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July 29, 2022

Consolidated Financial Results for the Six Months Ended June 30, 2022 <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 to file Quarterly Securities Report: July 29, 2022
Scheduled starting date of the dividend payments: September 1, 2022
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ending December 31, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2022	1,266,828	10.7	382,972	18.9	360,985	14.9	265,004	17.3
June 30, 2021	1,144,539	11.1	322,084	27.8	314,095	39.0	225,940	30.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2022	264,063	17.3	1,002,901	150.2	148.80	148.74
June 30, 2021	225,190	30.5	400,888	-	126.92	126.86

(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
June 30, 2022	6,648,864	3,754,629	3,677,143	55.3	2,071.80
December 31, 2021	5,774,209	2,886,081	2,809,258	48.7	1,583.10

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	-	65.00	-	75.00	140.00
Year ending December 31, 2022	-	75.00			
Year ending December 31, 2022 (Forecast)			-	75.00	150.00

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

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending December 31, 2022	2,486,000	6.9	549,000	10.0	362,000	6.9	203.97

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

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

The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. The Group expects an annual average of mid-single digit growth during the period of the “Business Plan 2022” (fiscal year ending December 31, 2022 to fiscal year ending December 31, 2024.) which was announced on February 14, 2022.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Six months ended June 30, 2022 (Cumulative)	386,726	8.0
Year ending December 31, 2022 (Forecast)	604,000	(1.1)

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

The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance. For details of these financial measures, please refer to “Proper use of earnings forecasts, and other special matters, (2).”

For detailed information on the consolidated financial results, please refer to the materials for investors’ meeting that were released on the Company’s website (<https://www.jt.com/investors/>) on July 29, 2022.

Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

For details, please refer to “1. Matters Regarding Summary Information, (1) Changes in Accounting Policies and Changes in Accounting Estimates.”

(3) Number of shares issued (ordinary shares)

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

As of June 30, 2022 2,000,000,000 shares

As of December 31, 2021 2,000,000,000 shares

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

As of June 30, 2022 225,149,397 shares

As of December 31, 2021 225,475,301 shares

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

Six months ended June 30, 2022 1,774,644,814 shares

Six months ended June 30, 2021 1,774,315,180 shares

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

* Proper use of earnings forecasts, and other special matters

(1) The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to “FORWARD-LOOKING STATEMENTS” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant rates of exchange is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant rates of exchange is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year and increase in profit due to inflation in some markets calculated using certain methods from adjusted operating profit for the current period in the Tobacco Business.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 “Financial Reporting in Hyperinflationary Economies” (hereinafter referred to as “IAS 29”). However, the impact of IAS 29 is not included in adjusted operating profit at constant rates of exchange.

Attached Materials

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1. Matters Regarding Summary Information

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

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2021 except the following item. The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the beginning of the first quarter ended March 31, 2022.

	IFRS	Description of new standards and amendments
IFRS 3	Business Combinations	Amendments to update references to the conceptual framework
IFRS 9	Financial Instruments	Clarifying fees and costs to be included in the 10 percent test for derecognition of financial liabilities

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

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

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

However, since the most recently announced earnings forecasts were formulated, there are no material changes in the assumptions regarding COVID-19 for earnings forecasts.

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced		Year-on-year changes [%]
		Amount	%	
Revenue	2,486.0	171.0	7.4	6.9
Adjusted operating profit	625.0	14.0	2.3	2.4
Operating profit	549.0	15.0	2.8	10.0
Profit attributable to owners of the parent company	362.0	6.0	1.7	6.9
Adjusted operating profit at constant rates of exchange	604.0	(31.0)	(4.9)	(1.1)

Notes on the Russia-Ukraine War

The Group is fully committed to complying with all applicable sanctions while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business.

As this moment, the Company is unable to reasonably estimate the outlook and the impact on its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

Notes on the Spread of COVID-19

Concerning the spread of COVID-19, the Group continues to conduct business operations of each business fully in compliance with the policies and directives of the governments and relevant authorities of each country, and nothing is obstructing business continuity at present.

With regard to the impacts of the spread of COVID-19, it is necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country going forward. Because it is difficult at this time to predict when the spread of COVID-19 will be brought under control and its future impact, COVID-19 may negatively affect the Group's business performance depending on future situation. If the need for a revision to the Group's earnings forecasts arises, the Company will swiftly announce such a revision.

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.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	721,731	748,696
Trade and other receivables	456,587	553,544
Inventories	563,182	654,670
Other financial assets	17,254	37,582
Other current assets	562,034	591,645
Subtotal	2,320,789	2,586,136
Non-current assets held for sale	500	1,690
Total current assets	2,321,289	2,587,826
Non-current assets		
Property, plant and equipment	755,843	822,039
Goodwill	2,060,965	2,544,202
Intangible assets	307,152	297,558
Investment property	4,985	16,599
Retirement benefit assets	53,177	61,175
Investments accounted for using the equity method	41,721	72,283
Other financial assets	108,658	129,818
Deferred tax assets	120,419	117,364
Total non-current assets	3,452,920	4,061,038
Total assets	5,774,209	6,648,864

	As of December 31, 2021	(Millions of yen) As of June 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	555,777	462,420
Bonds and borrowings	142,901	161,071
Income tax payables	30,794	72,474
Other financial liabilities	28,342	61,243
Provisions	24,858	28,295
Other current liabilities	717,653	665,278
Total current liabilities	1,500,326	1,450,781
Non-current liabilities		
Bonds and borrowings	775,721	841,308
Other financial liabilities	43,885	49,297
Retirement benefit liabilities	296,176	259,948
Provisions	22,867	20,158
Other non-current liabilities	179,195	192,358
Deferred tax liabilities	69,959	80,385
Total non-current liabilities	1,387,803	1,443,453
Total liabilities	2,888,128	2,894,234
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,899)	(490,190)
Other components of equity	(400,086)	297,267
Retained earnings	2,863,843	3,033,666
Equity attributable to owners of the parent company	2,809,258	3,677,143
Non-controlling interests	76,823	77,486
Total equity	2,886,081	3,754,629
Total liabilities and equity	5,774,209	6,648,864

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

Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2021 and 2022

	(Millions of yen)	
	2021	2022
Revenue	1,144,539	1,266,828
Cost of sales	(455,423)	(507,869)
Gross profit	689,116	758,959
Other operating income	5,321	7,881
Share of profit in investments accounted for using the equity method	1,651	3,623
Selling, general and administrative expenses	(374,004)	(387,491)
Operating profit	322,084	382,972
Financial income	6,915	9,886
Financial costs	(14,904)	(31,873)
Profit before income taxes	314,095	360,985
Income taxes	(88,155)	(95,981)
Profit for the period	225,940	265,004
Attributable to:		
Owners of the parent company	225,190	264,063
Non-controlling interests	750	940
Profit for the period	225,940	265,004
Interim earnings per share		
Basic (Yen)	126.92	148.80
Diluted (Yen)	126.86	148.74

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

	(Millions of yen)	
	2021	2022
Operating profit	322,084	382,972
Amortization cost of acquired intangibles arising from business acquisitions	33,745	34,799
Adjustment items (income)	(3,227)	(6,128)
Adjustment items (costs)	5,621	3,208
Adjusted operating profit	358,223	414,851

Condensed Interim Consolidated Statement of Comprehensive Income

Six months ended June 30, 2021 and 2022

(Millions of yen)

	2021	2022
Profit for the period	225,940	265,004
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	1,455	1,038
Remeasurements of defined benefit plans	11,793	39,052
Total of items that will not be reclassified to profit or loss	13,248	40,090
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	161,946	692,333
Net gain (loss) on derivatives designated as cash flow hedges	(246)	5,474
Total of items that may be reclassified subsequently to profit or loss	161,701	697,807
Other comprehensive income (loss), net of taxes	174,949	737,897
Comprehensive income (loss) for the period	400,888	1,002,901
Attributable to:		
Owners of the parent company	399,788	1,000,768
Non-controlling interests	1,100	2,133
Comprehensive income (loss) for the period	400,888	1,002,901

(3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share Capital	Capital surplus	Treasury shares	Other components of equity			
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 2021	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	161,567	(246)	1,494
Comprehensive income (loss) for the period	-	-	-	-	161,567	(246)	1,494
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	599	(44)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(148)	-
Total transactions with the owners	-	-	598	(44)	-	(148)	-
As of June 30, 2021	100,000	736,400	(490,909)	1,209	(452,808)	(272)	8,718
As of January 1, 2022	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	691,113	5,474	1,085
Comprehensive income (loss) for the period	-	-	-	-	691,113	5,474	1,085
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	-	710	(196)	-	-	-
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	-	-	-	-	-	-	(99)
Other increase (decrease)	-	-	-	-	-	(23)	-
Total transactions with the owners	-	-	710	(196)	-	(23)	(99)
As of June 30, 2022	100,000	736,400	(490,190)	1,005	282,937	5,177	8,147

(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, 2021	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	225,190	225,190	750	225,940
Other comprehensive income (loss)	11,783	174,598	-	174,598	351	174,949
Comprehensive income (loss) for the period	11,783	174,598	225,190	399,788	1,100	400,888
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(44)	(555)	0	-	0
Share-based payments	-	-	234	234	33	267
Dividends	-	-	(136,617)	(136,617)	(1,037)	(137,654)
Changes in the scope of consolidation	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	(8)	(9)
Transfer from other components of equity to retained earnings	(11,783)	(11,783)	11,783	-	-	-
Other increase (decrease)	-	(148)	-	(148)	-	(148)
Total transactions with the owners	(11,783)	(11,975)	(125,157)	(136,533)	(1,012)	(137,545)
As of June 30, 2021	-	(443,152)	2,883,751	2,786,090	76,749	2,862,838
As of January 1, 2022	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	-	-	264,063	264,063	940	265,004
Other comprehensive income (loss)	39,033	736,705	-	736,705	1,192	737,897
Comprehensive income (loss) for the period	39,033	736,705	264,063	1,000,768	2,133	1,002,901
Acquisition of treasury shares	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	(196)	(513)	0	-	0
Share-based payments	-	-	230	230	21	251
Dividends	-	-	(133,089)	(133,089)	(827)	(133,916)
Changes in the scope of consolidation	-	-	-	-	(664)	(664)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(0)	(0)	(0)	(0)
Transfer from other components of equity to retained earnings	(39,033)	(39,132)	39,132	-	-	-
Other increase (decrease)	-	(23)	-	(23)	-	(23)
Total transactions with the owners	(39,033)	(39,352)	(94,241)	(132,883)	(1,469)	(134,352)
As of June 30, 2022	-	297,267	3,033,666	3,677,143	77,486	3,754,629

(4) Condensed Interim Consolidated Statement of Cash Flows

Six months ended June 30, 2021 and 2022

	2021	(Millions of yen) 2022
Cash flows from operating activities		
Profit before income taxes	314,095	360,985
Depreciation and amortization	91,715	97,042
Impairment losses	6,850	1,650
Interest and dividend income	(5,257)	(9,816)
Interest expense	11,628	14,048
Share of profit in investments accounted for using the equity method	(1,651)	(3,623)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	66	(4,251)
(Increase) decrease in trade and other receivables	(37,621)	(17,222)
(Increase) decrease in inventories	18,002	(13,247)
Increase (decrease) in trade and other payables	(51,156)	(135,362)
Increase (decrease) in retirement benefit liabilities	(7,095)	(3,992)
(Increase) decrease in prepaid tobacco excise taxes	(25,244)	78,122
Increase (decrease) in tobacco excise tax payables	(33,412)	(113,966)
Increase (decrease) in consumption tax payables	(4,521)	12,364
Other	(28,558)	(81,972)
Subtotal	247,842	180,759
Interest and dividends received	5,445	9,859
Interest paid	(8,826)	(12,869)
Income taxes paid	(69,588)	(67,565)
Net cash flows from operating activities	174,872	110,184
Cash flows from investing activities		
Purchase of securities	(13,624)	(21,130)
Proceeds from sale and redemption of securities	9,813	13,969
Purchase of property, plant and equipment	(38,383)	(32,743)
Proceeds from sale of investment property	742	4,526
Purchase of intangible assets	(8,501)	(7,882)
Payments into time deposits	(550)	-
Proceeds from withdrawal of time deposits	450	1,252
Proceeds from sale of investments in associates	2,512	43
Other	1,083	3,128
Net cash flows from investing activities	(46,459)	(38,837)

	2021	2022
		(Millions of yen)
Cash flows from financing activities		
Dividends paid to owners of the parent company	(136,585)	(133,060)
Dividends paid to non-controlling interests	(1,087)	(805)
Capital contribution from non-controlling interests	29	20
Increase (decrease) in short-term borrowings and commercial paper	14,182	(13,709)
Proceeds from long-term borrowings	3,295	88
Repayments of long-term borrowings	(416)	(432)
Redemption of bonds	(82,058)	-
Repayments of lease liabilities	(10,040)	(10,255)
Acquisition of treasury shares	(0)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	(0)
Other	0	0
Net cash flows from financing activities	(212,681)	(158,153)
Net increase (decrease) in cash and cash equivalents	(84,268)	(86,806)
Cash and cash equivalents at the beginning of the period	538,844	721,731
Effect of exchange rate changes on cash and cash equivalents	26,130	113,771
Cash and cash equivalents at the end of the period	480,706	748,696

(5) Segment Information

A. Outline of Reportable Segments

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

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. The reportable segments of the Group are composed of three segments: “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business.”

The Group has changed the previous 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 this fiscal year.

Due to the change in the segment classification, the segment information for the six months ended June 30, 2021 has been reclassified to conform with the presentation for the six months ended June 30, 2022.

The “Tobacco Business” consists of the manufacture and sale of tobacco products in domestic areas and overseas.

The “Pharmaceutical Business” consists of the research and development, manufacture, and sale of prescription drugs. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods, 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.

Six months ended June 30, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	1,036,144	37,051	70,446	1,143,641	898	-	1,144,539
Intersegment revenue	149	-	0	149	2,626	(2,775)	-
Total revenue	<u>1,036,293</u>	<u>37,051</u>	<u>70,446</u>	<u>1,143,790</u>	<u>3,524</u>	<u>(2,775)</u>	<u>1,144,539</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>372,689</u>	<u>3,556</u>	<u>1,453</u>	<u>377,697</u>	<u>(19,420)</u>	<u>(54)</u>	<u>358,223</u>

¥992,635 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	394,396	260,560	337,679	992,635
Adjusted operating profit	153,307	122,871	96,511	372,689

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Eastern Europe, Middle East, Africa, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes the United Kingdom, Italy, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	1,152,960	39,300	73,461	1,265,721	1,107	-	1,266,828
Intersegment revenue	138	-	0	138	6,209	(6,347)	-
Total revenue	<u>1,153,098</u>	<u>39,300</u>	<u>73,461</u>	<u>1,265,859</u>	<u>7,315</u>	<u>(6,347)</u>	<u>1,266,828</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>425,117</u>	<u>4,865</u>	<u>1,450</u>	<u>431,432</u>	<u>(16,534)</u>	<u>(47)</u>	<u>414,851</u>

¥1,105,253 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	400,453	267,883	436,917	1,105,253
Adjusted operating profit	156,468	128,226	140,424	425,117

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Eastern Europe, Middle East, Africa, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes the United Kingdom, Italy, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

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

Six months ended June 30, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	372,689	3,556	1,453	377,697	(19,420)	(54)	358,223
Amortization cost of acquired intangibles arising from business acquisitions	(33,745)	-	-	(33,745)	-	-	(33,745)
Adjustment items (income) (Note 3)	2,896	200	129	3,225	2	-	3,227
Adjustment items (costs) (Note 4)	(4,150)	0	(1,112)	(5,262)	(359)	-	(5,621)
Operating profit (loss)	337,690	3,756	469	341,916	(19,777)	(54)	322,084
Financial income							6,915
Financial costs							(14,904)
Profit before income taxes							<u>314,095</u>

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	425,117	4,865	1,450	431,432	(16,534)	(47)	414,851
Amortization cost of acquired intangibles arising from business acquisitions	(34,799)	-	-	(34,799)	-	-	(34,799)
Adjustment items (income) (Note 3)	1,241	-	4	1,245	4,884	-	6,128
Adjustment items (costs) (Note 4)	(1,223)	-	(1,037)	(2,260)	(948)	-	(3,208)
Operating profit (loss)	390,336	4,865	416	395,618	(12,599)	(47)	382,972
Financial income							9,886
Financial costs							(31,873)
Profit before income taxes							<u>360,985</u>

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

(Note 2) “Other” includes business activities relating to real estate rental and corporate expenditure relating to corporate communication and operation of the head office.

(Note 3) The breakdown of “Adjustment items (income)” is as follows:

Six months ended June 30, 2021 and 2022

	(Millions of yen)	
	2021	2022
Restructuring incomes	133	514
Other	3,094	5,614
Adjustment items (income)	<u>3,227</u>	<u>6,128</u>

Other (income) for the six months ended June 30, 2021 mainly related to gains on sale of an investment in an associate during the past fiscal years. Other (income) for the six months ended June 30, 2022 mainly related to gains on sale of real estate.

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

Six months ended June 30, 2021 and 2022

	(Millions of yen)	
	2021	2022
Restructuring costs	5,394	3,178
Other	227	30
Adjustment items (costs)	<u>5,621</u>	<u>3,208</u>

Restructuring costs for the six months ended June 30, 2021 mainly related to rationalization in a market in the “Tobacco Business.”

(6) Note on Premise of Going Concern

No items to report