)	-	-	-	-	-	(220)	-
Total transactions with the owners	-	-	600	(46)	-	(220)	-
As of September 30, 2021	<u>100,000</u>	<u>736,400</u>	<u>(490,907)</u>	<u>1,206</u>	<u>(447,514)</u>	<u>(177)</u>	<u>8,920</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	-	-	257,948	257,948	1,673	259,621
Other comprehensive income (loss)	(27)	(213,835)	-	(213,835)	(674)	(214,509)
Comprehensive income (loss) for the period	(27)	(213,835)	257,948	44,113	999	45,112
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(328)	(628)	0	-	0
Share-based payments	-	30	349	378	35	414
Dividends	-	-	(273,200)	(273,200)	(1,204)	(274,403)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	288	288	(1,383)	(1,094)
Transfer from other components of equity to retained earnings	27	(342)	342	-	-	-
Other increase (decrease)	-	(2)	-	(2)	-	(2)
Total transactions with the owners	27	(642)	(272,849)	(272,535)	(2,551)	(275,086)
As of September 30, 2020	-	(646,218)	2,735,604	2,434,273	79,364	2,513,637
As of January 1, 2021	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	338,813	338,813	1,472	340,285
Other comprehensive income (loss)	11,764	180,241	-	180,241	254	180,496
Comprehensive income (loss) for the period	11,764	180,241	338,813	519,054	1,727	520,781
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(46)	(554)	0	-	0
Share-based payments	-	-	357	357	33	389
Dividends	-	-	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(19)	(19)	18	(1)
Transfer from other components of equity to retained earnings	(11,764)	(11,764)	11,764	-	-	-
Other increase (decrease)	-	(220)	-	(220)	-	(220)
Total transactions with the owners	(11,764)	(12,030)	(240,413)	(251,844)	(1,890)	(253,733)
As of September 30, 2021	-	(437,565)	2,882,117	2,790,045	76,497	2,866,542

(4) Condensed Interim Consolidated Statement of Cash Flows

Nine months ended September 30, 2020 and 2021

	2020	(Millions of yen) 2021
Cash flows from operating activities		
Profit before income taxes	345,558	463,821
Depreciation and amortization	135,151	139,743
Impairment losses	3,623	9,095
Interest and dividend income	(4,549)	(8,731)
Interest expense	16,718	17,535
Share of profit in investments accounted for using the equity method	(3,038)	(3,542)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(911)	(2,973)
(Increase) decrease in trade and other receivables	(8,110)	(57,867)
(Increase) decrease in inventories	16,962	29,815
Increase (decrease) in trade and other payables	(11,831)	(16,982)
Increase (decrease) in retirement benefit liabilities	(6,702)	(16,601)
(Increase) decrease in prepaid tobacco excise taxes	10,236	(12,577)
Increase (decrease) in tobacco excise tax payables	(51,241)	(30,227)
Increase (decrease) in consumption tax payables	2,946	(2,648)
Other	46,405	30,875
Subtotal	491,215	538,736
Interest and dividends received	9,372	10,207
Interest paid	(15,456)	(15,914)
Income taxes paid	(86,972)	(104,096)
Net cash flows from operating activities	398,159	428,933
Cash flows from investing activities		
Purchase of securities	(31,504)	(19,587)
Proceeds from sale and redemption of securities	41,639	16,738
Purchase of property, plant and equipment	(57,668)	(60,995)
Proceeds from sale of investment property	3,087	4,722
Purchase of intangible assets	(17,777)	(11,520)
Payments into time deposits	(338)	(888)
Proceeds from withdrawal of time deposits	209	637
Proceeds from sale of investments in associates	17,402	2,512
Other	1,369	(1,718)
Net cash flows from investing activities	(43,581)	(70,101)

	2020	(Millions of yen) 2021
Cash flows from financing activities		
Dividends paid to owners of the parent company	(272,753)	(251,617)
Dividends paid to non-controlling interests	(1,141)	(1,390)
Capital contribution from non-controlling interests	89	35
Increase (decrease) in short-term borrowings and commercial paper	51,012	12,201
Proceeds from long-term borrowings	100,101	3,295
Repayments of long-term borrowings	(11,744)	(12,234)
Proceeds from issuance of bonds	-	55,334
Redemption of bonds	(60,000)	(82,058)
Repayments of lease liabilities	(12,596)	(14,899)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,121)	(1)
Other	0	0
Net cash flows from financing activities	(208,154)	(291,334)
Net increase (decrease) in cash and cash equivalents	146,424	67,498
Cash and cash equivalents at the beginning of the period	357,158	538,844
Effect of exchange rate changes on cash and cash equivalents	(45,448)	24,313
Cash and cash equivalents at the end of the period	458,133	630,655

(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.

Nine months ended September 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	425,157	998,733	57,533	108,556	1,589,979	2,118	-	1,592,097
Intersegment revenue	5,667	19,632	-	0	25,300	4,031	(29,330)	-
Total revenue	<u>430,824</u>	<u>1,018,365</u>	<u>57,533</u>	<u>108,556</u>	<u>1,615,278</u>	<u>6,149</u>	<u>(29,330)</u>	<u>1,592,097</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>139,001</u>	<u>314,806</u>	<u>12,623</u>	<u>856</u>	<u>467,286</u>	<u>(25,384)</u>	<u>(369)</u>	<u>441,533</u>

Nine months ended September 30, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	434,848	1,166,305	56,781	106,655	1,764,589	1,486	-	1,766,075
Intersegment revenue	6,263	16,363	-	0	22,626	3,842	(26,468)	-
Total revenue	<u>441,111</u>	<u>1,182,668</u>	<u>56,781</u>	<u>106,655</u>	<u>1,787,215</u>	<u>5,328</u>	<u>(26,468)</u>	<u>1,766,075</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>162,088</u>	<u>398,992</u>	<u>6,608</u>	<u>2,357</u>	<u>570,046</u>	<u>(27,598)</u>	<u>440</u>	<u>542,888</u>

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

Nine months ended September 30, 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)	139,001	314,806	12,623	856	467,286	(25,384)	(369)	441,533
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(35,791)	-	-	(47,975)	-	-	(47,975)
Adjustment items (income) (Note 3)	-	320	150	0	471	2,654	-	3,124
Adjustment items (costs) (Note 4)	-	(3,189)	(841)	(0)	(4,031)	(2,471)	-	(6,502)
Operating profit (loss)	126,817	276,146	11,932	856	415,751	(25,202)	(369)	390,181
Financial income								5,832
Financial costs								(50,454)
Profit before income taxes								<u>345,558</u>

Nine months ended September 30, 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)	162,088	398,992	6,608	2,357	570,046	(27,598)	440	542,888
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(40,144)	-	-	(52,328)	-	-	(52,328)
Adjustment items (income) (Note 3)	-	2,975	200	129	3,304	3,491	-	6,795
Adjustment items (costs) (Note 4)	(11,714)	(3,377)	0	(1,170)	(16,261)	(398)	-	(16,659)
Operating profit (loss)	138,191	358,445	6,808	1,316	504,760	(24,505)	440	480,696
Financial income								15,812
Financial costs								(32,687)
Profit before income taxes								<u>463,821</u>

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

(Note 2) “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:

Nine months ended September 30, 2020 and 2021

	2020	2021
Restructuring incomes	2,667	1,815
Other	458	4,979
Adjustment items (income)	<u>3,124</u>	<u>6,795</u>

Restructuring incomes for the nine months ended September 30, 2020 and 2021 mainly related to gains on sale of real estate.

Other (income) for the nine months ended September 30, 2021 mainly related to gains on sale of an investment in an associate during the past fiscal years and gains on sale of real estate.

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

Nine months ended September 30, 2020 and 2021

	2020	2021
Restructuring costs	3,483	10,001
Cooperation fee for terminating leaf tobacco farming	-	6,429
Other	3,019	229
Adjustment items (costs)	<u>6,502</u>	<u>16,659</u>

Restructuring costs for the nine months ended September 30, 2021 mainly related to costs of measures to strengthen the operations in the “Domestic Tobacco Business.” and rationalization in a market in the “International Tobacco Business.”

(6) Note on Premise of Going Concern

No items to report