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February 14, 2022

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
 Listed Stock Exchange: Tokyo Stock Exchange
 URL: <https://www.jti.co.jp/>
 Representative: Masamichi Terabatake, Representative Director and President,
 Chief Executive Officer
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 Scheduled date of Annual General Meeting of Shareholders: March 23, 2022
 Scheduled date to file Securities Report: March 23, 2022
 Scheduled starting date of the dividend payments: March 24, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021	2,324,838	11.1	499,021	6.4	472,390	12.5	340,181	9.0
December 31, 2020	2,092,561	(3.8)	469,054	(6.6)	420,063	(9.7)	312,029	(13.7)

	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, 2021	338,490	9.1	540,258	306.6	190.76	190.68
December 31, 2020	310,253	(10.9)	132,883	(63.7)	174.88	174.80

	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, 2021		12.7		8.5	21.5
December 31, 2020		12.0		7.7	22.4

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

Fiscal year ended December 31, 2021: ¥3,997 million; Fiscal year ended December 31, 2020: ¥4,042 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, 2021	5,774,209	2,886,081	2,809,258	48.7	1,583.10
December 31, 2020	5,381,382	2,599,495	2,522,834	46.9	1,421.92

(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, 2021	598,909	(97,499)	(353,138)	721,731
December 31, 2020	519,833	5,354	(297,404)	538,844

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			
Year ended December 31, 2020	Yen -	Yen 77.00	Yen -	Yen 77.00	Yen 154.00	Millions of yen 273,234	% 88.1	% 10.5
Year ended December 31, 2021	-	65.00	-	75.00	140.00	248,433	73.4	9.3
Year ending December 31, 2022 (Forecast)	-	75.00	-	75.00	150.00		74.8	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 to December 31, 2022)

(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, 2022	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	2,315,000	(0.4)	534,000	7.0	356,000	5.2	200.62

[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, 2021	598,414	22.9
Year ending December 31, 2022 (Forecast)	635,000	4.0

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 refer to the materials for investors' meeting that were released on the Company's website (<https://www.jt.com/investors/>) on February 14, 2022.

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, 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 December 31, 2021	225,475,301 shares
As of December 31, 2020	225,754,671 shares
- c. Average number of shares during the period

Fiscal year ended December 31, 2021	1,774,419,289 shares
Fiscal year ended December 31, 2020	1,774,128,185 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 FX, 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 FX.

(1) Consolidated Business Results

a. General summary

(Billions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Change
Revenue	2,092.6	2,324.8	11.1%
Adjusted operating profit	487.0	610.4	25.4%
Operating profit	469.1	499.0	6.4%
Profit attributable to owners of the parent company	310.3	338.5	9.1%
Adjusted operating profit at constant rates of exchange	487.0	598.4	22.9%

Revenue

Revenue increased by 11.1% from the previous year to ¥2,324.8 billion, with declines in the Processed Food Business being offset by increases in the International Tobacco Business, the Domestic Tobacco Business and the Pharmaceutical Business.

Adjusted operating profit

Adjusted operating profit at constant rates of exchange increased by 22.9% from the previous year driven by growth in the International Tobacco Business, the Domestic Tobacco Business and the Processed Food Business, partially offset by a decrease in the Pharmaceutical Business. Adjusted operating profit including foreign exchange effects increased by 25.4% from the previous fiscal year to ¥610.4 billion, mainly due to the favorable foreign exchange effects in the International Tobacco Business.

Operating profit

Operating profit increased by 6.4% from the previous fiscal year to ¥499.0 billion, driven by the increase of adjusted operating profit, despite countering factors including the recording of expenses pertaining to the strengthening of the tobacco business and the absence of proceeds from sales of real estate assets due mainly to the sale of the former JT head office building that was recorded in fiscal 2020 because of the relocation of the Company's headquarters.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company increased by 9.1% from the previous fiscal year to ¥338.5 billion, due to an increase in operating profit and an improvement in financing costs.

b. Review of operations by business segment

Please refer to the 2021 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 ¥182.9 billion from the end of the previous fiscal year to ¥721.7 billion. Cash and cash equivalents at the end of the previous fiscal year was ¥538.8 billion.

a. Cash flows from (used in) operating activities

Net cash flows from operating activities during the current fiscal year were ¥598.9 billion, compared with ¥519.8 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 used in investing activities during the current fiscal year were ¥97.5 billion, compared with ¥5.4 billion provided in the previous fiscal year. This was mainly due to 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 ¥353.1 billion, compared with ¥297.4 billion used in the previous fiscal year. This was mainly due to the payment of cash dividends and the redemption of bonds, despite the proceeds from issuance of bonds.

(3) Outlook for the Next Fiscal Year

a. Consolidated earnings forecasts

(Billions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ending December 31, 2022 (Forecast)	Change
Revenue	2,324.8	2,315.0	(0.4)%
Adjusted operating profit	610.4	611.0	0.1%
Operating profit	499.0	534.0	7.0%
Profit attributable to owners of the parent company	338.5	356.0	5.2%
Adjusted operating profit at constant rates of exchange ^(Note 1)	610.4	635.0	4.0%

The Group will change the current four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from fiscal year 2022.

Revenue

Revenue is estimated to decrease by 0.4% from the current fiscal year to ¥2,315.0 billion due to a decline in the Tobacco Business despite increases in the Pharmaceutical Business and the Processed Food Business.

Adjusted operating profit

Adjusted operating profit at constant rates of exchange is expected to grow by 4.0% from the current fiscal year, with declines in the Pharmaceutical Business and the Processed Food Business being offset by an increase in the Tobacco Business. Adjusted operating profit including foreign exchange effects is expected to increase by 0.1% from the current fiscal year to ¥611.0 billion, despite the unfavorable foreign exchange effects in the Tobacco Business.

Operating profit and profit attributable to owners of the parent company

Operating profit is expected to increase by 7.0% from the current fiscal year to ¥534.0 billion mainly due to the absence of expenses pertaining to the strengthening of the tobacco business that were recorded in the current fiscal year.

Profit attributable to owners of the parent company is forecast to increase by 5.2% from the current fiscal year to ¥356.0 billion driven by an increase in operating profit.

(Assumptions for Consolidated Earnings Forecasts)

Although the global economy is on a gradual recovery trend, it is difficult at this time to predict when COVID-19 will be brought under control as well as its impact on the future due to factors such as changes in consumer behavior and corporate activity caused by COVID-19, and the global risk of economic activity stagnating because of the emergence of COVID-19 variants. Amid this, 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.

b. Review of operations by business segment

Please refer to the 2021 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 2021 and 2022

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.

In addition, the shareholder return policy has been set forth as follows:

- Aim to enhance shareholder returns by realizing the Company's mid- to long-term profit growth, while maintaining a solid financial base^(Note 2)
- Target a dividend payout ratio of about 75%^(Note 3), a competitive level^(Note 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

Based on the above policies, the Company plans to pay a year-end dividend of ¥75 per share. Accordingly, the annualized sum will be ¥140 per share which includes an interim dividend of ¥65 per share.

Regarding the dividend for the fiscal year ending December 31, 2022, the Company plans to pay an annual dividend of ¥150 per share (including a ¥75 interim dividend).

Note 1: Investment towards the growth of the tobacco business is our highest priority. Pursue growth of adjusted operating profit at constant FX through quality top-line growth

Note 2: The Company will maintain a solid 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: A global Fast-Moving Consumer Goods company is a company that achieves a high-growth business by adopting a stakeholder model.

Note 4: 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

At present, nothing is obstructing business continuity concerning any of the business operations of the tobacco business, the Pharmaceutical Business and the Processed Food Business as a result of the spread of COVID-19, and the Group is fully conducting business in compliance with the policies and directives of the governments and relevant authorities of each country. Although sales volume in the duty-free market increased compared to the previous fiscal year in the tobacco business, it was unable to reach the level prior to the spread of COVID-19 as travel restrictions continued for various countries. In contrast, in the International Tobacco Business, industry volume remained strong 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 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. Although the global economy is currently on a gradual recovery trend, it is difficult to predict when COVID-19 will be brought under control as well as its impact on the future due to factors such as changes in consumer

behavior and corporate activity caused by COVID-19, and the global risk of economic activity stagnating because of the emergence of COVID-19 variants. As a result, the Group's business may be negatively affected. If the need for a revision to the Group's earnings forecasts arises, the Company will swiftly announce such a revision. At present, there are no problems in procuring the necessary funds for business operations, and the amount of credit available through commitment lines is sufficient.

3. Consolidated Financial Statements and Major Notes (IFRS)

(1) Consolidated Statement of Financial Position

	(Millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	538,844	721,731
Trade and other receivables	412,144	456,587
Inventories	539,762	563,182
Other financial assets	18,828	17,254
Other current assets	493,992	562,034
Subtotal	<u>2,003,570</u>	<u>2,320,789</u>
Non-current assets held for sale	348	500
Total current assets	<u>2,003,919</u>	<u>2,321,289</u>
Non-current assets		
Property, plant and equipment	759,290	755,843
Goodwill	1,909,392	2,060,965
Intangible assets	363,604	307,152
Investment property	4,744	4,985
Retirement benefit assets	70,528	53,177
Investments accounted for using the equity method	40,230	41,721
Other financial assets	107,143	108,658
Deferred tax assets	122,534	120,419
Total non-current assets	<u>3,377,464</u>	<u>3,452,920</u>
Total assets	<u><u>5,381,382</u></u>	<u><u>5,774,209</u></u>

	(Millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	436,540	555,777
Bonds and borrowings	141,469	142,901
Income tax payables	46,462	30,794
Other financial liabilities	27,588	28,342
Provisions	19,420	24,858
Other current liabilities	652,314	717,653
Total current liabilities	1,323,793	1,500,326
Non-current liabilities		
Bonds and borrowings	817,412	775,721
Other financial liabilities	50,164	43,885
Retirement benefit liabilities	331,752	296,176
Provisions	31,338	22,867
Other non-current liabilities	162,982	179,195
Deferred tax liabilities	64,447	69,959
Total non-current liabilities	1,458,095	1,387,803
Total liabilities	2,781,888	2,888,128
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(491,507)	(490,899)
Other components of equity	(605,776)	(400,086)
Retained earnings	2,783,718	2,863,843
Equity attributable to owners of the parent company	2,522,834	2,809,258
Non-controlling interests	76,660	76,823
Total equity	2,599,495	2,886,081
Total liabilities and equity	5,381,382	5,774,209

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

Consolidated Statement of Income

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Revenue	2,092,561	2,324,838
Cost of sales	(898,001)	(956,861)
Gross profit	1,194,560	1,367,976
Other operating income	54,924	15,622
Share of profit in investments accounted for using the equity method	4,042	3,997
Selling, general and administrative expenses	(784,472)	(888,574)
Operating profit	469,054	499,021
Financial income	12,353	19,013
Financial costs	(61,344)	(45,645)
Profit before income taxes	420,063	472,390
Income taxes	(108,034)	(132,208)
Profit for the period	312,029	340,181
Attributable to:		
Owners of the parent company	310,253	338,490
Non-controlling interests	1,775	1,691
Profit for the period	312,029	340,181
Earnings per share		
Basic (Yen)	174.88	190.76
Diluted (Yen)	174.80	190.68

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

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Operating profit	469,054	499,021
Amortization cost of acquired intangibles arising from business acquisitions	63,160	68,876
Adjustment items (income)	(51,978)	(11,469)
Adjustment items (costs)	6,716	54,006
Adjusted operating profit	486,952	610,434

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Other components of equity			Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	
As of January 1, 2020	100,000	736,400	(492,469)	1,556	(444,366)	(132)	11,201
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(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
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	206,199	(68)	(65)
Comprehensive income (loss) for the period	-	-	-	-	206,199	(68)	(65)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	609	(51)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	1
Other increase (decrease)	-	-	-	-	-	(327)	-
Total transactions with the owners	-	-	608	(51)	-	(327)	1
As of December 31, 2021	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161

(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	-	-	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
Profit for the period	-	-	338,490	338,490	1,691	340,181
Other comprehensive income (loss)	(6,350)	199,716	-	199,716	361	200,077
Comprehensive income (loss) for the period	(6,350)	199,716	338,490	538,206	2,052	540,258
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(51)	(558)	0	-	0
Share-based payments	-	-	479	479	33	512
Dividends	-	-	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the scope of consolidation	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	27	27	18	45
Transfer from other components of equity to retained earnings	6,350	6,351	(6,351)	-	-	-
Other increase (decrease)	-	(327)	-	(327)	-	(327)
Total transactions with the owners	6,350	5,973	(258,364)	(251,782)	(1,890)	(253,672)
As of December 31, 2021	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	420,063	472,390
Depreciation and amortization	179,654	187,057
Impairment losses	12,571	22,768
Interest and dividend income	(7,318)	(13,372)
Interest expense	22,535	23,050
Share of profit in investments accounted for using the equity method	(4,042)	(3,997)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(40,821)	(3,974)
(Increase) decrease in trade and other receivables	21,554	(29,891)
(Increase) decrease in inventories	748	9,770
Increase (decrease) in trade and other payables	39,288	111,912
Increase (decrease) in retirement benefit liabilities	(5,788)	(23,651)
(Increase) decrease in prepaid tobacco excise taxes	(29,996)	(43,617)
Increase (decrease) in tobacco excise tax payables	(18,038)	33,167
Increase (decrease) in consumption tax payables	9,762	(3,856)
Other	49,132	2,849
Subtotal	649,305	740,605
Interest and dividends received	14,589	19,245
Interest paid	(19,549)	(19,113)
Income taxes paid	(124,511)	(141,829)
Net cash flows from operating activities	519,833	598,909
Cash flows from investing activities		
Purchase of securities	(39,991)	(27,810)
Proceeds from sale and redemption of securities	49,802	24,137
Purchase of property, plant and equipment	(85,319)	(86,350)
Proceeds from sale of investment property	86,263	8,002
Purchase of intangible assets	(23,301)	(16,568)
Payments into time deposits	(491)	(1,427)
Proceeds from withdrawal of time deposits	334	1,222
Proceeds from sale of investments in associates	17,413	2,562
Other	645	(1,268)
Net cash flows from investing activities	5,354	(97,499)

	(Millions of yen)	
	Year ended December 31, 2020	Year ended December 31, 2021
Cash flows from financing activities		
Dividends paid to owners of the parent company	(273,134)	(251,935)
Dividends paid to non-controlling interests	(1,404)	(1,958)
Capital contribution from non-controlling interests	117	42
Increase (decrease) in short-term borrowings and commercial paper	(132,462)	22,887
Proceeds from long-term borrowings	100,101	3,295
Repayments of long-term borrowings	(11,948)	(12,442)
Proceeds from issuance of bonds	122,201	55,334
Redemption of bonds	(80,000)	(147,911)
Repayments of lease liabilities	(17,741)	(20,449)
Acquisition of treasury shares	(1)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(3,132)	(1)
Other	0	0
Net cash flows from financing activities	<u>(297,404)</u>	<u>(353,138)</u>
Net increase (decrease) in cash and cash equivalents	227,784	148,271
Cash and cash equivalents at the beginning of the period	357,158	538,844
Effect of exchange rate changes on cash and cash equivalents	(46,098)	34,616
Cash and cash equivalents at the end of the period	<u><u>538,844</u></u>	<u><u>721,731</u></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, 2021.

IFRS		Description of new standards and amendments
IFRS 16	Leases	Amendments to accounting treatment for COVID-19-Related Rent Concessions beyond 30 June, 2021

IFRS 16 mentioned above has been early adopted.

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

(Additional information)

Although sales volume in the duty-free market increased compared to the previous fiscal year in the tobacco business, it was unable to reach the level prior to the spread of COVID-19 as travel restrictions continued for various countries. In contrast, in the International Tobacco Business, industry volume remained strong 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 continued to decrease due to factors such as the impact of requests to restrict bar and restaurant operations.

Although the Group anticipates the impact of the spread of COVID-19 will continue to a certain extent from 2022 onward, the economies of countries around the world are expected to 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.

The Group will change the current four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from fiscal year 2022.

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, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
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

Year ended December 31, 2021

(Millions of yen)

	Reportable Segments				Total	Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food				
Revenue								
External revenue	559,449	1,535,674	80,392	147,245	2,322,759	2,078	-	2,324,838
Intersegment revenue	8,085	21,290	-	1	29,377	5,123	(34,500)	-
Total revenue	<u>567,534</u>	<u>1,556,964</u>	<u>80,392</u>	<u>147,246</u>	<u>2,352,136</u>	<u>7,201</u>	<u>(34,500)</u>	<u>2,324,838</u>
Segment profit (loss)								
Adjusted operating profit (Note 1)	<u>182,448</u>	<u>454,352</u>	<u>11,093</u>	<u>3,956</u>	<u>651,849</u>	<u>(41,869)</u>	<u>455</u>	<u>610,434</u>
Other items								
Depreciation and amortization (Note 3)	55,153	116,816	5,442	6,712	184,123	2,941	(7)	187,057
Impairment losses on other than financial assets	4,207	17,243	-	1,240	22,689	79	-	22,768
Reversal of impairment losses on other than financial assets	-	39	-	26	66	-	-	66
Share of profit (loss) in investments accounted for using the equity method	(137)	3,985	-	49	3,897	101	-	3,997
Capital expenditures (Note 4)	20,032	62,471	5,983	10,739	99,225	3,175	(1,518)	100,882

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

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

Year ended December 31, 2021

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	182,448	454,352	11,093	3,956	651,849	(41,869)	455	610,434
Amortization cost of acquired intangibles arising from business acquisitions	(16,245)	(52,631)	-	-	(68,876)	-	-	(68,876)
Adjustment items (income) (Note 5)	988	3,411	200	129	4,728	6,742	-	11,469
Adjustment items (costs) (Note 6)	(41,672)	(10,656)	0	(1,157)	(53,485)	(521)	-	(54,006)
Operating profit (loss)	125,519	394,475	11,293	2,928	534,216	(35,649)	455	499,021
Financial income								19,013
Financial costs								(45,645)
Profit before income taxes								472,390

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

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Domestic Tobacco	3,641	5,377
International Tobacco	11,923	12,305
Pharmaceuticals	439	582
Processed Food	867	494
Other	2,797	1,201
Depreciation of right-of-use assets	19,667	19,959

(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, 2020	Year ended December 31, 2021
Gain on sale of the former JT Building	41,265	-
Restructuring incomes	4,803	5,088
Other	5,910	6,381
Adjustment items (income)	51,978	11,469

Restructuring incomes for the year ended December 31, 2020 and 2021 mainly related to gains on sale of real estate. Other (income) for the year ended December 31, 2020 mainly related to gains on fair value adjustment after the measurement period for assets and liabilities acquired in a business combination in the “International Tobacco Business.” Other (income) for the year ended December 31, 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 6) The breakdown of “Adjustment items (costs)” is as follows:

	(Millions of yen)	
	Year ended December 31, 2020	Year ended December 31, 2021
Restructuring costs	3,116	40,032
Cooperation fee for terminating leaf tobacco farming	-	6,560
Other	3,600	7,414
Adjustment items (costs)	<u>6,716</u>	<u>54,006</u>

Restructuring costs for the year ended December 31, 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.” Other (costs) for the year ended December 31, 2021 mainly related to impairment losses of trademarks in the “International Tobacco Business.”

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, 2020	As of December 31, 2021
Japan	751,673	709,588
Overseas	2,285,357	2,419,357
Consolidated	<u>3,037,030</u>	<u>3,128,945</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, 2020	Year ended December 31, 2021
Japan	727,845	731,334
Overseas	1,364,716	1,593,504
Consolidated	<u>2,092,561</u>	<u>2,324,838</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 ¥210,834 million (10.1% of consolidated revenue) for the year ended December 31, 2020 and ¥258,362 million (11.1% of consolidated revenue) for the year ended December 31, 2021.

(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, 2020	Year ended December 31, 2021
Profit for the period attributable to owners of the parent company	310,253	338,490
Profit not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic earnings per share	310,253	338,490

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

(Thousands of shares)

	Year ended December 31, 2020	Year ended December 31, 2021
Weighted-average number of shares during the period	1,774,128	1,774,419

(2) Basis of Calculating Diluted Earnings per Share

a. Profit attributable to diluted ordinary shareholders

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Profit for the period used for calculation of basic earnings per share	310,253	338,490
Adjustment	(0)	-
Profit for the period used for calculation of diluted earnings per share	310,253	338,490

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

(Thousands of shares)

	Year ended December 31, 2020	Year ended December 31, 2021
Weighted-average number of ordinary shares during the period	1,774,128	1,774,419
Increased number of ordinary shares under subscription rights to shares	792	741
Weighted-average number of diluted ordinary shares during the period	1,774,921	1,775,161

(Significant subsequent events)

No items to report.

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

(1) Non-consolidated balance sheet

	(Millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	299,366	238,127
Accounts receivable - trade	34,815	37,614
Securities	20,000	20,000
Merchandise and finished goods	27,142	26,768
Semi-finished goods	76,402	83,612
Work in process	2,247	1,725
Raw materials and supplies	32,234	29,364
Advance payments - trade	1,886	1,714
Prepaid expenses	4,850	5,669
Short-term loans receivable from subsidiaries and affiliates	43,406	4,967
Other	19,455	18,579
Allowance for doubtful accounts	(25)	(24)
Total current assets	561,777	468,113
Noncurrent assets		
Property, plant and equipment		
Buildings	80,030	77,170
Structures	2,375	2,404
Machinery and equipment	51,567	41,889
Vehicles	1,307	832
Tools, furniture and fixtures	14,221	11,898
Land	48,909	48,113
Construction in progress	445	384
Total property, plant and equipment	198,854	182,690
Intangible assets		
Patent right	154	91
Right of trademark	82,120	65,629
Software	18,299	14,818
Goodwill	178,855	143,084
Other	2,662	2,834
Total intangible assets	282,089	226,457
Investments and other assets		
Investment securities	16,862	19,136
Shares of subsidiaries and affiliates	1,487,617	1,492,833
Long-term loans receivable from subsidiaries and affiliates	17,792	51,299
Long-term prepaid expenses	9,090	7,881
Deferred tax assets	13,514	28,751
Other	14,118	14,998
Allowance for doubtful accounts	(3,783)	(4,179)
Total investments and other assets	1,555,210	1,610,719
Total noncurrent assets	2,036,153	2,019,866
Total assets	2,597,930	2,487,979

	(Millions of yen)	
	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	7,069	5,675
Current portion of bonds	77,624	30,000
Current portion of long-term borrowings	—	30,000
Lease obligations	2,450	2,050
Accounts payable - other	51,780	124,329
National tobacco excise taxes payable	65,605	69,066
National tobacco special excise taxes payable	8,536	8,298
Local tobacco excise taxes payable	74,707	78,114
Income taxes payable	29,527	10,910
Accrued consumption taxes	37,973	30,596
Cash management system deposits received	326,353	360,786
Provision for bonuses	6,330	5,898
Other	5,914	11,584
Total current liabilities	693,867	767,305
Noncurrent liabilities		
Bonds payable	206,717	125,000
Long-term borrowings	170,000	140,000
Lease obligations	4,529	3,061
Provision for retirement benefits	128,333	102,960
Other	4,472	4,957
Total noncurrent liabilities	514,051	375,978
Total liabilities	1,207,918	1,143,283

	(Millions of yen)	
	As of December 31, 2020	As of December 31, 2021
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	377	356
Reserve for reduction entry	41,711	37,715
Special account for reduction entry	327	425
Retained earnings brought forward	966,416	935,204
Total retained earnings	1,027,608	992,476
Treasury shares	(491,507)	(490,899)
Total shareholders' equity	1,372,501	1,337,977
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,069	5,833
Deferred gains or losses on hedges	12,189	(316)
Total valuation and translation adjustments	16,259	5,517
Subscription rights to shares	1,252	1,202
Total net assets	1,390,011	1,344,696
Total liabilities and net assets	2,597,930	2,487,979

(2) Non-consolidated statement of income

(Millions of yen)

	Year ended December 31, 2020	Year ended December 31, 2021
Net sales	596,887	592,220
Cost of sales	166,144	154,227
Gross profit	430,742	437,993
Selling, general and administrative expenses	329,792	344,154
Operating income	100,950	93,839
Non-operating income		
Interest income	1,224	91
Dividends income	142,558	182,091
Other	7,548	8,660
Total non-operating income	151,329	190,842
Non-operating expenses		
Interest expenses	1,634	1,697
Interest on bonds	3,895	2,188
Other	6,260	1,986
Total non-operating expenses	11,789	5,871
Ordinary income	240,491	278,809
Extraordinary income		
Gain on sales of noncurrent assets	4,861	6,688
Gain on sale of the former JT building	45,806	—
Other	2,426	101
Total extraordinary income	53,094	6,789
Extraordinary losses		
Loss on sales of noncurrent assets	289	103
Loss on retirement of noncurrent assets	5,551	3,263
Impairment loss	999	1,402
Business restructuring costs	—	31,592
Cooperation fee for terminating leaf tobacco farming	—	6,560
Loss on redemption of bonds	—	4,105
Other	2,051	2,371
Total extraordinary losses	8,889	49,397
Income before income taxes	284,695	236,202
Income taxes - current	44,675	30,996
Income taxes - deferred	(1,732)	(11,690)
Total income taxes	42,943	19,306
Net income	241,752	216,896

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

Year ended December 31, 2020

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Total capital surplus		Other 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

Year ended December 31, 2021

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					Total retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other 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	377	41,711	327	966,416	1,027,608
Changes of items during the period	-	-	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	356	-	-	(356)	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	(377)	-	-	377	-
Provision of reserve for reduction entry	-	-	-	-	-	764	-	(764)	-
Reversal of reserve for reduction entry	-	-	-	-	-	(4,761)	-	4,761	-
Provision of special account for reduction entry	-	-	-	-	-	-	425	(425)	-
Reversal of special account for reduction entry	-	-	-	-	-	-	(327)	327	-
Dividends from surplus	-	-	-	-	-	-	-	(251,961)	(251,961)
Net income	-	-	-	-	-	-	-	216,896	216,896
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(67)	(67)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	-	-	-	(22)	(3,997)	98	(31,212)	(35,132)
Balance at the end of current period	100,000	736,400	736,400	18,776	356	37,715	425	935,204	992,476

	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	(491,507)	1,372,501	4,069	12,189	16,259	1,252	1,390,011
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	-	(251,961)	-	-	-	-	(251,961)
Net income	-	216,896	-	-	-	-	216,896
Purchase of treasury shares	(0)	(0)	-	-	-	-	(0)
Disposal of treasury shares	609	542	-	-	-	-	542
Net changes of items other than shareholders' equity	-	-	1,764	(12,505)	(10,742)	(51)	(10,792)
Total changes of items during the period	608	(34,524)	1,764	(12,505)	(10,742)	(51)	(45,316)
Balance at the end of current period	(490,899)	1,337,977	5,833	(316)	5,517	1,202	1,344,696

(4) Notes on premise of going concern

No items to report.