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## [Cover]

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Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
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Quarterly accounting period:	Second quarter of the 38th term (from April 1, 2022 to June 30, 2022)
Company name (Japanese):	日本たばこ産業株式会社 (Nihon Tabako Sangyo Kabushiki-Kaisha)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

## A. Company Information

### I. Overview of the Group

#### 1. Trends in Principal Management Benchmarks

Term	Six months ended June 30, 2021	Six months ended June 30, 2022	37th term
Accounting period	From January 1, 2021 to June 30, 2021	From January 1, 2022 to June 30, 2022	From January 1, 2021 to December 31, 2021
Revenue [Second quarter] (Millions of yen)	1,144,539 [597,173]	1,266,828 [685,323]	2,324,838
Profit before income taxes (Millions of yen)	314,095	360,985	472,390
Profit for the period (Millions of yen)	225,940	265,004	340,181
Profit attributable to owners of the parent company [Second quarter] (Millions of yen)	225,190 [111,404]	264,063 [139,953]	338,490
Comprehensive income (loss) for the period (Millions of yen)	400,888	1,002,901	540,258
Total equity (Millions of yen)	2,862,838	3,754,629	2,886,081
Total assets (Millions of yen)	5,538,885	6,648,864	5,774,209
Basic earnings per share [Second quarter] (Yen)	126.92 [62.78]	148.80 [78.86]	190.76
Diluted earnings per share (Yen)	126.86	148.74	190.68
Ratio of equity attributable to owners of the parent company to total assets (%)	50.30	55.30	48.65
Net cash flows from operating activities (Millions of yen)	174,872	110,184	598,909
Net cash flows from investing activities (Millions of yen)	(46,459)	(38,837)	(97,499)
Net cash flows from financing activities (Millions of yen)	(212,681)	(158,153)	(353,138)
Cash and cash equivalents at the end of the period (Millions of yen)	480,706	748,696	721,731

Notes: 1. The Group prepares the consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS").

2. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.

3. The yen amounts are rounded to the nearest million.

#### 2. Business Description

During the six months ended June 30, 2022, there were neither material changes in the business of the Group (the Company, 230 consolidated subsidiaries and 12 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

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.

For details, please refer to "IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (1) Outline of Reportable Segments."

## **II. Review of Operations**

### **1. Business and Other Risks**

During the six months ended June 30, 2022, there were no new businesses or other risks.

There were no material changes to the items regarding business and other risks mentioned in the previous fiscal year's Annual Securities Report.

Concerning the spread of the novel coronavirus disease (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.

In the Russian market, 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 financial results.

### **2. Management Analysis of Financial Position, Operating Results and Cash Flows**

Major notes concerning the operating results from the viewpoint of the management are as follows.

Matters concerning the future in this document were determined as of June 30, 2022.

#### **(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, growth rate in adjusted operating profit at constant FX 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 FX, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant FX 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 the increase in revenue or profit caused by inflation in some markets calculated using certain methods from adjusted operating profit, core revenue, or from core revenue from tobacco business 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 the adjusted operating profit at constant FX, core revenue at constant FX, or in the core revenue from tobacco business.

#### **(Core revenue from tobacco business)**

Regarding tobacco business, core revenue is disclosed. Core revenue excludes revenue related to the distribution business and contract manufactured products, among others.

## (RRP)

Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as heated tobacco products and E-Vapor products.

Heated tobacco products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate tobacco vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy. The Company's portfolio includes heated tobacco sticks (HTS) that use high temperature heating, and infused tobacco capsules (Infused) that use low temperature heating.

Conversely, E-Vapor products do not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy.

Analyses and examinations concerning the operating results from the viewpoint of the management are as follows.

### (1) Business Results

#### a. Consolidated results

(Billions of yen)			
	Six months ended June 30, 2021	Six months ended June 30, 2022	Change
Revenue	1144.5	1266.8	10.7%
Adjusted operating profit	358.2	414.9	15.8%
Operating profit	322.1	383.0	18.9%
Profit attributable to owners of the parent company	225.2	264.1	17.3%

#### <Revenue>

Revenue increased by 10.7% from the same period of the previous year to ¥1,266.8 billion due to increases in sales in all businesses. Core revenue<sup>(Note 1)</sup> at constant FX increased by 3.7% from the same period of the previous year.

#### <Adjusted operating profit>

Adjusted operating profit at constant FX increased by 8.0% from the same period of the previous year driven by increases in the Tobacco Business and the Pharmaceutical Business. Adjusted operating profit including foreign exchange effects increased by 15.8% from the same period of the previous year to ¥414.9 billion, due mainly to favorable impacts of depreciation of Japanese yen against many local currencies in the Tobacco Business.

#### <Operating profit>

Operating profit increased by 18.9% from the same period of the previous year to ¥383.0 billion due mainly to an increase in adjusted operating profit.

#### <Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 17.3% from the same period of the previous year to ¥264.1 billion due mainly to an increase in operating profit, despite increase in financing costs.

(Note: 1) Core revenue at constant FX is the sum of core revenue at constant FX (i.e., excluding foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year and the increase in revenue caused by inflation in some markets) from tobacco business, and revenues from pharmaceutical business, processed food business and other.

#### b. Operating segments

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.

### [Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Six months ended June 30, 2021	Six months ended June 30, 2022	Change
Total volume	263.7	262.8	(0.4)%
Combustibles volume <sup>(Note 1)</sup>	260.2	258.7	(0.6)%
RRP volume <sup>(Note 2)</sup>	3.5	4.0	14.5%
Core revenue	992.6	1105.3	11.3%
Adjusted operating profit	372.7	425.1	14.1%

#### <Total volume><sup>(Note 3)</sup>

Total volume decreased by 0.4% from the same period of the previous year to 262.8 billion cigarettes due to decrease in industry volume in the main markets in Asia and Western Europe, despite consistent growth in market shares in several markets, an increase in RRP sales volume, and an increase in sales volume in EMA. Combustibles volume decreased by 0.6% and RRP volume increased by 14.5%, respectively, from the same period of the previous year. Increase in RPP volume was due mainly to growth in the HTS category in Japan and increase in market share with the launch of Ploom X. Market share grew in various markets, including the key markets of Italy, Spain, Taiwan, Turkey, the Philippines, and Romania.

#### <Core revenue from tobacco business and adjusted operating profit>

Core revenue from tobacco business and adjusted operating profit increased by 11.3% and 14.1%, respectively, from the same period of the previous year due mainly to continuous growth in market share in several markets, and favorable pricing, and foreign exchange effects. RRP-related revenue<sup>(Note 2)</sup> increased by 1.4% from the same period of the previous year to ¥39.1 billion due mainly to increase in RRP volume and market share in Japan.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 3.6% and 6.5%, respectively, from the same period of the previous year.

(Note: 1) Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral tobacco and E-Vapor.

(Note: 2) RRP volume does not include volume from devices and associated accessories, etc., while RRP-related revenue includes revenue from devices and associated accessories, etc.

(Note: 3) Industry volume and market share were estimated by the Company.

## [The Breakdown of Tobacco Business Performance by Cluster]<sup>(Note 4)</sup>

Results of Tobacco Business in each cluster are as follows.

(Billions of yen)			
	Six months ended June 30, 2021	Six months ended June 30, 2022	Change
Asia			
Core revenue	394.4	400.5	1.5%
Adjusted operating profit	153.3	156.5	2.1%
Western Europe			
Core revenue	260.6	267.9	2.8%
Adjusted operating profit	122.9	128.2	4.4%
EMA			
Core revenue	337.7	436.9	29.4%
Adjusted operating profit	96.5	140.4	45.5%

(Note: 4) To make the Group's Tobacco Business more deeply understood, this segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes the entire Asian region, Western Europe includes the Western European region, EMA includes Eastern Europe, the Middle East, Africa, Turkey, Americas, and all duty-free markets. Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes the U.K., Italy, Spain, etc., and EMA includes Turkey, Romania, Russia, etc.

\* The exchange rates of currencies against yen were as follows.

Foreign exchange rate	Six months ended June 30, 2021	Six months ended June 30, 2022	Change	
100YEN/USD	0.93	0.81	(0.12)	14.2% appreciation
100YEN/RUB	68.92	62.56	(6.36)	10.2% appreciation
100YEN/GBP	0.67	0.63	(0.04)	6.7% appreciation
100YEN/EUR	0.77	0.74	(0.03)	3.4% appreciation
100YEN/CHF	0.84	0.77	(0.07)	9.6% appreciation
100YEN/TWD	26.01	23.36	(2.65)	11.3% appreciation
100YEN/PHP	44.76	42.43	(2.33)	5.5% appreciation
100YEN/TRY <sup>(Note 5)</sup>	7.29			

(Note: 5) In accordance with IAS 29, the closing currency rates as of June 30, 2022 have been applied when converting financial statements of subsidiaries located in hyperinflationary economies to the Japanese yen. (TRY12.20/100 YEN; reference: USD0.73/100 YEN)

## [Pharmaceutical Business]

(Billions of yen)			
Pharmaceutical Business	Six months ended June 30, 2021	Six months ended June 30, 2022	Change
Revenue	37.1	39.3	6.1%
Adjusted operating profit	3.6	4.9	36.8%

### <Revenue and adjusted operating profit>

Revenue increased by 6.1% from the same period of the previous year due to an increase in revenue at Torii Pharmaceutical Co., Ltd., which is a consolidated subsidiary of the Company.

Adjusted operating profit increased by 36.8% from the same period of the previous year due to an increase in revenue.

**[Processed Food Business]**

(Billions of yen)

Processed Food Business	Six months ended June 30, 2021	Six months ended June 30, 2022	Change
Revenue	70.4	73.5	4.3%
Adjusted operating profit	1.5	1.4	(0.2)%

**<Revenue and adjusted operating profit>**

Revenue increased by 4.3% from the same period of the previous year due mainly to growth in product sales including price revisions in the frozen and ambient foods business.

Adjusted operating profit decreased by 0.2% from the same period of the previous year as a result of significant rise in costs of raw materials, etc. and unfavorable foreign exchange effects, despite effects of increased revenue including price revisions and the absence of loss on retirement related to the fire at a subsidiary factory recorded in the same period of the previous year.

## **(2) Financial Position and Cash Flow Position**

### **a. Financial position**

#### **[Assets]**

Total assets at the end of the six months ended June 30, 2022 increased by ¥874.7 billion from the end of the previous fiscal year to ¥6,648.9 billion. This was mainly due to an increase in goodwill caused by foreign exchange effects.

#### **[Liabilities]**

Total liabilities at the end of the six months ended June 30, 2022 increased by ¥6.1 billion from the end of the previous fiscal year to ¥2,894.2 billion. This was mainly due to an increase in bonds and borrowings as a result of foreign exchange effects, despite a decrease in trade and other payables.

#### **[Equity]**

Total equity at the end of the six months ended June 30, 2022 increased by ¥868.5 billion from the end of the previous fiscal year to ¥3,754.6 billion. This was mainly due to a rise in exchange differences on translation of foreign operations, in addition to an increase in retained earnings as a result of the recording of profit attributable to owners of the parent company.

### **b. Cash flow position**

Cash and cash equivalents at the end of the six months ended June 30, 2022 increased by ¥27.0 billion from the end of the previous fiscal year to ¥748.7 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥480.7 billion.

#### **[Cash flows from operating activities]**

Net cash flows from operating activities during the six months ended June 30, 2022 were ¥110.2 billion, compared with ¥174.9 billion provided in the same period of the previous year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of trade and other payables, etc.

#### **[Cash flows from investing activities]**

Net cash flows used in investing activities during the six months ended June 30, 2022 were ¥38.8 billion, compared with ¥46.5 billion used in the same period of the previous year. This was mainly due to the purchase of property, plant and equipment, and intangible assets.

#### **[Cash flows from financing activities]**

Net cash flows used in financing activities during the six months ended June 30, 2022 were ¥158.2 billion, compared with ¥212.7 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends.

## **(3) Management Policy, Management Strategy, Etc.**

During the six months ended June 30, 2022, there were no material changes in management policy, management strategy, etc. stipulated by the Group mentioned in the previous fiscal year's Annual Securities Report.

## **(4) Operational and Financial Issues to be Addressed**

During the six months ended June 30, 2022, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year's Annual Securities Report.



### **(5) Research and Development Activities**

Research and development expenses of the entire Group during the six months ended June 30, 2022 were ¥32.6 billion.

During the six months ended June 30, 2022, there were no material changes in the status of the Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

### **(6) Plans for New Installation and Retirement of Facilities**

As of the end of the previous fiscal year, the plan for capital expenditures (facility construction and expansion) for the whole of the fiscal year under review was set at ¥131.0 billion, but at the end of the six months ended June 30, 2022, this was revised to ¥121.0 billion.

Moreover, there were no material changes in the main details and purposes of the capital expenditures by segment mentioned in the previous fiscal year's Annual Securities Report.

### **(7) Analysis of Capital Resources and Liquidity of Funds**

#### **a. Funding requirements**

Funds are mainly allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans, the payment of interest and dividends, the acquisition of treasury shares and the payment of income taxes.

#### **b. Resources of funds**

The necessary funds are mainly procured from net cash flows from operating activities, loans from financial institutions and bond and commercial paper issuances.

##### **<Cash flows>**

Please refer to “(2) Financial Position and Cash Flow Position, b. Cash flow position.”

##### **<Interest-bearing debt>**

##### **(Long-term debt)**

Bonds issued (including the current portion) as of December 31, 2021 and as of June 30, 2022 accounted for ¥651.0 billion and ¥715.0 billion, respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥197.0 billion and ¥199.6 billion, respectively.

##### **(Short-term debt)**

Short-term borrowings from financial institutions totaled ¥70.6 billion as of December 31, 2021 and ¥87.8 billion as of June 30, 2022. There was no commercial paper outstanding on both periods.

#### **c. Liquidity**

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of June 30, 2022, the Group had committed lines of credit from major financial institutions both domestic and international. In addition, the Group has a commercial paper program, uncommitted lines of credit, a domestic bond shelf registration, and a euro MTN program.

### **3. Important Operational Contracts**

No important operational contracts were determined or entered into during the second quarter ended June 30, 2022.

### III. Filing Company

#### 1. Information on the Company's Shares

##### (1) Total Number of Shares Authorized

###### a. Total number of shares authorized

Class	Total number of shares authorized (Shares)
Ordinary shares	8,000,000,000
Total	8,000,000,000

###### b. Number of shares issued

Class	Number of shares issued (Shares; as of June 30, 2022)	Number of shares issued (Shares; as of the date of filing: July 29, 2022)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange Prime Market	(Note 2)
Total	2,000,000,000	2,000,000,000	—	—

Notes: 1. The provisions of Article 2 of the Act on Japan Tobacco Inc. prescribe that the Japanese government must continue to hold more than one-third of all shares issued by the Company (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders).  
2. The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

##### (2) Status of Subscription Rights to Shares

###### a. Stock options

No items to report.

###### b. Other status of subscription rights to shares

No items to report.

##### (3) Exercise of Bond Certificates With Subscription Rights to Shares With Exercise Price Amendment Clause

No items to report.

##### (4) Trends in Total Number of Shares Issued and Share Capital

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
April 1, 2022 to June 30, 2022	—	2,000,000	—	100,000	—	736,400

## (5) Status of Major Shareholders

(As of June 30, 2022)

Name of shareholder	Address	Number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (excluding treasury shares) (%)
Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	666,925,200	37.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	166,578,100	9.39
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	57,800,900	3.26
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	46,205,842	2.60
State Street Bank West Client - Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	22,154,241	1.25
Barclays Securities Japan Limited	31F Roppongi Hills Mori Tower, 10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan	18,088,600	1.02
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	18,017,900	1.02
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	12,323,100	0.69
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo, Japan	12,281,182	0.69
JP MORGAN CHASE BANK 385771 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 BANK STREET, CANARY, WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	12,082,594	0.68
Total	—	1,032,457,659	58.17

Note: In addition to the above, the Company held 225,149,397 shares of ordinary shares as treasury shares.

## (6) Status of Voting Rights

### a. Number of shares issued

(As of June 30, 2022)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares)	Ordinary shares 225,149,300	—	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,774,047,400	17,740,474	(Note 2)
Shares less than one unit	Ordinary shares 803,300	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,740,474	—

Notes: 1. The number of “Shares with full voting rights (Other)” includes 33,600 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 336 units of voting rights related to shares with full voting rights in its name.  
2. The Company’s standard class of shares with no rights limitations. Its share trading unit is 100 shares.  
3. Includes 97 shares of treasury shares.

b. Treasury shares

(As of June 30, 2022)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	225,149,300	—	225,149,300	11.26
Total	—	225,149,300	—	225,149,300	11.26

Note: The treasury shares of 210,200 shares were allotted on May 24, based on the allocation of treasury shares towards the Restricted Stock Remuneration Plan, which was resolved at the meeting of the Board of Directors of the Company held on April 28, 2022.

## 2. Status of Officers

After filing the previous fiscal year's Annual Securities Report, there were no personnel changes of officers during the six months ended June 30, 2022.

## **IV. Accounting**

### **1. Preparation Policy for the Condensed Interim Consolidated Financial Statements**

The condensed interim consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the “Company”) are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (hereinafter referred to as “IAS 34”), pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007; hereinafter referred to as the “Ordinance on QCFS”). Figures stated in the condensed interim consolidated financial statements are rounded to the nearest million yen.

### **2. Audit Certification**

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for this second quarter period (from April 1, 2022 to June 30, 2022) and for the six months ended June 30, 2022 were reviewed by Deloitte Touche Tohmatsu LLC.

**1. Condensed Interim Consolidated Financial Statements**  
**(1) Condensed Interim Consolidated Statement of Financial Position**

	As of December 31, 2021	(Millions of yen) As of June 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 6)	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
<b>Non-current assets</b>		
Property, plant and equipment (Note 7)	755,843	822,039
Goodwill (Note 7)	2,060,965	2,544,202
Intangible assets (Note 7)	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
<b>Total assets</b>	<b>5,774,209</b>	<b>6,648,864</b>

	As of December 31, 2021	(Millions of yen) As of June 30, 2022
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
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
<b>Non-current liabilities</b>		
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
<b>Equity</b>		
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
<b>Total liabilities and equity</b>	<b>5,774,209</b>	<b>6,648,864</b>

**(2) Condensed Interim Consolidated Statement of Income**  
(For the six-month period)  
**Six months ended June 30, 2021 and 2022**

		(Millions of yen)
	2021	2022
Revenue (Notes 5, 9)	1,144,539	1,266,828
Cost of sales	(455,423)	(507,869)
Gross profit	689,116	758,959
Other operating income (Note 10)	5,321	7,881
Share of profit in investments accounted for using the equity method	1,651	3,623
Selling, general and administrative expenses (Note 11)	(374,004)	(387,491)
Operating profit (Note 5)	322,084	382,972
Financial income (Note 12)	6,915	9,886
Financial costs (Note 12)	(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
<b>Attributable to</b>		
Owners of the parent company	225,190	264,063
Non-controlling interests	750	940
Profit for the period	225,940	265,004
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	126.92	148.80
Diluted (Yen) (Note 14)	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 (Note 5)	358,223	414,851



(For the three-month period)  
**Three months ended June 30, 2021 and 2022**

		(Millions of yen)
	2021	2022
Revenue (Note 5)	597,173	685,323
Cost of sales	(238,821)	(276,589)
Gross profit	358,352	408,735
Other operating income	2,912	5,266
Share of profit in investments accounted for using the equity method	1,093	2,807
Selling, general and administrative expenses	(200,401)	(212,204)
Operating profit (Note 5)	161,955	204,604
Financial income	3,376	4,735
Financial costs	(7,579)	(23,054)
Profit before income taxes	157,753	186,285
Income taxes	(45,852)	(45,884)
Profit for the period	111,901	140,402
<b>Attributable to</b>		
Owners of the parent company	111,404	139,953
Non-controlling interests	497	448
Profit for the period	111,901	140,402
<b>Interim earnings per share</b>		
Basic (Yen) (Note 14)	62.78	78.86
Diluted (Yen) (Note 14)	62.76	78.83

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

		(Millions of yen)
	2021	2022
Operating profit	161,955	204,604
Amortization cost of acquired intangibles arising from business acquisitions	17,475	18,532
Adjustment items (income)	(1,898)	(4,986)
Adjustment items (costs)	2,600	1,820
Adjusted operating profit (Note 5)	180,132	219,970

**(3) Condensed Interim Consolidated Statement of Comprehensive Income**  
(For the six-month period)  
**Six months ended June 30, 2021 and 2022**

		(Millions of yen)
	2021	2022
Profit for the period	225,940	265,004
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
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 (Note 13)	11,793	39,052
Total of items that will not be reclassified to profit or loss	13,248	40,090
<b>Items that may be reclassified subsequently to profit or loss</b>		
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
<b>Attributable to</b>		
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

(For the three-month period)  
**Three months ended June 30, 2021 and 2022**

		(Millions of yen)
	2021	2022
Profit for the period	111,901	140,402
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	457	619
Remeasurements of defined benefit plans (Note 13)	-	18,997
Total of items that will not be reclassified to profit or loss	457	19,616
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	45,330	607,728
Net gain (loss) on derivatives designated as cash flow hedges	74	4,585
Total of items that may be reclassified subsequently to profit or loss	45,404	612,313
Other comprehensive income (loss), net of taxes	45,861	631,929
Comprehensive income (loss) for the period	157,762	772,330
<b>Attributable to</b>		
Owners of the parent company	157,348	771,099
Non-controlling interests	414	1,231
Comprehensive income (loss) for the period	157,762	772,330

#### (4) 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
<b>As of January 1, 2021</b>	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 (Note 8)	-	-	-	-	-	-	-
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)	-
<b>As of June 30, 2021</b>	<u>100,000</u>	<u>736,400</u>	<u>(490,909)</u>	<u>1,209</u>	<u>(452,808)</u>	<u>(272)</u>	<u>8,718</u>
<b>As of January 1, 2022</b>	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 (Note 8)	-	-	-	-	-	-	-
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)
<b>As of June 30, 2022</b>	<u>100,000</u>	<u>736,400</u>	<u>(490,190)</u>	<u>1,005</u>	<u>282,937</u>	<u>5,177</u>	<u>8,147</u>

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity				Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings	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 (Note 8)	-	-	(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 (Note 8)	-	-	(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

**(5) Condensed Interim Consolidated Statement of Cash Flows**  
**Six months ended June 30, 2021 and 2022**

		(Millions of yen)
	2021	2022
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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)

		(Millions of yen)
	2021	2022
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company (Note 8)	(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)
<b>Net increase (decrease) in cash and cash equivalents</b>	(84,268)	(86,806)
<b>Cash and cash equivalents at the beginning of the period</b>	538,844	721,731
<b>Effect of exchange rate changes on cash and cash equivalents</b>	26,130	113,771
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	480,706	748,696

## Notes to Condensed Interim Consolidated Financial Statements

### 1. Reporting Entity

The Company is a joint stock corporation under the Companies Act of Japan, pursuant to the Japan Tobacco Inc. Act, with its principal places of business located in Japan since its incorporation. The addresses of the Company's registered head office and principal business offices are available on the Company's website (<https://www.jt.com/>).

The condensed interim consolidated financial statements for the three-month period ended June 30, 2022 and for the six-month period ended June 30, 2022 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on July 29, 2022 by Masamichi Terabatake, President and Chief Executive Officer.

### 2. Basis of Preparation

The Group's condensed interim consolidated financial statements, which satisfy the requirements concerning the "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of the Ordinance on QCFS, are prepared in accordance with International Financial Reporting Standards pursuant to the provision of Article 93 of the Ordinance on QCFS.

The condensed interim consolidated financial statements are prepared in accordance with IAS 34 and do not include all information required for the consolidated financial statements for the year. They should be read along with the consolidated financial statements for the year ended December 31, 2021.

### 3. Significant Accounting Policies

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 per cent 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.

### 4. Significant Accounting Estimates and Judgements

Preparation of condensed interim consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the interim period end date. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the interim period end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and future periods.

In principle, estimates and assumptions that may have a material effect on the amounts recognized in the condensed interim consolidated financial statements of the Group are the same as those for the year ended December 31, 2021.

For the spread of COVID-19 and recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgements at present.



## **5. Operating Segments**

### **(1) 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 and three months ended June 30, 2021 has been reclassified to conform with the presentation for the six months and three 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.

## (2) 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.

(For the six-month period)

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	<u>400,453</u>	<u>267,883</u>	<u>436,917</u>	<u>1,105,253</u>
Adjusted operating profit	<u>156,468</u>	<u>128,226</u>	<u>140,424</u>	<u>425,117</u>

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)	3,227	6,128

The breakdown of restructuring incomes is described in “10. Other Operating Income.” 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)	5,621	3,208

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

Restructuring costs included in "Cost of sales" were ¥5 and ¥125 million for the six months ended June 30, 2021 and 2022, respectively. Restructuring costs included in "Selling, general and administrative expenses" were ¥5,388 million and ¥3,052 million for the six months ended June 30, 2021 and 2022, respectively. The breakdown of restructuring costs is described in “11. Selling, general and administrative expenses.”

(For the three-month period)  
Three months ended June 30, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	542,563	17,392	36,653	596,608	565	-	597,173
Intersegment revenue	86	-	0	86	1,343	(1,429)	-
Total revenue	<u>542,649</u>	<u>17,392</u>	<u>36,653</u>	<u>596,694</u>	<u>1,908</u>	<u>(1,429)</u>	<u>597,173</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>190,386</u>	<u>(672)</u>	<u>1,127</u>	<u>190,841</u>	<u>(10,683)</u>	<u>(26)</u>	<u>180,132</u>

¥519,510 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	200,252	138,165	181,094	519,510
Adjusted operating profit	76,578	65,118	48,690	190,386

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.

Three months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	629,025	18,007	37,796	684,828	496	-	685,323
Intersegment revenue	79	-	0	79	4,983	(5,062)	-
Total revenue	<u>629,104</u>	<u>18,007</u>	<u>37,797</u>	<u>684,907</u>	<u>5,479</u>	<u>(5,062)</u>	<u>685,323</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>227,774</u>	<u>299</u>	<u>1,038</u>	<u>229,111</u>	<u>(9,131)</u>	<u>(10)</u>	<u>219,970</u>

¥603,216 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	207,528	142,683	253,005	603,216
Adjusted operating profit	80,744	67,015	80,014	227,774

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”

Three 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)	190,386	(672)	1,127	190,841	(10,683)	(26)	180,132
Amortization cost of acquired intangibles arising from business acquisitions	(17,475)	-	-	(17,475)	-	-	(17,475)
Adjustment items (income) (Note 3)	1,568	200	129	1,897	1	-	1,898
Adjustment items (costs) (Note 4)	(2,396)	0	(43)	(2,439)	(161)	-	(2,600)
Operating profit (loss)	172,083	(472)	1,213	172,825	(10,843)	(26)	161,955
Financial income							3,376
Financial costs							(7,579)
Profit before income taxes							<u>157,753</u>

Three 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)	227,774	299	1,038	229,111	(9,131)	(10)	219,970
Amortization cost of acquired intangibles arising from business acquisitions	(18,532)	-	-	(18,532)	-	-	(18,532)
Adjustment items (income) (Note 3)	285	-	4	289	4,697	-	4,986
Adjustment items (costs) (Note 4)	(527)	-	(943)	(1,471)	(349)	-	(1,820)
Operating profit (loss)	209,000	299	99	209,397	(4,784)	(10)	204,604
Financial income							4,735
Financial costs							(23,054)
Profit before income taxes							<u>186,285</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:

Three months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Restructuring incomes	129	435
Other	1,769	4,551
Adjustment items (income)	1,898	4,986

Other (income) for the three 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 three 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:

Three months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Restructuring costs	2,461	1,800
Other	138	20
Adjustment items (costs)	2,600	1,820

## 6. Cash and Cash Equivalents

The Group’s Iranian subsidiaries’ ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. The Group’s Canadian subsidiary, JTI-Macdonald Corp. (hereinafter referred to as “JTI-Mac”) is subject to certain restrictions on the use of funds other than in the ordinary course of business due to the adoption of the “Companies’ Creditors Arrangement Act (CCAA).” “Cash and cash equivalents” as of June 30, 2022 includes cash and cash equivalents of ¥95,449 million and ¥95,188 million held by the Group’s Iranian subsidiaries and JTI-Mac, respectively.

## 7. Property, Plant and Equipment, Goodwill and Intangible Assets

The schedules of the carrying amounts of “Property, plant and equipment,” “Goodwill” and “Intangible assets” are as follows:

Carrying Amount	(Millions of yen)		
	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2022	755,843	2,060,965	307,152
Individual acquisition	38,682	-	7,539
Transfer to investment property	(10,958)	-	-
Transfer to non-current assets held for sale	(1,323)	-	-
Depreciation or amortization	(54,683)	-	(42,300)
Impairment losses	(1,257)	-	(213)
Reversal of impairment losses	35	-	-
Sale or disposal	(3,828)	-	(412)
Exchange differences on translation of foreign operations	101,222	483,236	25,901
Other	(1,693)	-	(108)
As of June 30, 2022	822,039	2,544,202	297,558

## 8. Dividends

Dividends paid for each interim period are as follows:

### Six months ended June 30, 2021

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(Resolution) Annual Shareholders' Meeting (March 24, 2021)	Ordinary shares	136,617	77	December 31, 2020	March 25, 2021

### Six months ended June 30, 2022

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(Resolution) Annual Shareholders' Meeting (March 23, 2022)	Ordinary shares	133,089	75	December 31, 2021	March 24, 2022

Dividends, for which the effective date falls in the following quarter period, are as follows:

### Six months ended June 30, 2021

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(Resolution) Board of Directors (July 30, 2021)	Ordinary shares	115,344	65	June 30, 2021	September 1, 2021

### Six months ended June 30, 2022

	Class of shares	(Millions of yen)	(Yen)	Basis date	Effective date
		Total dividends	Dividends per share		
(Resolution) Board of Directors (July 29, 2022)	Ordinary shares	133,114	75	June 30, 2022	September 1, 2022

## 9. Revenue

### (1) Disaggregation of Revenue

The disaggregation of “Revenue” for each interim period is as follows. The amounts are presented after eliminations of intercompany transactions.

Six months ended June 30, 2021

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note 2)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	992,635	-	-	-	992,635
Other	43,509	37,051	70,446	898	151,904
Total	<u>1,036,144</u>	<u>37,051</u>	<u>70,446</u>	<u>898</u>	<u>1,144,539</u>

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note 2)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business (Note 1)	1,105,253	-	-	-	1,105,253
Other	47,707	39,300	73,461	1,107	161,575
Total	<u>1,152,960</u>	<u>39,300</u>	<u>73,461</u>	<u>1,107</u>	<u>1,266,828</u>

(Note 1) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

(Note 2) Revenues from RRP in core revenue from the “Tobacco Business” were ¥38,585 million and ¥39,140 million for the six months ended June 30, 2021 and 2022, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

### (2) Gross Turnover

The reconciliation from “Gross turnover” to “Revenue” for each interim period is as follows:

Six months ended June 30, 2021 and 2022

(Millions of yen)

	2021	2022
Gross turnover	4,058,990	4,399,082
Tobacco excise taxes and agency transaction amount	(2,914,451)	(3,132,254)
Revenue	<u>1,144,539</u>	<u>1,266,828</u>

**10. Other Operating Income**

The breakdown of “Other operating income” for each interim period is as follows:

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	867	5,602
Other (Note)	4,455	2,279
Total	5,321	7,881

(Note) The amount of restructuring incomes included in each account is as follows:

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Gain on sale of property, plant and equipment, intangible assets and investment property	129	509
Other	4	5
Total	133	514

# 11. Selling, General and Administrative Expenses

The breakdown of “Selling, general and administrative expenses” for each interim period is as follows:

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Advertising expenses	11,430	11,327
Promotion expenses	34,247	42,948
Commission	28,260	32,673
Employee benefit expenses (Note)	157,944	152,528
Research and development expenses	31,575	32,585
Depreciation and amortization	53,766	55,718
Impairment losses on other than financial assets (Note)	6,850	1,650
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	1,588	2,286
Other (Note)	48,344	55,777
Total	374,004	387,491

(Note) The amount of restructuring costs included in each account is as follows:

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Employee benefit expenses	3,513	37
Impairment losses on other than financial assets	1,444	1,115
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	174	1,462
Other	257	438
Total	5,388	3,052

**12. Financial Income and Financial Costs**

The breakdown of “Financial income” and “Financial costs” for each interim period is as follows:

Six months ended June 30, 2021 and 2022

		(Millions of yen)
Financial Income	2021	2022
Dividend income	565	394
Interest income	4,692	9,423
Gain on net monetary position	1,611	-
Other	46	69
Total	6,915	9,886

Six months ended June 30, 2021 and 2022

		(Millions of yen)
Financial Costs	2021	2022
Interest expenses	11,628	14,048
Foreign exchange losses (Note 1)	1,179	3,404
Employee benefit expenses (Note 2)	1,163	1,576
Loss on net monetary position	-	10,688
Other	934	2,157
Total	14,904	31,873

(Note 1) Valuation gain (loss) of currency derivatives is included in foreign exchange losses.

(Note 2) Employee benefit expenses are the net amount of interest cost and interest income related to employee benefits.

**13. Other Comprehensive Income**

“Remeasurements of defined benefit plans” for the six months ended June 30, 2022 include remeasurements arising from the effects of significant market fluctuations in relation to retirement benefit assets or liabilities.

**14. Interim Earnings per Share**

(For the six-month period)

**(1) Basis of Calculating Basic Interim Earnings per Share****A. Profit Attributable to Ordinary Shareholders of the Parent Company**

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period attributable to owners of the parent company	225,190	264,063
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	225,190	264,063

**B. Weighted-average Number of Ordinary Shares Outstanding During the Period**

Six months ended June 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of shares during the period	1,774,315	1,774,645

**(2) Basis of Calculating Diluted Interim Earnings per Share****A. Profit Attributable to Diluted Ordinary Shareholders**

Six months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period used for calculation of basic interim earnings per share	225,190	264,063
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	225,190	264,063

**B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period**

Six months ended June 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of ordinary shares during the period	1,774,315	1,774,645
Increased number of ordinary shares under subscription rights to shares	750	654
Weighted-average number of diluted ordinary shares during the period	1,775,065	1,775,299

(For the three-month period)

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Three months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period attributable to owners of the parent company	111,404	139,953
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	111,404	139,953

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

Three months ended June 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of shares during the period	1,774,375	1,774,726

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended June 30, 2021 and 2022

		(Millions of yen)
	2021	2022
Profit for the period used for calculation of basic interim earnings per share	111,404	139,953
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	111,404	139,953

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

Three months ended June 30, 2021 and 2022

		(Thousands of shares)
	2021	2022
Weighted-average number of ordinary shares during the period	1,774,375	1,774,726
Increased number of ordinary shares under subscription rights to shares	738	616
Weighted-average number of diluted ordinary shares during the period	1,775,113	1,775,343



## 15. Financial Instruments

### (Fair Value of Financial Instruments)

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	As of December 31, 2021		As of June 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	196,970	198,290	199,588	199,226
Bonds (Note)	651,016	682,984	715,012	647,783
(Note) Current portion is included.				

With regard to short-term financial assets and short-term financial liabilities measured at amortized cost, their fair value approximates the carrying amount.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value of bonds issued by the Group is based on the market price for those having market prices, and based on the present value that is obtained by discounting the total of principal and interest by the interest rate, for which the remaining period and credit risk of such bonds are taken into consideration.

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of December 31, 2021

				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	-	7,362	-	7,362
Equity securities	19,988	-	7,804	27,792
Other	562	6,518	7,725	14,805
Total	20,550	13,880	15,529	49,959
Derivative liabilities	-	10,926	-	10,926
Total	-	10,926	-	10,926

As of June 30, 2022

				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	-	25,856	-	25,856
Equity securities	20,650	-	9,109	29,760
Other	614	5,018	11,964	17,596
Total	21,265	30,874	21,073	73,211
Derivative liabilities	-	45,582	-	45,582
Total	-	45,582	-	45,582

**16. Commitments**

Commitments for the acquisition of assets after each closing date are as follows:

	(Millions of yen)	
	As of December 31, 2021	As of June 30, 2022
Acquisition of property, plant and equipment	28,817	38,708

**17. Hyperinflationary Accounting Adjustments**

As required by IAS 29, the Group's consolidated financial statements include the financial statements of the subsidiaries in the hyperinflationary economy, restated in terms of the measuring unit current at the end of the reporting period.

For the restatement of financial statements of the subsidiaries in Turkey from the beginning of the second quarter ended June 30, 2022, the Group applies the conversion coefficient derived from the Consumer Price Index of Turkey published by the Turkish Statistical Institute of Turkey.

Consumer Price Index and corresponding conversion coefficients of Turkey are presented below.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2010	182	538
31 December 2011	201	487
31 December 2012	213	459
31 December 2013	229	427
31 December 2014	248	395
31 December 2015	270	363
31 December 2016	293	334
31 December 2017	327	299
31 December 2018	394	248
31 December 2019	441	222
31 December 2020	505	194
31 December 2021	687	142
30 June 2022	978	100

The Group's subsidiaries in the hyperinflationary economy have restated their non-monetary items held at historical cost, such as property, plant and equipment, by applying the conversion coefficient at the acquisition date. Monetary items and non-monetary items held at current cost are not restated as they are considered to be expressed in terms of the measuring unit current at the end of the reporting period.

For the purpose of consolidation, the financial statements of the Group's subsidiaries in the hyperinflationary economy are translated using the spot exchange rates at the end of the reporting period.

**18. Contingencies**

As of June 30, 2022, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2021.

**19. Subsequent Events**

No items to report

## **2. Others**

### **(Dividends)**

The Board of Directors, at a meeting held on July 29, 2022, declared the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥133,114 million

(b) Amount per share ¥75.00

(c) Effective date of requests for payment, and commencement date of payments September 1, 2022

(Note) Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of June 30, 2022.

## **B. Information on Guarantee Companies, etc. of Filing Company**

No items to report

(TRANSLATION)

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

July 29, 2022

To the Board of Directors of  
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant: Yukitaka Maruchi

Designated Engagement Partner,  
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,  
Certified Public Accountant: Yoichi Matsushita

### Accountant's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of June 30, 2022, and the condensed interim consolidated statement of income and condensed interim consolidated statement of comprehensive income for the three-month and six-month periods then ended and the condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022, and its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting" pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.

### Basis for Accountant's Conclusion

We conducted our review in accordance with quarterly review standards generally accepted in Japan. Our responsibility under those standards is further described in the Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as accountants. We believe that we have obtained the evidence to provide a basis for our review conclusion.

## **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Interim Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting," and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with Paragraph 4 of International Accounting Standard 1 "Presentation of Financial Statements."

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

## **Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements**

Our objective is to issue an accountant's report that includes our conclusion.

As part of a review in accordance with quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude whether nothing has come to our attention, based on the evidence obtained, related to going concern that causes us to believe that the condensed interim consolidated financial statements are not fairly presented, in all material respects, in accordance with Paragraph 4 of International Accounting Standard 1 "Presentation of Financial Statements," if we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountant's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the overall presentation and disclosures of the condensed interim consolidated financial statements are not in accordance with International Accounting Standard 34 "Interim Financial Reporting," as well as the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the review of the condensed interim consolidated financial statements. We remain solely responsible for our conclusion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding the planned scope and timing of the review and significant findings that we identify during our review.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Readers of Independent Accountant's Review Report**

This is an English translation of the independent accountant's review report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader