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February 9, 2021

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 <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 of Annual General Meeting of Shareholders: March 24, 2021
 Scheduled date to file Securities Report: March 24, 2021
 Scheduled starting date of the dividend payments: March 25, 2021
 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 Fiscal Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

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

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended								
December 31, 2020	2,092,561	(3.8)	469,054	(6.6)	420,063	(9.7)	312,029	(13.7)
December 31, 2019	2,175,626	(1.8)	502,355	(11.1)	465,232	(12.5)	361,622	(6.7)

	Profit attributable to owners of the parent company		Comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended						
December 31, 2020	310,253	(10.9)	132,883	(63.7)	174.88	174.80
December 31, 2019	348,190	(9.7)	365,816	182.9	195.97	195.87

	Ratio of profit to equity attributable to owners of the parent company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended			
December 31, 2020	12.0	7.7	22.4
December 31, 2019	13.2	8.4	23.1

Reference: Share of profit (loss) in investments accounted for using the equity method:

Fiscal year ended December 31, 2020: ¥4,042 million; Fiscal year ended December 31, 2019: ¥5,011 million

(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
December 31, 2020	5,381,382	2,599,495	2,522,834	46.9	1,421.92
December 31, 2019	5,553,071	2,743,611	2,662,696	48.0	1,501.12

(3) Consolidated Cash Flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2020	519,833	5,354	(297,404)	538,844
December 31, 2019	540,410	(123,571)	(333,832)	357,158

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2019	-	77.00	-	77.00	154.00	273,162	78.6	10.4
Year ended December 31, 2020	-	77.00	-	77.00	154.00	273,234	88.1	10.5
Year ending December 31, 2021 (Forecast)	-	65.00	-	65.00	130		96.1	

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
Year ending December 31, 2021	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	2,080,000	(0.6)	363,000	(22.6)	240,000	(22.6)	135.30

[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	%
Year ended December 31, 2020	544,529	5.5
Year ending December 31, 2021 (Forecast)	512,000	5.1

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 "1. Business Results" in attached materials.

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.

Notes

(1) Changes in significant subsidiaries during the 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 "3. Consolidated Financial Statements and Major Notes (IFRS), (6) Notes to consolidated financial statements (Changes in accounting policies)."

(3) Number of shares issued (ordinary shares)

- a. Total number of shares issued at the end of the period (including treasury shares)

As of December 31, 2020	2,000,000,000 shares
As of December 31, 2019	2,000,000,000 shares
- b. Number of treasury shares at the end of the period

As of December 31, 2020	225,754,671 shares
As of December 31, 2019	226,196,566 shares
- c. Average number of shares during the period

Fiscal year ended December 31, 2020	1,774,128,185 shares
Fiscal year ended December 31, 2019	1,776,781,946 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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.

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1. Business Results

(Non-GAAP Financial Measures)

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

Adjusted operating profit

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

Furthermore, adjusted operating profit at constant rates of exchange is also presented as additional information. This is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current fiscal year in the International Tobacco Business using the foreign exchange rates of the previous fiscal year. 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.

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.

(1) Consolidated Business Results

a. General summary

(Billions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Change
Revenue	2,175.6	2,092.6	(3.8)%
Adjusted operating profit	515.9	487.0	(5.6)%
Operating profit	502.4	469.1	(6.6)%
Profit attributable to owners of the parent company	348.2	310.3	(10.9)%
Adjusted operating profit at constant rates of exchange	515.9	544.5	5.5%

Revenue

Revenue decreased by 3.8% from the previous fiscal year to ¥2,092.6 billion due to a revenue decline mainly in the Domestic Tobacco Business, Pharmaceutical Business and Processed Food Business. The spread of the novel coronavirus disease (COVID-19) has affected the Group businesses, and the impact is expected to lower revenue by approximately ¥61.0 billion.

Adjusted operating profit

Adjusted operating profit at constant rates of exchange increased by 5.5% from the previous fiscal year driven by growth in the International Tobacco Business and the Pharmaceutical Business, partially offset by decreases in the Domestic Tobacco Business and the Processed Food Business. Adjusted operating profit including foreign exchange effects decreased by 5.6% from the previous fiscal year to ¥487.0 billion, mainly due to the unfavorable foreign exchange effects in the International Tobacco Business in addition to decreases in the Domestic Tobacco Business and the Processed Food Business.

Operating profit

Operating profit decreased by 6.6% from the previous fiscal year to ¥469.1 billion, despite the countering factor of an increase in proceeds from sales of real estate assets, due to factors such as the disappearance of revenue relating to the termination of the six anti-HIV drugs license agreements in Japan in the Pharmaceutical Business during the previous fiscal year.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent decreased by 10.9% from the previous fiscal year to ¥310.3 billion, due to a decline in operating profit, an increase in financing costs and other factors.

b. Review of operations by business segment

Please refer to the 2020 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(2) Consolidated Financial Position

Cash and cash equivalents at the end of the current fiscal year increased by ¥181.7 billion from the end of the previous fiscal year to ¥538.8 billion. Cash and cash equivalents at the end of the previous fiscal year was ¥357.2 billion.

a. Cash flows from (used in) operating activities

Net cash flows from operating activities during the current fiscal year were ¥519.8 billion, compared with ¥540.4 billion provided in the previous fiscal year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of national and international tobacco excise taxes and income taxes.

b. Cash flows from (used in) investing activities

Net cash flows from investing activities during the current fiscal year were ¥5.4 billion, compared with ¥123.6 billion used in the previous fiscal year. This was mainly due to proceeds from sale of investment property and investments in associates despite the purchase of property, plant and equipment, and intangible assets.

c. Cash flows from (used in) financing activities

Net cash flows used in financing activities during the current fiscal year were ¥297.4 billion, compared with ¥333.8 billion used in the previous fiscal year. This was mainly due to the payment of dividends and repayments of borrowings despite proceeds from the issuance of deeply subordinated guaranteed fixed rate resettable capital securities and subordinated loan.

(3) Outlook for the Next Fiscal Year

a. Consolidated earnings forecasts

(Billions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ending December 31, 2021 (Forecast)	Change
Revenue	2,092.6	2,080.0	(0.6)%
Adjusted operating profit	487.0	475.0	(2.5)%
Operating profit	469.1	363.0	(22.6)%
Profit attributable to owners of the parent company	310.3	240.0	(22.6)%
Adjusted operating profit at constant rates of exchange	487.0	512.0	5.1%

Revenue

Revenue is estimated to decrease by 0.6% from the current fiscal year to ¥2,080.0 billion due to declines in the International Tobacco Business and the Pharmaceutical Business despite increases in the Domestic Tobacco Business and the Processed Food Business.

Adjusted operating profit

Adjusted operating profit at constant rates of exchange is expected to grow by 5.1% from the current fiscal year, with declines in the Pharmaceutical Business being offset by increases in the Domestic Tobacco Business, the International Tobacco Business and the Processed Food Business. Adjusted operating profit including foreign exchange effects is expected to decrease by 2.5% from the current fiscal year to ¥475.0 billion, mainly due to the unfavorable foreign exchange effects in the International Tobacco Business and decreases in the Pharmaceutical Business.

Operating profit and profit attributable to owners of the parent company

Operating profit is expected to decrease by 22.6% from the current fiscal year to ¥363.0 billion mainly due to a decrease in adjusted operating profit in addition to the absence of proceeds from sales of real estate assets during the current year and restructuring costs related to the transformation in the Tobacco Business.

Profit attributable to owners of the parent is forecast to decline by 22.6% from the current fiscal year to ¥240.0 billion driven by a decrease in operating profit.

(Assumptions for Consolidated Earnings Forecasts)

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. In this situation, the economies of countries around the world are expected to gradually recover despite the continuing impact of the spread of COVID-19 on the global economy. Furthermore, the Company formulated the earnings forecasts assuming that although the impact on demand in the Tobacco Business and the Processed Food Business will continue to a certain extent, it will be limited compared to the current fiscal year.

b. Review of operations by business segment

Please refer to the 2020 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(4) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2020 and 2021

The Company has adopted a management resources allocation policy, under which the Company will continue to place a high priority on making business investments^(Note 1) that contribute to sustainable mid- to long-term profit growth as well as to value the balance between profit growth through business investments and shareholder returns.

Additionally, according to the shareholder return policy, the Company aims to enhance shareholder returns in proportion to the mid- to long-term profit growth, while maintaining a strong financial base^(Note 2). Specifically, the Company will pursue the following:

- Stable and consistent growth in dividend per share^(Note 3);
- Consider whether to execute the acquisition of treasury shares in view of factors including the medium-term outlook on business environment and financial positions; and
- Continue to monitor a trend in shareholder returns of global FMCG^(Note 4) companies.

Based on the above policies, the Company plans to pay a year-end dividend of ¥77 per share. Accordingly, the annualized sum will be ¥154 per share which includes an interim dividend of ¥77 per share.

From the fiscal year ending December 31, 2021, the Company is revising the shareholder return policy taking into consideration the key components of our resource allocation policy, “prioritizing business investments” and “balancing profit growth and shareholder returns”. Specifically, the Company will pursue the following:

- Aim to enhance shareholder returns by realizing the Company’s mid- to long-term profit growth, while maintaining a strong financial base
- Target a dividend payout ratio of about 75%^(Note 5), a competitive level^(Note 4)4 in the capital markets.
- Consider implementing a share buy-back program, mainly taking into account the Company’s financial outlook of the respective year and mid-term capital needs.

Regarding the dividend for the fiscal year ending December 31, 2021, the Company plans to pay an annual dividend of ¥130 per share (including a ¥65 interim dividend).

Note 1: Aim for high-quality expansion in the top line by continuously providing new value and satisfaction to customers. Prioritize investment in tobacco business.

Note 2: As its financial policy, the Company will maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.

Note 3: Based on the mid- to long-term outlook of the growth rate of adjusted operating profit at constant rates of exchange, the Group will also take into account the Group’s level of profit.

Note 4: A global Fast-Moving Consumer Goods company is a company that achieves a high-growth business by adopting a stakeholder model.

Note 5: To be in the range of approximately ±5%

2. Basic Principle on the Choice of Accounting Standards

The Group has used the International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2012 in order to enhance the international comparability of its financial information in capital markets and to aim to diversify its financing methods in global markets.

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 is conducting business operations of the tobacco business, the Pharmaceutical Business and the Processed Food Business fully in compliance with the policies and directives of the governments and relevant authorities of each country. From the perspective of preventing the spread of COVID-19 inside and outside the Group and ensuring the safety of employees and their families, etc., the Group has actively used teleworking, enhanced workplace hygiene management and implemented various other infection-prevention measures.

In the current fiscal year, the spread of COVID-19 has affected the Group businesses of the Group, causing a decrease in duty-free sales in the tobacco business and changes in consumer trends in the Domestic Tobacco Business and the Processed Food Business. We estimate a negative impact of about ¥61.0 billion on group-wide revenue.

At present, nothing is obstructing business continuity. However, it is unclear what impact there will be on mid- to long-term consumer trends and demand trends in each business, and 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. 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 going forward, resulting in a revision to the earnings forecasts. 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.

3. Consolidated Financial Statements and Major Notes (IFRS)

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	357,158	538,844
Trade and other receivables	458,513	412,144
Inventories	583,695	539,762
Other financial assets	21,943	18,828
Other current assets	504,334	493,992
Subtotal	1,925,643	2,003,570
Non-current assets held for sale	30	348
Total current assets	1,925,673	2,003,919
Non-current assets		
Property, plant and equipment	803,239	759,290
Goodwill	2,002,595	1,909,392
Intangible assets	440,434	363,604
Investment property	16,588	4,744
Retirement benefit assets	67,377	70,528
Investments accounted for using the equity method	52,903	40,230
Other financial assets	109,568	107,143
Deferred tax assets	134,696	122,534
Total non-current assets	3,627,397	3,377,464
Total assets	5,553,071	5,381,382

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	408,597	436,540
Bonds and borrowings	284,135	141,469
Income tax payables	69,543	46,462
Other financial liabilities	21,862	27,588
Provisions	18,289	19,420
Other current liabilities	699,331	652,314
Total current liabilities	1,501,757	1,323,793
Non-current liabilities		
Bonds and borrowings	690,367	817,412
Other financial liabilities	41,062	50,164
Retirement benefit liabilities	320,614	331,752
Provisions	40,164	31,338
Other non-current liabilities	135,066	162,982
Deferred tax liabilities	80,430	64,447
Total non-current liabilities	1,307,702	1,458,095
Total liabilities	2,809,459	2,781,888
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(492,469)	(491,507)
Other components of equity	(431,741)	(605,776)
Retained earnings	2,750,506	2,783,718
Equity attributable to owners of the parent company	2,662,696	2,522,834
Non-controlling interests	80,916	76,660
Total equity	2,743,611	2,599,495
Total liabilities and equity	5,553,071	5,381,382

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

Consolidated Statement of Income

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Revenue	2,175,626	2,092,561
Cost of sales	(942,299)	(898,001)
Gross profit	1,233,326	1,194,560
Other operating income	95,725	54,924
Share of profit in investments accounted for using the equity method	5,011	4,042
Selling, general and administrative expenses	(831,707)	(784,472)
Operating profit	502,355	469,054
Financial income	8,402	12,353
Financial costs	(45,526)	(61,344)
Profit before income taxes	465,232	420,063
Income taxes	(103,609)	(108,034)
Profit for the period	361,622	312,029
Attributable to:		
Owners of the parent company	348,190	310,253
Non-controlling interests	13,432	1,775
Profit for the period	361,622	312,029
Earnings per share		-
Basic (Yen)	195.97	174.88
Diluted (Yen)	195.87	174.80

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

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Operating profit	502,355	469,054
Amortization cost of acquired intangibles arising from business acquisitions	69,623	63,160
Adjustment items (income)	(84,467)	(51,978)
Adjustment items (costs)	28,415	6,716
Adjusted operating profit	515,927	486,952

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Profit for the period	361,622	312,029
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	(2,484)	(2,702)
Remeasurements of defined benefit plans	(2,811)	(5,957)
Total of items that will not be reclassified to profit or loss	(5,295)	(8,659)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	9,879	(170,711)
Net gain (loss) on derivatives designated as cash flow hedges	(391)	224
Total of items that may be reclassified subsequently to profit or loss	9,489	(170,486)
Other comprehensive income (loss), net of taxes	4,194	(179,145)
Comprehensive income (loss) for the period	<u>365,816</u>	<u>132,883</u>
Attributable to:		
Owners of the parent company	352,953	131,965
Non-controlling interests	12,863	919
Comprehensive income (loss) for the period	<u>365,816</u>	<u>132,883</u>

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 2019	100,000	736,400	(442,829)	1,547	(454,918)	443	29,570
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	10,553	(391)	(2,486)
Comprehensive income (loss) for the period	-	-	-	-	10,553	(391)	(2,486)
Acquisition of treasury shares	-	-	(50,001)	-	-	-	-
Disposal of treasury shares	-	-	361	(281)	-	-	-
Share-based payments	-	-	-	290	-	-	-
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	-	-	-	-	-	-	(15,883)
Other increase (decrease)	-	-	-	-	-	(185)	-
Total transactions with the owners	-	-	(49,640)	10	-	(185)	(15,883)
As of December 31, 2019	100,000	736,400	(492,469)	1,556	(444,366)	(132)	11,201
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(170,009)	224	(2,577)
Comprehensive income (loss) for the period	-	-	-	-	(170,009)	224	(2,577)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	-	963	(334)	-	-	-
Share-based payments	-	-	-	30	-	-	-
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	-	-	-	-	-	-	(1,399)
Other increase (decrease)	-	-	-	-	-	30	-
Total transactions with the owners	-	-	962	(304)	-	30	(1,399)
As of December 31, 2020	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224

(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, 2019	-	(423,357)	2,660,381	2,630,594	69,851	2,700,445
Profit for the period	-	-	348,190	348,190	13,432	361,622
Other comprehensive income (loss)	(2,913)	4,763	-	4,763	(569)	4,194
Comprehensive income (loss) for the period	(2,913)	4,763	348,190	352,953	12,863	365,816
Acquisition of treasury shares	-	-	-	(50,001)	-	(50,001)
Disposal of treasury shares	-	(281)	(80)	0	-	0
Share-based payments	-	290	(19)	271	47	319
Dividends	-	-	(270,936)	(270,936)	(2,051)	(272,987)
Changes in the scope of consolidation	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	206	205
Transfer from other components of equity to retained earnings	2,913	(12,971)	12,971	-	-	-
Other increase (decrease)	-	(185)	-	(185)	-	(185)
Total transactions with the owners	2,913	(13,146)	(258,065)	(320,851)	(1,798)	(322,650)
As of December 31, 2019	-	(431,741)	2,750,506	2,662,696	80,916	2,743,611
Profit for the period	-	-	310,253	310,253	1,775	312,029
Other comprehensive income (loss)	(5,927)	(178,289)	-	(178,289)	(857)	(179,145)
Comprehensive income (loss) for the period	(5,927)	(178,289)	310,253	131,965	919	132,883
Acquisition of treasury shares	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	(334)	(629)	0	-	0
Share-based payments	-	30	469	498	35	533
Dividends	-	-	(273,200)	(273,200)	(1,276)	(274,476)
Changes in the scope of consolidation	-	-	-	-	8	8
Changes in the ownership interest in a subsidiary without a loss of control	-	-	846	846	(3,941)	(3,095)
Transfer from other components of equity to retained earnings	5,927	4,528	(4,528)	-	-	-
Other increase (decrease)	-	30	-	30	-	30
Total transactions with the owners	5,927	4,254	(277,042)	(271,826)	(5,174)	(277,000)
As of December 31, 2020	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	465,232	420,063
Depreciation and amortization	183,852	179,654
Impairment losses	16,124	12,571
Interest and dividend income	(7,944)	(7,318)
Interest expense	27,557	22,535
Share of profit in investments accounted for using the equity method	(5,011)	(4,042)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(8,299)	(40,821)
(Increase) decrease in trade and other receivables	10,673	21,554
(Increase) decrease in inventories	(9,046)	748
Increase (decrease) in trade and other payables	28,294	39,288
Increase (decrease) in retirement benefit liabilities	(9,526)	(5,788)
(Increase) decrease in prepaid tobacco excise taxes	(21,864)	(29,996)
Increase (decrease) in tobacco excise tax payables	3,891	(18,038)
Increase (decrease) in consumption tax payables	29,592	9,762
Other	(7,005)	49,132
Subtotal	696,521	649,305
Interest and dividends received	15,340	14,589
Interest paid	(24,346)	(19,549)
Income taxes paid	(147,105)	(124,511)
Net cash flows from operating activities	540,410	519,833
Cash flows from investing activities		
Purchase of securities	(45,401)	(39,991)
Proceeds from sale and redemption of securities	77,200	49,802
Purchase of property, plant and equipment	(111,366)	(85,319)
Proceeds from sale of investment property	15,863	86,263
Purchase of intangible assets	(22,004)	(23,301)
Payments into time deposits	(218)	(491)
Proceeds from withdrawal of time deposits	409	334
Subsequent payments for past fiscal years' business combinations	(40,127)	(1,140)
Proceeds from sale of investments in associates	-	17,413
Other	2,073	1,785
Net cash flows from investing activities	(123,571)	5,354

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Cash flows from financing activities		
Dividends paid to owners of the parent company	(270,871)	(273,134)
Dividends paid to non-controlling interests	(1,913)	(1,404)
Capital contribution from non-controlling interests	358	117
Increase (decrease) in short-term borrowings and commercial paper	(44,976)	(132,462)
Proceeds from long-term borrowings	-	100,101
Repayments of long-term borrowings	(11,568)	(11,948)
Proceeds from issuance of bonds	59,435	122,201
Redemption of bonds	-	(80,000)
Repayments of lease liabilities	(14,294)	(17,741)
Acquisition of treasury shares	(50,001)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	(3,132)
Other	0	0
Net cash flows from financing activities	(333,832)	(297,404)
Net increase (decrease) in cash and cash equivalents	83,008	227,784
Cash and cash equivalents at the beginning of the period	282,063	357,158
Effect of exchange rate changes on cash and cash equivalents	(7,913)	(46,098)
Cash and cash equivalents at the end of the period	<u>357,158</u>	<u>538,844</u>

(5) Notes on Premise of Going Concern

No items to report.

(6) Notes to consolidated financial statements

(Changes in accounting policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the fiscal year ended December 31, 2020.

IFRS		Description of new standards and amendments
IFRS 3	Business Combinations	Amendments to definition of “business”
IFRS 16	Leases	Amendments to permit a practical expedient for COVID-19-related rent concessions

The adoption of the above standards and interpretations does not have a material impact on the consolidated financial statements. Part of the consolidated financial statements for the year ended December 31, 2019 has been reclassified to conform with the presentation for the year ended December 31, 2020.

(Additional information)

The spread of COVID-19 has affected the Group businesses in the current fiscal year, causing a decrease in duty-free sales in the tobacco business and changes in consumer trends in the Domestic Tobacco Business and the Processed Food Business.

The Group anticipates that although the impact of the spread of COVID-19 will continue to certain extent from 2021 onward, the economies of countries around the world will gradually recover. At present, there is no material impact on accounting estimates and judgements.

(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.

Year ended December 31, 2019

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue								
External revenue	611,494	1,310,877	88,528	158,586	2,169,485	6,140	-	2,175,626
Intersegment revenue	7,270	27,626	-	1	34,897	7,333	(42,229)	-
Total revenue	<u>618,764</u>	<u>1,338,503</u>	<u>88,528</u>	<u>158,587</u>	<u>2,204,382</u>	<u>13,473</u>	<u>(42,229)</u>	<u>2,175,626</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>187,180</u>	<u>340,752</u>	<u>15,943</u>	<u>5,432</u>	<u>549,308</u>	<u>(33,478)</u>	<u>97</u>	<u>515,927</u>
Other items								
Depreciation and amortization (Note 3)	59,276	108,378	5,936	7,586	181,176	2,909	(233)	183,852
Impairment losses on other than financial assets	7,751	5,765	1,471	220	15,207	917	-	16,124
Reversal of impairment losses on other than financial assets	-	91	-	-	91	-	-	91
Share of profit (loss) in investments accounted for using the equity method	16	4,863	-	10	4,889	122	-	5,011
Capital expenditures (Note 4)	34,793	78,295	6,979	6,142	126,209	5,609	(383)	131,434

Year ended December 31, 2020

(Millions of yen)

	Reportable Segments				Total	Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food				
Revenue								
External revenue	555,568	1,306,233	78,957	149,329	2,090,087	2,474	-	2,092,561
Intersegment revenue	7,674	24,606	-	1	32,282	5,317	(37,599)	-
Total revenue	<u>563,242</u>	<u>1,330,839</u>	<u>78,957</u>	<u>149,330</u>	<u>2,122,369</u>	<u>7,791</u>	<u>(37,599)</u>	<u>2,092,561</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>168,069</u>	<u>340,867</u>	<u>17,161</u>	<u>(793)</u>	<u>525,304</u>	<u>(38,201)</u>	<u>(152)</u>	<u>486,952</u>
Other items								
Depreciation and amortization (Note 3)	56,576	105,654	5,427	7,554	175,210	4,679	(234)	179,654
Impairment losses on other than financial assets	-	7,538	-	3,841	11,378	1,193	-	12,571
Reversal of impairment losses on other than financial assets	-	49	-	-	49	-	-	49
Share of profit (loss) in investments accounted for using the equity method	15	3,963	-	21	3,999	42	-	4,042
Capital expenditures (Note 4)	21,053	66,598	9,087	7,972	104,709	8,301	(127)	112,883

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

Year ended December 31, 2019

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	187,180	340,752	15,943	5,432	549,308	(33,478)	97	515,927
Amortization cost of acquired intangibles arising from business acquisitions	(16,245)	(53,378)	-	-	(69,623)	-	-	(69,623)
Adjustment items (income) (Note 5)	24	8,776	61,018	461	70,278	14,189	-	84,467
Adjustment items (costs) (Note 6)	-	(22,141)	(4,264)	(365)	(26,770)	(1,646)	-	(28,415)
Operating profit (loss)	170,960	274,008	72,697	5,528	523,193	(20,935)	97	502,355
Financial income								8,402
Financial costs								(45,526)
Profit before income taxes								465,232

Year ended December 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)	168,069	340,867	17,161	(793)	525,304	(38,201)	(152)	486,952
Amortization cost of acquired intangibles arising from business acquisitions	(16,245)	(46,915)	-	-	(63,160)	-	-	(63,160)
Adjustment items (income) (Note 5)	-	5,774	150	1	5,926	46,053	-	51,978
Adjustment items (costs) (Note 6)	-	(3,280)	(822)	(44)	(4,147)	(2,569)	-	(6,716)
Operating profit (loss)	151,824	296,446	16,488	(836)	463,923	5,283	(152)	469,054
Financial income								12,353
Financial costs								(61,344)
Profit before income taxes								420,063

(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) Depreciation and amortization of right-of-use assets included in "Depreciation and amortization" is as follows:

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Domestic Tobacco	3,649	3,641
International Tobacco	10,314	11,923
Pharmaceuticals	456	439
Processed Food	741	867
Other	616	2,797
Depreciation and amortization of right-of-use assets	15,778	19,667

(Note 4) The increase of right-of-use assets is excluded.

(Note 5) The breakdown of “Adjustment items (income)” is as follows:

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Gain on transfer of pharmaceutical licenses	60,518	-
Gain on sale of the former JT Building	-	41,265
Restructuring incomes	15,197	4,803
Other	8,752	5,910
Adjustment items (income)	84,467	51,978

Restructuring incomes for the year ended December 31, 2019 and 2020 mainly relate to gains on sale of real estate. Other

(income) for the year ended December 31, 2019 and 2020 mainly relate to gains on fair value adjustment after the measurement period for assets and liabilities acquired in a business combination in the “International Tobacco Business.”

(Note 6) The breakdown of “Adjustment items (costs)” is as follows:

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Restructuring costs	26,182	3,116
Other	2,233	3,600
Adjustment items (costs)	<u>28,415</u>	<u>6,716</u>

Restructuring costs for the year ended December 31, 2019 mainly relate to business operation transformation in the "International Tobacco Business" and business restructuring in the “Pharmaceutical Business”. Other (costs) for the year ended December 31, 2019 mainly relates to disposal of real estate.

c. Geographic information

The regional breakdown of non-current assets and external revenue as of each fiscal year end is as follows:

Non-current Assets

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Japan	812,083	751,673
Overseas	2,450,772	2,285,357
Consolidated	<u>3,262,855</u>	<u>3,037,030</u>

(Note) Non-current assets, exclusive of financial instruments, deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Japan	789,279	727,845
Overseas	1,386,347	1,364,716
Consolidated	<u>2,175,626</u>	<u>2,092,561</u>

(Note) Revenue is segmented by the sales destination.

d. Major customers information

The “International Tobacco Business” of the Group sells products to the Megapolis Group that engages in distribution and wholesale business in Russia and other countries. The external revenues from the Megapolis Group were ¥235,093 million (10.8% of consolidated revenue) for the year ended December 31, 2019 and ¥210,834 million (10.1% of consolidated revenue) for the year ended December 31, 2020.

(Per share information)**(1) Basis of Calculating Basic Earnings per Share**

a. Profit attributable to ordinary shareholders of the parent company

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Profit for the period attributable to owners of the parent company	348,190	310,253
Profit not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic earnings per share	348,190	310,253

b. Weighted-average number of ordinary shares outstanding during the period

	(Thousands of shares)	
	Year ended December 31, 2019	Year ended December 31, 2020
Weighted-average number of shares during the period	1,776,782	1,774,128

(2) Basis of Calculating Diluted Earnings per Share

a. Profit attributable to diluted ordinary shareholders

	(Millions of yen)	
	Year ended December 31, 2019	Year ended December 31, 2020
Profit for the period used for calculation of basic earnings per share	348,190	310,253
Adjustment	-	(0)
Profit for the period used for calculation of diluted earnings per share	348,190	310,253

b. Weighted-average number of diluted ordinary shares outstanding during the period

	(Thousands of shares)	
	Year ended December 31, 2019	Year ended December 31, 2020
Weighted-average number of ordinary shares during the period	1,776,782	1,774,128
Increased number of ordinary shares under subscription rights to shares	857	792
Weighted-average number of diluted ordinary shares during the period	1,777,639	1,774,921

(Significant subsequent events)

To strengthen our response to changes in the business environment and to aim for sustainable growth in the tobacco business, the Group decided to strengthen the operating system of the tobacco business towards further enhancement of its competitiveness and profitability on February 9, 2021.

Rapid changes in the tobacco industry include the perception of smoking and health, heightened tobacco regulations and tax reforms in various countries, increasingly diverse consumer preferences and expansion as well as intense competition in product development in the Reduced Risk Products (RRP) category. Having closely reviewed the business environment from a long-term perspective, the Group concluded that a revision of its strategic focus in its tobacco business is necessary. The Group's objective going forward is to operate with a stronger consumer-centric mindset and prioritize investments in heated tobacco sticks in the RRP category while maintaining necessary investments towards combustible products. The combination of the two tobacco businesses will enable efficient and effective deployment of resources within the Group.

In the Japanese market, the Group also plans to implement various measures, intending the enhancement of its competitiveness to maximize the value offered to its customers and strengthening its business foundation, considering the latest industry volume decline and the highly uncertain business environment.

Consolidate the existing tobacco businesses into one tobacco business

■ Objectives:

- Strengthen the competitiveness in the growing RRP category by leveraging global resources
- Simplify the organization structure to improve speed in decision-making while building an effective and efficient organization structure
- Maximize the value offered to consumers through timely resource allocation in a prioritized manner, from a global perspective
- Unify the tobacco business operations further into one team to proactively offer a portfolio of products and services to anticipate the needs of individual markets
- Share and deploy best practices on a global basis to accelerate the learnings across different categories and markets

■ Actions:

- Consolidate the headquarter functions of the tobacco business, including the Japan market, currently in Tokyo into the existing headquarters of the international tobacco business in Geneva
 - Strategy development functions, performance management functions and decision-making processes for the tobacco business will be consolidated
 - Operate the Japanese market as a key market in a new unified tobacco business
 - Consolidate the reporting lines of supply chain functions of the global tobacco business (manufacturing, leaf procurement, quality assurance, etc.) following the successful consolidation of the R&D functions
- The consolidation of the tobacco businesses is scheduled for January 2022.

Strengthen the competitiveness in the Japanese market

■ Objective:

- Establish an organizational structure to enhance consumer satisfaction

■ Actions:

- Reform the Japanese Market Head-office and sales organization to address the changes in the operating environment, diverse consumer needs in a prompt and effective manner
 - Reform the Japan Market Head-office in January 2022 to further strengthen the marketing and sales function
 - Reform the sales organization structure to further promote sales activities to address consumer needs in each of the regions, from April 2022:
 - Restructure the sales organization from 3-tier structure (Market HQ - Regional sales office - branch) to 2-tier structure (Market HQ - New sales office)
 - Migrate from a system of 15 regional sales offices and 145 branches to a new system of 47 new sales offices

Redefine the organizational structure in the Japanese market to correspond to the operating environment

■ Objective:

- Ensure competitiveness and adjust the operating model to meet domestic sales volumes

■ Actions:

- The Company's measures

- Optimization of workforce reflecting the reorganization of the sales operations and optimization of administrative tasks from April 2022

- The Company's Kyushu Tobacco Factory (Chikushino city, Fukuoka) will be closed at the end of March 2022

- Optimize Leaf procurement footprint

Integrate the Chu-Shikoku Leaf Tobacco Branch (Takamatsu city, Kagawa) and Minami-Kyushu Leaf Tobacco Branch (Miyakonojo city, Miyazaki) into the West Japan Leaf Services Headquarters (Koshi city, Kumamoto) from April 2022

- Group subsidiary measures

- Filter factory Closure

Japan Filter Technology Co., Ltd. Tagawa Factory (Tagawa city, Fukuoka) (hereinafter, "JFT Tagawa factory") will be closed at the end of March 2022

- Liquidation of JT Engineering Inc.

Tobacco related functions will be consolidated into the Company from April 2023. JT Engineering Inc. is expected to be liquidated after termination of System Integration services and external business services

Optimization of the Company's workforce

■ Objective:

- Optimization of workforce in line with the initiatives to strengthen competitiveness and redefine the organizational structure in the Japanese market

■ Actions:

- Offer voluntary retirement program and seek retirement of about 1,000 employees

- Remove field partner organizational structure (part-timers who support the sales activities); as a result, early retirement packages will be offered for about 1,600 field partners

- Offer voluntary retirement program and seek retirement of about 150 senior employees (contractors or part-timers who are reemployed after their retirement)

- The above voluntary retirement and field partner organization restructuring measures are expected to be completed at the end of March 2022

In addition, early retirement package will be offered for certain employees of the group companies, following the closure of the Company's Kyushu and JFT Tagawa factories.

The impact of these initiatives on the consolidated financial statements for fiscal year ending December 31, 2021 is expected to be about JPY 37 billion as a one-time expense, which is due to the factory closures and the offering of voluntary retirement programs.

4. Non-consolidated financial statements and major notes (Japanese GAAP)

(1) Non-consolidated balance sheet

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	80,282	299,366
Accounts receivable - trade	43,174	34,815
Securities	40,000	20,000
Merchandise and finished goods	32,756	27,142
Semi-finished goods	68,416	76,402
Work in process	2,262	2,247
Raw materials and supplies	40,120	32,234
Advance payments - trade	2,093	1,886
Prepaid expenses	9,893	4,850
Short-term loans receivable from subsidiaries and affiliates	99,536	43,406
Other	59,091	19,455
Allowance for doubtful accounts	(26)	(25)
Total current assets	<u>477,597</u>	<u>561,777</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	92,396	80,030
Structures	2,686	2,375
Machinery and equipment	59,262	51,567
Vehicles	1,827	1,307
Tools, furniture and fixtures	16,586	14,221
Land	71,279	48,909
Construction in progress	2,503	445
Total property, plant and equipment	<u>246,540</u>	<u>198,854</u>
Intangible assets		
Patent right	224	154
Right of trademark	98,896	82,120
Software	19,581	18,299
Goodwill	214,626	178,855
Other	2,705	2,662
Total intangible assets	<u>336,031</u>	<u>282,089</u>
Investments and other assets		
Investment securities	22,566	16,862
Shares of subsidiaries and affiliates	1,482,083	1,487,617
Long-term loans receivable from subsidiaries and affiliates	17,040	17,792
Long-term prepaid expenses	9,268	9,090
Deferred tax assets	13,053	13,514
Other	11,841	14,118
Allowance for doubtful accounts	(1,663)	(3,783)
Total investments and other assets	<u>1,554,189</u>	<u>1,555,210</u>
Total noncurrent assets	<u>2,136,759</u>	<u>2,036,153</u>
Total assets	<u><u>2,614,357</u></u>	<u><u>2,597,930</u></u>

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	10,304	7,069
Current portion of bonds	80,000	77,624
Lease obligations	2,769	2,450
Accounts payable - other	60,869	51,780
National tobacco excise taxes payable	71,178	65,605
National tobacco special excise taxes payable	10,060	8,536
Local tobacco excise taxes payable	81,718	74,707
Income taxes payable	10,555	29,527
Accrued consumption taxes	32,758	37,973
Cash management system deposits received	323,313	326,353
Provision for bonuses	4,726	6,330
Other	7,806	5,914
Total current liabilities	696,054	693,867
Noncurrent liabilities		
Bonds payable	291,904	206,717
Long-term loans payable	70,000	170,000
Lease obligations	6,113	4,529
Provision for retirement benefits	129,322	128,333
Other	3,598	4,472
Total noncurrent liabilities	500,937	514,051
Total liabilities	1,196,991	1,207,918

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	736,400	736,400
Total capital surpluses	736,400	736,400
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for investment loss on developing new business	378	377
Reserve for reduction entry	45,373	41,711
Special account for reduction entry	1,747	327
Retained earnings brought forward	992,930	966,416
Total retained earnings	1,059,205	1,027,608
Treasury shares	(492,469)	(491,507)
Total shareholders' equity	1,403,136	1,372,501
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,283	4,069
Deferred gains or losses on hedges	5,390	12,189
Total valuation and translation adjustments	12,673	16,259
Subscription rights to shares	1,556	1,252
Total net assets	1,417,365	1,390,011
Total liabilities and net assets	2,614,357	2,597,930

(2) Non-consolidated statement of income

(Millions of yen)

	Year ended December 31, 2019	Year ended December 31, 2020
Net sales	660,805	596,887
Cost of sales	195,933	166,144
Gross profit	464,872	430,742
Selling, general and administrative expenses	335,858	329,792
Operating income	129,014	100,950
Non-operating income		
Interest income	210	1,224
Dividends income	148,354	142,558
Other	7,812	7,548
Total non-operating income	156,376	151,329
Non-operating expenses		
Interest expenses	519	1,634
Interest on bonds	4,084	3,895
Other	1,819	6,260
Total non-operating expenses	6,422	11,789
Ordinary income	278,968	240,491
Extraordinary income		
Gain on sales of noncurrent assets	14,202	4,861
Gain on transfer of licenses	18,381	□
Gain on sale of the former JT building	□	45,806
Other	23,912	2,426
Total extraordinary income	56,495	53,094
Extraordinary losses		
Loss on sales of noncurrent assets	52	289
Loss on retirement of noncurrent assets	7,025	5,551
Impairment loss	8,521	999
Loss on liquidation of subsidiaries	20,524	□
Other	3,461	2,051
Total extraordinary losses	39,584	8,889
Income before income taxes	295,879	284,695
Income taxes - current	37,329	44,675
Income taxes - deferred	(3,920)	(1,732)
Total income taxes	33,409	42,943
Net income	262,469	241,752

(3) Non-consolidated statement of changes in net assets

Year ended December 31, 2019

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	736,400	18,776	287	41,753	10,179	996,757	1,067,752
Changes of items during the period									
Provision of reserve for investment loss on developing new business					378			(378)	-
Reversal of reserve for investment loss on developing new business					(287)			287	-
Provision of reserve for reduction entry						8,395		(8,395)	-
Reversal of reserve for reduction entry						(4,775)		4,775	-
Provision of special account for reduction entry							1,747	(1,747)	-
Reversal of special account for reduction entry							(10,179)	10,179	-
Dividends from surplus								(270,936)	(270,936)
Net income								262,469	262,469
Purchase of treasury shares									
Disposal of treasury shares								(80)	(80)
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-	-	91	3,620	(8,432)	(3,826)	(8,547)
Balance at the end of current period	100,000	736,400	736,400	18,776	378	45,373	1,747	992,930	1,059,205

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(442,829)	1,461,323	25,815	4,877	30,693	1,547	1,493,562
Changes of items during the period							
Provision of reserve for investment loss on developing new business		-					-
Reversal of reserve for investment loss on developing new business		-					-
Provision of reserve for reduction entry		-					-
Reversal of reserve for reduction entry		-					-
Provision of special account for reduction entry		-					-
Reversal of special account for reduction entry		-					-
Dividends from surplus		(270,936)					(270,936)
Net income		262,469					262,469
Purchase of treasury shares	(50,001)	(50,001)					(50,001)
Disposal of treasury shares	361	281					281
Net changes of items other than shareholders' equity			(18,533)	513	(18,020)	10	(18,010)
Total changes of items during the period	(49,640)	(58,187)	(18,533)	513	(18,020)	10	(76,197)
Balance at the end of current period	(492,469)	1,403,136	7,283	5,390	12,673	1,556	1,417,365

Year ended December 31, 2020

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	736,400	18,776	378	45,373	1,747	992,930	1,059,205
Changes of items during the period									
Provision of reserve for investment loss on developing new business					377			(377)	-
Reversal of reserve for investment loss on developing new business					(378)			378	-
Provision of reserve for reduction entry						2,924		(2,924)	-
Reversal of reserve for reduction entry						(6,586)		6,586	-
Provision of special account for reduction entry							327	(327)	-
Reversal of special account for reduction entry							(1,747)	1,747	-
Dividends from surplus								(273,200)	(273,200)
Net income								241,752	241,752
Purchase of treasury shares									
Disposal of treasury shares								(150)	(150)
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-	-	(1)	(3,662)	(1,421)	(26,514)	(31,597)
Balance at the end of current period	100,000	736,400	736,400	18,776	377	41,711	327	966,416	1,027,608

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(492,469)	1,403,136	7,283	5,390	12,673	1,556	1,417,365
Changes of items during the period							
Provision of reserve for investment loss on developing new business		-					-
Reversal of reserve for investment loss on developing new business		-					-
Provision of reserve for reduction entry		-					-
Reversal of reserve for reduction entry		-					-
Provision of special account for reduction entry		-					-
Reversal of special account for reduction entry		-					-
Dividends from surplus		(273,200)					(273,200)
Net income		241,752					241,752
Purchase of treasury shares	(1)	(1)					(1)
Disposal of treasury shares	963	813					813
Net changes of items other than shareholders' equity			(3,213)	6,799	3,586	(304)	3,281
Total changes of items during the period	962	(30,635)	(3,213)	6,799	3,586	(304)	(27,354)
Balance at the end of current period	(491,507)	1,372,501	4,069	12,189	16,259	1,252	1,390,011

(4) Notes on premise of going concern

No items to report.

(5) Notes to nonconsolidated financial statements

(Significant subsequent events)

Since the same content is described in “(Significant Subsequent Events)” of the “(6)Notes to Consolidated Financial Statements” in the “3.Consolidated Financial Statements and Major Notes(IFRS)”, the description is omitted. The impact on the nonconsolidated financial statements is expected to be about the same as that on the consolidated financial statements, although there are differences due to initiatives of subsidiaries and accounting standards.