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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 39th term (from April 1, 2023 to June 30, 2023)
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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A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

Term	Six months ended June 30, 2022	Six months ended June 30, 2023	38th term
Accounting period	From January 1, 2022 to June 30, 2022	From January 1, 2023 to June 30, 2023	From January 1, 2022 to December 31, 2022
Revenue [Second quarter] (Millions of yen)	1,266,828 [685,323]	1,392,812 [727,534]	2,657,832
Profit before income taxes (Millions of yen)	360,985	373,430	593,450
Profit for the period (Millions of yen)	265,004	288,462	444,174
Profit attributable to owners of the parent company [Second quarter] (Millions of yen)	264,063 [139,953]	287,009 [142,325]	442,716
Comprehensive income (loss) for the period (Millions of yen)	1,002,901	535,212	998,229
Total equity (Millions of yen)	3,754,629	3,949,717	3,616,761
Total assets (Millions of yen)	6,648,864	6,974,355	6,548,078
Basic earnings per share [Second quarter] (Yen)	148.80 [78.86]	161.70 [80.18]	249.45
Diluted earnings per share (Yen)	148.74	161.65	249.36
Ratio of equity attributable to owners of the parent company to total assets (%)	55.30	55.46	54.07
Net cash flows from operating activities (Millions of yen)	110,184	206,860	483,799
Net cash flows from investing activities (Millions of yen)	(38,837)	(102,651)	(101,822)
Net cash flows from financing activities (Millions of yen)	(158,153)	(163,303)	(306,176)
Cash and cash equivalents at the end of the period (Millions of yen)	748,696	827,220	866,885

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, 2023, there were neither material changes in the business of the Group (the Company, 221 consolidated subsidiaries and 15 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 liquidation of JT Engineering Inc. was scheduled for April 2023, but this has been rescheduled to 2024.

II. Review of Operations

1. Business and Other Risks

During the six months ended June 30, 2023, 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.

In the Russian market, the Group is fully committed to complying with all applicable sanctions, regulations, etc. 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, 2023.

(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 a mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Constant FX

Adjusted operating profit at constant FX is a financial benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year from core revenue or from adjusted operating profit for the current period in the Tobacco Business. Adjusted operating profit results at constant FX excludes the increase in revenue or profit caused by inflation in some markets calculated using certain methods.

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.

(Hyperinflationary Accounting Adjustments)

The Group applies accounting adjustments to the underlying financial statements of the subsidiaries in the hyperinflationary economy as required by IAS 29, "Financial Reporting in Hyperinflationary Economies."

(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, 2022	Six months ended June 30, 2023	Change
Revenue	1,266.8	1,392.8	9.9%
Adjusted operating profit	414.9	442.8	6.7%
Operating profit	383.0	413.6	8.0%
Profit attributable to owners of the parent company	264.1	287.0	8.7%

<Revenue>

Revenue increased by 9.9% from the same period of the previous year to ¥1,392.8 billion due to increases in sales in the Tobacco Business and the Pharmaceutical Business and favorable foreign exchange effects as a result of depreciation of the Japanese yen. Core revenue ^(Note 1) at constant FX increased by 6.8% from the same period of the previous year.

<Adjusted operating profit>

Adjusted operating profit at constant FX increased by 4.7% from the same period of the previous year due to increases in all businesses. Adjusted operating profit including foreign exchange effects increased by 6.7% from the previous fiscal year to ¥442.8 billion, mainly due to the favorable foreign exchange effects as a result of depreciation of the Japanese yen in the Tobacco Business.

<Operating profit>

Operating profit increased by 8.0% from the same period of the previous year to ¥413.6 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 8.7% from the previous fiscal year to ¥287.0 billion, due mainly to an increase in operating profit and a decrease in income taxes, despite an increase in financial costs.

(Note: 1) Core revenue at constant FX is the sum of core revenue at constant FX from the Tobacco Business and revenue from the Pharmaceutical Business, Processed Food Business and other.

b. Operating segments

[Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Six months ended June 30, 2022	Six months ended June 30, 2023	Change
Total volume	262.8	269.3	2.5%
Combustibles volume ^(Note 1)	258.7	265.2	2.5%
RRP volume ^(Note 2)	4.0	4.2	3.9%
Core revenue	1,105.3	1,217.2	10.1%
Adjusted operating profit	425.1	450.2	5.9%

<Total volume> ^{(Note 3) (Note 4)}

Total volume increased by 2.5% from the same period of the previous year to 269.3 billion cigarettes due to consistent growth in market shares in Asia and EMA and increase in industry volume in some markets, despite decrease in industry volume in the markets in Western Europe. Combustibles volume increased by 2.5% from the same period of the previous year due to increases in Asia and EMA. RRP volume increased by 3.9% from the same period of the previous year mainly due to consistent growth in market shares in the HTS category in Japan and the products being launched into new markets. Market share grew in various markets, including the key markets of Italy, Spain, Taiwan, Japan, the Philippines, and Russia.

<Core revenue from tobacco business and adjusted operating profit>

Core revenue from tobacco business and adjusted operating profit increased by 10.1% and 5.9%, respectively, from the same period of the previous year due mainly to continuous growth in market share in Asia and EMA and favorable pricing and foreign exchange effects mainly in EMA and Western Europe. RRP-related revenue ^(Note 2) increased by 0.8% from the same period of the previous year to ¥39.5 billion.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 6.8% and 3.9%, 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.

(Note: 4) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes Japan and the entire Asian region, Western Europe includes the Western European region, EMA includes Africa, the Middle East, Eastern Europe, Turkey, Americas, and all duty-free markets. Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes Italy, the U.K., Spain, etc., and EMA includes Turkey, Romania, Russia, etc. For details, please refer to “IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (2) Revenues and Performances of Reportable Segments.”

[Pharmaceutical Business]

(Billions of yen)

Pharmaceutical Business	Six months ended June 30, 2022	Six months ended June 30, 2023	Change
Revenue	39.3	47.7	21.3%
Adjusted operating profit	4.9	10.0	106.5%

<Revenue and adjusted operating profit>

Revenue increased by 21.3% from the same period of the previous year due to one-time income pertaining to license agreements for licensed compounds and an increase in revenue at Torii Pharmaceutical Co., Ltd., which is a consolidated subsidiary of the Company.

Adjusted operating profit increased by 106.5% from the same period of the previous year due to an increase in revenue despite an increase in research and development expenses.

[Processed Food Business]

(Billions of yen)

Processed Food Business	Six months ended June 30, 2022	Six months ended June 30, 2023	Change
Revenue	73.5	73.4	(0.1)%
Adjusted operating profit	1.4	2.9	103.5%

<Revenue and adjusted operating profit>

Revenue was at similar levels from the same period of the previous year due to an increase in sales of products for commercial use from the recovery of eating out demand in addition to price revisions carried out in the previous and current years in the frozen and ambient foods, despite the absence of revenue from transfer of the bakery business.

Adjusted operating profit increased by 103.5% from the same period of the previous year due to the effects of price revisions carried out in the previous and current years and an increase in sales of products for commercial use, despite further increase in costs of raw materials and logistics, and the effect of the declining foreign exchange rate compared with 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, 2023 increased by ¥426.3 billion from the end of the previous fiscal year to ¥6,974.4 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, 2023 increased by ¥93.3 billion from the end of the previous fiscal year to ¥3,024.6 billion. This was mainly due to the issuance of bonds and an increase in bonds 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, 2023 increased by ¥333.0 billion from the end of the previous fiscal year to ¥3,949.7 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, 2023 decreased by ¥39.7 billion from the end of the previous fiscal year to ¥827.2 billion. Cash and cash equivalents at the end of the same period of the previous year was ¥748.7 billion.

[Net cash flows from operating activities]

Net cash flows from operating activities during the six months ended June 30, 2023 were ¥206.9 billion, compared with ¥110.2 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 tobacco excise taxes and income taxes, payments of trade and other payables among other factors.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the six months ended June 30, 2023 were ¥102.7 billion, compared with ¥38.8 billion used in the same period of the previous year. This was mainly due to the purchase of securities, purchase of property, plant and equipment, and purchase of intangible assets.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the six months ended June 30, 2023 were ¥163.3 billion, compared with ¥158.2 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, 2023, the Group has made the following revisions to “II Review of Operations, 1. Management Policy, Business Environment, Issues to Be Addressed, Etc., (5) Business Environment and Basic Strategies for Attaining Group-Wide Profit Targets, iii. Sustainability strategy” mentioned in the previous fiscal year’s Annual Securities Report.

iii. Materiality and sustainability

The Group believes that contributing to the development of society through our business activities is essential for long-term growth of our business, and that efforts to achieve sustainability in our businesses and society have long been considered fundamental to management. Based on the belief that nature and society are connected to people’s lives, and that people’s lives and corporate activities can only be sustainable if nature and society are sustainable, the JT Group, with our management principle of pursuing the 4S model, has formulated five challenges as the JT Group Materiality in order to contribute to the development of sustainable nature and society through the achievement of the JT Group Purpose. According to the JT Group Materiality, we will review the targets for sustainability initiatives for the entire company and each business, and aim to achieve sustainable growth in our businesses and society by harnessing the driving force of the entire Group.

<JT Group Materiality>

As nature, society, and people’s lives are intertwined, sustaining our ways of living, and the activities of corporate entities, will depend on the sustainability of the environment and society in which we exist.

In realizing the JT Group Purpose, we are contributing to that sustainability through our commitment to working on the issues identified in our materiality.

Living with the Planet	Value Creation that Exceeds Consumer Expectations	Investing in People and Provide Motivation	Responsible Supply Chain Management	Good Governance
<p>Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on our environment</p>	<p>Create diverse products and services beyond consumer expectations</p>	<p>Invest in people to support their development with attention to diversity, and enhance human capital by fostering a corporate culture that maximizes individuality and ability of each person</p>	<p>Create a sustainable supply chain capable of withstanding sudden changes in the business environment, by tackling social issues such as respecting human rights or preservation of our environment</p>	<p>Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity</p>
<ul style="list-style-type: none"> • Undertake initiatives to tackle climate change and conserve our environment • Promote resource recycling and 	<ul style="list-style-type: none"> • Develop innovative products and services and offer variety of situations to experience our products - Develop and 	<ul style="list-style-type: none"> • Establish a fair and safe working environment, provide each employee with the opportunity for growth and promote 	<ul style="list-style-type: none"> • Engage with the suppliers through human rights/environmental due diligence • Deliver initiatives that contribute to 	<ul style="list-style-type: none"> • Construct and implement a framework for transparent, fair, prompt, and decisive decision-making • Engage

<p>develop sustainable products with high environmental value</p>	<p>offer RRP (Reduced-Risk Products)</p> <ul style="list-style-type: none"> - Develop innovative original drugs - Develop food products in response to diverse consumer values and interests among others • Research, explore and create seeds for future business centered on the concept of “enriching life” 	<p>diversity, equity and inclusion</p> <ul style="list-style-type: none"> • Establish a structure that encourages our employees to participate in and create with our society 	<p>resolving social issues together with our suppliers</p>	<p>proactively with diverse stakeholders</p>
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(4) Operational and Financial Issues to Be Addressed

During the six months ended June 30, 2023, 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, 2023 were ¥34.9 billion.

During the six months ended June 30, 2023, 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) 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, 2022 and as of June 30, 2023 accounted for ¥737.3 billion and ¥863.8 billion, respectively and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥157.2 billion and ¥162.2 billion, respectively.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥63.7 billion as of December 31, 2022 and ¥57.0 billion as of June 30, 2023. There was no commercial paper outstanding.

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, 2023, 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, 2023.

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, 2023)	Number of shares issued (Shares; as of the date of filing: July 31, 2023)	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, 2023 to June 30, 2023	–	2,000,000	–	100,000	–	736,400

(5) Status of Major Shareholders

(As of June 30, 2023)

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	37.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	185,009,600	10.42
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	67,969,100	3.83
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	41,507,746	2.34
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)	24,399,741	1.37
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	18,627,200	1.05
Barclays Securities Japan Limited BNYM (Standing proxy: MUFG Bank, Ltd.)	10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan)	18,088,600	1.02
JP MORGAN CHASE BANK 385781 (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)	12,317,033	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)	11,633,269	0.66
JT Group Employees' Shareholding Association	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	11,392,654	0.64
Total	—	1,057,870,143	59.60

Note: In addition to the above, the Company held 224,934,347 shares of ordinary shares as treasury shares.

(6) Status of Voting Rights

a. Number of shares issued

(As of June 30, 2023)

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 224,934,300	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,827,300	17,738,273	(Note 2)
Shares less than one unit	Ordinary shares 1,238,400	–	(Note 3)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,738,273	–

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 47 shares of treasury shares.

b. Treasury shares

(As of June 30, 2023)

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	224,934,300	–	224,934,300	11.25
Total	–	224,934,300	–	224,934,300	11.25

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, 2023.

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, 2023 to June 30, 2023) and for the six months ended June 30, 2023 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents (Note 6)	866,885	827,220
Trade and other receivables	477,239	561,812
Inventories	691,906	772,302
Other financial assets	37,677	83,317
Other current assets	649,181	657,782
Subtotal	2,722,889	2,902,434
Assets held for sale	702	1,094
Total current assets	2,723,591	2,903,529
Non-current assets		
Property, plant and equipment (Note 7)	775,957	810,150
Goodwill (Note 7)	2,446,063	2,654,306
Intangible assets (Note 7)	246,442	237,291
Investment property	9,495	8,497
Retirement benefit assets	57,792	67,593
Investments accounted for using the equity method	56,943	54,017
Other financial assets	140,366	158,379
Deferred tax assets	91,430	80,595
Total non-current assets	3,824,487	4,070,826
Total assets	6,548,078	6,974,355

	(Millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	540,089	481,857
Bonds and borrowings	137,308	136,250
Income tax payables	37,470	69,685
Other financial liabilities	40,065	48,693
Provisions	26,610	18,912
Other current liabilities	781,093	773,498
Subtotal	1,562,635	1,528,895
Liabilities directly associated with assets held for sale	29	-
Total current liabilities	1,562,664	1,528,895
Non-current liabilities		
Bonds and borrowings	821,003	946,753
Other financial liabilities	41,735	46,055
Retirement benefit liabilities	244,116	258,688
Provisions	26,490	29,631
Other non-current liabilities	195,248	172,683
Deferred tax liabilities	40,061	41,932
Total non-current liabilities	1,368,653	1,495,742
Total liabilities	2,931,317	3,024,637
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,183)	(489,722)
Other components of equity	104,309	343,723
Retained earnings	3,089,909	3,177,241
Equity attributable to owners of the parent company	3,540,435	3,867,642
Non-controlling interests	76,326	82,075
Total equity	3,616,761	3,949,717
Total liabilities and equity	6,548,078	6,974,355

(2) Condensed Interim Consolidated Statement of Income

(For the six-month period)

Six months ended June 30, 2022 and 2023

(Millions of yen)

	2022	2023
Revenue (Notes 5, 10)	1,266,828	1,392,812
Cost of sales	(507,869)	(563,811)
Gross profit	758,959	829,001
Other operating income (Note 11)	7,881	9,046
Share of profit in investments accounted for using the equity method	3,623	3,554
Selling, general and administrative expenses (Note 12)	(387,491)	(428,046)
Operating profit (Note 5)	382,972	413,555
Financial income (Note 13)	9,886	16,994
Financial costs (Note 13)	(31,873)	(57,119)
Profit before income taxes	360,985	373,430
Income taxes	(95,981)	(84,967)
Profit for the period	265,004	288,462
Attributable to		
Owners of the parent company	264,063	287,009
Non-controlling interests	940	1,453
Profit for the period	265,004	288,462
Interim earnings per share		
Basic (Yen) (Note 14)	148.80	161.70
Diluted (Yen) (Note 14)	148.74	161.65

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

(Millions of yen)

	2022	2023
Operating profit	382,972	413,555
Amortization cost of acquired intangibles arising from business acquisitions	34,799	30,539
Adjustment items (income)	(6,128)	(3,451)
Adjustment items (costs)	3,208	2,188
Adjusted operating profit (Note 5)	414,851	442,832

(For the three-month period)

Three months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Revenue (Note 5)	685,323	727,534
Cost of sales	(276,589)	(301,479)
Gross profit	408,735	426,055
Other operating income	5,266	5,607
Share of profit in investments accounted for using the equity method	2,807	2,255
Selling, general and administrative expenses	(212,204)	(226,766)
Operating profit (Note 5)	204,604	207,151
Financial income	4,735	9,511
Financial costs	(23,054)	(26,378)
Profit before income taxes	186,285	190,284
Income taxes	(45,884)	(47,047)
Profit for the period	140,402	143,237
Attributable to		
Owners of the parent company	139,953	142,325
Non-controlling interests	448	911
Profit for the period	140,402	143,237
Interim earnings per share		
Basic (Yen) (Note 14)	78.86	80.18
Diluted (Yen) (Note 14)	78.83	80.16

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

	(Millions of yen)	
	2022	2023
Operating profit	204,604	207,151
Amortization cost of acquired intangibles arising from business acquisitions	18,532	15,471
Adjustment items (income)	(4,986)	(3,445)
Adjustment items (costs)	1,820	287
Adjusted operating profit (Note 5)	219,970	219,465

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(For the six-month period)

Six months ended June 30, 2022 and 2023

(Millions of yen)

	2022	2023
Profit for the period	265,004	288,462
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	1,038	2,196
Remeasurements of defined benefit plans	39,052	-
Total of items that will not be reclassified to profit or loss	40,090	2,196
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	692,333	245,760
Net gain (loss) on derivatives designated as cash flow hedges	5,474	(1,206)
Total of items that may be reclassified subsequently to profit or loss	697,807	244,554
Other comprehensive income (loss), net of taxes	737,897	246,750
Comprehensive income (loss) for the period	1,002,901	535,212
Attributable to		
Owners of the parent company	1,000,768	529,343
Non-controlling interests	2,133	5,869
Comprehensive income (loss) for the period	1,002,901	535,212

(For the three-month period)

Three months ended June 30, 2022 and 2023

(Millions of yen)

	2022	2023
Profit for the period	140,402	143,237
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	619	1,064
Remeasurements of defined benefit plans	18,997	-
Total of items that will not be reclassified to profit or loss	19,616	1,064
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	607,728	219,242
Net gain (loss) on derivatives designated as cash flow hedges	4,585	1,358
Total of items that may be reclassified subsequently to profit or loss	612,313	220,600
Other comprehensive income (loss), net of taxes	631,929	221,664
Comprehensive income (loss) for the period	772,330	364,901
Attributable to		
Owners of the parent company	771,099	362,621
Non-controlling interests	1,231	2,280
Comprehensive income (loss) for the period	772,330	364,901

(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	Subscription rights to shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 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 (Note 9)	-	-	-	-	-	-	-
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
As of January 1, 2023	100,000	736,400	(490,183)	1,001	85,796	8,546	8,966
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	241,554	(1,206)	1,986
Comprehensive income (loss) for the period	-	-	-	-	241,554	(1,206)	1,986
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	462	(362)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	(708)
Other increase (decrease)	-	-	-	-	-	(1,850)	-
Total transactions with the owners	-	-	462	(362)	-	(1,850)	(708)
As of June 30, 2023	100,000	736,400	(489,722)	639	327,350	5,491	10,243

(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, 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 9)	-	-	(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
As of January 1, 2023	-	104,309	3,089,909	3,540,435	76,326	3,616,761
Profit for the period	-	-	287,009	287,009	1,453	288,462
Other comprehensive income (loss)	-	242,334	-	242,334	4,416	246,750
Comprehensive income (loss) for the period	-	242,334	287,009	529,343	5,869	535,212
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(362)	(99)	0	-	0
Share-based payments	-	-	272	272	22	294
Dividends (Note 9)	-	-	(200,558)	(200,558)	(1,514)	(202,072)
Changes in the scope of consolidation	-	-	-	-	(33)	(33)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	0	0	1,406	1,406
Transfer from other components of equity to retained earnings	-	(708)	708	-	-	-
Other increase (decrease)	-	(1,850)	-	(1,850)	-	(1,850)
Total transactions with the owners	-	(2,920)	(199,677)	(202,136)	(120)	(202,256)
As of June 30, 2023	-	343,723	3,177,241	3,867,642	82,075	3,949,717

(5) Condensed Interim Consolidated Statement of Cash Flows
Six months ended June 30, 2022 and 2023

(Millions of yen)

	2022	2023
Cash flows from operating activities		
Profit before income taxes	360,985	373,430
Depreciation and amortization	97,042	86,328
Impairment losses	1,650	892
Interest and dividend income	(9,816)	(16,708)
Interest expense	14,048	14,203
Share of profit in investments accounted for using the equity method	(3,623)	(3,554)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(4,251)	(3,275)
(Increase) decrease in trade and other receivables	(17,222)	(54,543)
(Increase) decrease in inventories	(13,247)	(48,364)
Increase (decrease) in trade and other payables	(135,362)	(66,577)
Increase (decrease) in retirement benefit liabilities	(3,992)	(3,749)
(Increase) decrease in prepaid tobacco excise taxes	78,122	13,480
Increase (decrease) in tobacco excise tax payables	(113,966)	(33,189)
Increase (decrease) in consumption tax payables	12,364	17,963
Other	(81,972)	(6,107)
Subtotal	180,759	270,229
Interest and dividends received	9,859	16,627
Interest paid	(12,869)	(13,131)
Income taxes paid	(67,565)	(66,865)
Net cash flows from operating activities	110,184	206,860
Cash flows from investing activities		
Purchase of securities	(21,130)	(71,932)
Proceeds from sale and redemption of securities	13,969	13,242
Purchase of property, plant and equipment	(32,743)	(39,019)
Proceeds from sale of investment property	4,526	4,092
Purchase of intangible assets	(7,882)	(11,914)
Proceeds from withdrawal of time deposits	1,252	-
Proceeds from sale of investments in associates	43	973
Other	3,128	1,907
Net cash flows from investing activities	(38,837)	(102,651)

	2022	(Millions of yen) 2023
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 9)	(133,060)	(200,491)
Dividends paid to non-controlling interests	(805)	(1,537)
Capital contribution from non-controlling interests	20	412
Increase (decrease) in short-term borrowings and commercial paper	(13,709)	(10,814)
Proceeds from long-term borrowings	88	2,899
Repayments of long-term borrowings	(432)	(547)
Proceeds from issuance of bonds (Note 8)	-	59,795
Redemption of bonds (Note 8)	-	(1,451)
Repayments of lease liabilities	(10,255)	(11,553)
Acquisition of treasury shares	(1)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(0)	(16)
Other	0	0
Net cash flows from financing activities	(158,153)	(163,303)
Net increase (decrease) in cash and cash equivalents	(86,806)	(59,093)
Cash and cash equivalents at the beginning of the period	721,731	866,885
Effect of exchange rate changes on cash and cash equivalents	113,771	19,428
Cash and cash equivalents at the end of the period (Note 6)	748,696	827,220

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, 2023 and for the six-month period ended June 30, 2023 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on July 31, 2023 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, 2022.

3. Material Accounting Policies

The material 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, 2022 except for the following item. The Group computes income taxes for the interim period based on the estimated average annual effective tax rate. The Company and certain subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the year ending December 31, 2023.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ending December 31, 2023.

	IFRS	Description of new standards and amendments
IAS 1	Presentation of Financial Statements	Amendments to require companies to disclose their material accounting policy information rather than their significant accounting policies
IAS 12	Income taxes	Introduction of temporary exceptions to the income tax accounting and disclosure requirements arising from tax law enacted or substantively enacted to implement International Tax Reform-Pillar Two Model Rules

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

IAS 12 states a temporary exception to eliminate the need for recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two Model Rules. The Group has adopted this exception retroactively.

The Group does not recognize any deferred tax assets and liabilities related to the Pillar Two Model Rules.

4. Significant Accounting Estimates and Judgments

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 changes 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, 2022. For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

(Changes in Significant Accounting Estimates)

Previously, the Group used the estimated useful life of 10 to 15 years for tobacco manufacturing machinery. However, in consideration of changes in the business environment, the estimated useful lives of some tobacco manufacturing machines have been revised to 18 years from the current fiscal year based on the economically usable forecast period in line with actual conditions and this change will also be applied prospectively.

As a result of this change, operating income for the six months ended June 30, 2023 increased by ¥4,895 million compared with the previous method.

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 “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 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, 2022

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
	(Millions of yen)						
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)	425,117	4,865	1,450	431,432	(16,534)	(47)	414,851

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

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

	Clusters			
	Asia	Western Europe	EMA	Total
	(Millions of yen)			
Core revenue (Note 2)	400,453	267,883	436,917	1,105,253
Adjusted operating profit (Note 1)	156,468	128,226	140,424	425,117

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Six months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	1,271,048	47,652	73,402	1,392,102	711	-	1,392,812
Intersegment revenue	151	-	16	167	1,437	(1,604)	-
Total revenue	<u>1,271,199</u>	<u>47,652</u>	<u>73,418</u>	<u>1,392,269</u>	<u>2,148</u>	<u>(1,604)</u>	<u>1,392,812</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>450,179</u>	<u>10,046</u>	<u>2,950</u>	<u>463,175</u>	<u>(20,361)</u>	<u>17</u>	<u>442,832</u>

¥1,217,196 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 2)	392,593	302,951	521,652	1,217,196
Adjusted operating profit (Note 1)	145,152	137,867	167,160	450,179

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

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

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 4)	1,241	-	4	1,245	4,884	-	6,128
Adjustment items (costs) (Note 5)	(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							360,985

Six months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	450,179	10,046	2,950	463,175	(20,361)	17	442,832
Amortization cost of acquired intangibles arising from business acquisitions	(30,539)	-	-	(30,539)	-	-	(30,539)
Adjustment items (income) (Note 4)	126	-	845	972	2,479	-	3,451
Adjustment items (costs) (Note 5)	(1,374)	-	(11)	(1,385)	(803)	-	(2,188)
Operating profit (loss)	418,392	10,046	3,784	432,223	(18,684)	17	413,555
Financial income							16,994
Financial costs							(57,119)
Profit before income taxes							373,430

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

(Note 3) "Other" includes business activities relating to real estate rental and corporate expenditure relating to corporate communication and operation of the head office.

(Note 4) The breakdown of "Adjustment items (income)" is as follows:

Six months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Restructuring incomes	514	3,324
Other	5,614	126
Adjustment items (income)	6,128	3,451

Restructuring incomes for the six months ended June 30, 2023 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in "11. Other Operating Income." Other (income) for the six months ended June 30, 2022 mainly related to gains on sale of real estate.

(Note 5) The breakdown of "Adjustment items (costs)" is as follows:

Six months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Restructuring costs	3,178	2,139
Other	30	49
Adjustment items (costs)	3,208	2,188

Restructuring costs included in "Cost of sales" were ¥125 million and ¥(247) million for the six months ended June 30, 2022 and 2023, respectively. Restructuring costs included in "Selling, general and administrative expenses" were ¥3,052 million and ¥2,386 million for the six months ended June 30, 2022 and 2023, respectively. The breakdown of restructuring costs is described in "12. Selling, general and administrative expenses."

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

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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	629,104	18,007	37,797	684,907	5,479	(5,062)	685,323
Segment profit (loss)							
Adjusted operating profit (Note 1)	227,774	299	1,038	229,111	(9,131)	(10)	219,970

¥603,216 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 2)	207,528	142,683	253,005	603,216
Adjusted operating profit (Note 1)	80,744	67,015	80,014	227,774

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Three months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	666,716	22,727	37,824	727,267	268	-	727,534
Intersegment revenue	90	-	8	98	783	(881)	-
Total revenue	<u>666,807</u>	<u>22,727</u>	<u>37,832</u>	<u>727,365</u>	<u>1,050</u>	<u>(881)</u>	<u>727,534</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	225,037	3,122	1,541	229,700	(10,244)	9	219,465

¥638,126 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 2)	196,441	162,464	279,221	638,126
Adjusted operating profit (Note 1)	69,309	73,131	82,597	225,037

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

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

Three months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 4)	285	-	4	289	4,697	-	4,986
Adjustment items (costs) (Note 5)	(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							186,285

Three months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	225,037	3,122	1,541	229,700	(10,244)	9	219,465
Amortization cost of acquired intangibles arising from business acquisitions	(15,471)	-	-	(15,471)	-	-	(15,471)
Adjustment items (income) (Note 4)	126	-	842	969	2,476	-	3,445
Adjustment items (costs) (Note 5)	(55)	-	86	31	(318)	-	(287)
Operating profit (loss)	209,637	3,122	2,469	215,229	(8,087)	9	207,151
Financial income							9,511
Financial costs							(26,378)
Profit before income taxes							190,284

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

(Note 3) “Other” includes business activities relating to real estate rental and corporate expenditure relating to corporate communication and operation of the head office.

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

Three months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Restructuring incomes	435	3,318
Other	4,551	126
Adjustment items (income)	4,986	3,445

Restructuring incomes for the three months ended June 30, 2023 mainly related to gains on sale of real estate. Other (income) for the three months ended June 30, 2022 mainly related to gains on sale of real estate.

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

Three months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Restructuring costs	1,800	240
Other	20	47
Adjustment items (costs)	1,820	287

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, 2023 includes cash and cash equivalents of ¥97,691 million and ¥125,485 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, 2023	775,957	2,446,063	246,442
Individual acquisition	43,113	-	13,604
Transfer to investment property	(6)	-	-
Transfer to assets held for sale	(1,428)	-	(1)
Depreciation or amortization	(48,419)	-	(37,869)
Impairment losses	(859)	-	-
Reversal of impairment losses	274	-	-
Sale or disposal	(1,555)	-	(165)
Exchange differences on translation of foreign operations	43,332	208,242	15,431
Other	(258)	-	(151)
As of June 30, 2023	<u>810,150</u>	<u>2,654,306</u>	<u>237,291</u>

8. Bonds

The bonds issued for the six months ended June 30, 2023 are as follows:

Company	Name of bond	Date of issuance	(Millions of yen)		Collateral	Date of maturity
			Carrying amount	Interest rate (%)		
Japan Tobacco Inc.	15th domestic straight bond	April 20, 2023	10,000	0.713	Yes	April 19, 2030
Japan Tobacco Inc.	16th domestic straight bond	April 20, 2023	30,000	0.920	Yes	April 20, 2033
Japan Tobacco Inc.	17th domestic straight bond	April 20, 2023	20,000	1.630	Yes	April 20, 2043

Also, for the six months ended June 30, 2023, the Group purchased a portion of the following bonds.

Company	Name of bond	(Millions of USD)		
		Total amount issued	Purchase amount	Residual amount
JT International Financial Services B.V.	Straight bond in USD due 2028	500	1	500
JT International Financial Services B.V.	Straight bond in USD due 2031	625	12	613

9. Dividends

Dividends paid for each interim period are as follows:

Six months ended June 30, 2022

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

Six months ended June 30, 2023

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Annual Shareholders' Meeting (March 24, 2023)	Ordinary shares	200,558	113	December 31, 2022	March 27, 2023

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

Six months ended June 30, 2022

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

Six months ended June 30, 2023

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Board of Directors (July 31, 2023)	Ordinary shares	166,856	94	June 30, 2023	September 1, 2023

10. Revenue

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

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	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>

Six months ended June 30, 2023

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	1,217,196	-	-	-	1,217,196
Other	53,852	47,652	73,402	711	175,616
Total	<u>1,271,048</u>	<u>47,652</u>	<u>73,402</u>	<u>711</u>	<u>1,392,812</u>

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥39,140 million and ¥39,462 million for the six months ended June 30, 2022 and 2023, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

11. Other Operating Income

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

Six months ended June 30, 2022 and 2023

	2022	2023
		(Millions of yen)
	<u>2022</u>	<u>2023</u>
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	5,602	3,981
Other (Note)	2,279	5,064
Total	<u>7,881</u>	<u>9,046</u>

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

Six months ended June 30, 2022 and 2023

	2022	2023
		(Millions of yen)
	<u>2022</u>	<u>2023</u>
Gain on sale of property, plant and equipment, intangible assets and investment property	509	3,304
Other	5	20
Total	<u>514</u>	<u>3,324</u>

12. 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, 2022 and 2023

	(Millions of yen)	
	2022	2023
Advertising expenses	11,327	15,181
Promotion expenses	42,948	46,973
Commission (Note)	32,673	37,669
Employee benefit expenses (Note)	152,528	172,454
Research and development expenses	32,585	34,884
Depreciation and amortization (Note)	55,718	52,487
Impairment losses on other than financial assets (Note)	1,650	892
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	2,286	1,502
Other (Note)	55,777	66,005
Total	<u>387,491</u>	<u>428,046</u>

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

Six months ended June 30, 2022 and 2023

	(Millions of yen)	
	2022	2023
Employee benefit expenses	37	1,080
Impairment losses on other than financial assets	1,115	99
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	1,462	717
Other	438	489
Total	<u>3,052</u>	<u>2,386</u>

13. 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, 2022 and 2023

	(Millions of yen)	
Financial Income	2022	2023
Dividend income	394	392
Interest income	9,423	16,317
Other	69	285
Total	<u>9,886</u>	<u>16,994</u>

Six months ended June 30, 2022 and 2023

	(Millions of yen)	
Financial Costs	2022	2023
Interest expenses	14,048	14,203
Foreign exchange losses (Note 1)	3,404	35,509
Employee benefit expenses (Note 2)	1,576	2,507
Loss on net monetary position	10,688	2,886
Other	2,157	2,014
Total	<u>31,873</u>	<u>57,119</u>

(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.

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, 2022 and 2023

	2022	2023
Profit for the period attributable to owners of the parent company	264,063	287,009
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	264,063	287,009

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

Six months ended June 30, 2022 and 2023

	2022	2023
Weighted-average number of shares during the period	1,774,645	1,774,988

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Six months ended June 30, 2022 and 2023

	2022	2023
Profit for the period used for calculation of basic interim earnings per share	264,063	287,009
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	264,063	287,009

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

Six months ended June 30, 2022 and 2023

	2022	2023
Weighted-average number of ordinary shares during the period	1,774,645	1,774,988
Increased number of ordinary shares under subscription rights to shares	654	477
Weighted-average number of diluted ordinary shares during the period	1,775,299	1,775,465

(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, 2022 and 2023

	2022	2023
Profit for the period attributable to owners of the parent company	139,953	142,325
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	139,953	142,325

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

Three months ended June 30, 2022 and 2023

	2022	2023
Weighted-average number of shares during the period	1,774,726	1,775,061

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended June 30, 2022 and 2023

	2022	2023
Profit for the period used for calculation of basic interim earnings per share	139,953	142,325
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	139,953	142,325

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

Three months ended June 30, 2022 and 2023

	2022	2023
Weighted-average number of ordinary shares during the period	1,774,726	1,775,061
Increased number of ordinary shares under subscription rights to shares	616	404
Weighted-average number of diluted ordinary shares during the period	1,775,343	1,775,465

15. Financial Instruments

(Fair Value of Financial Instruments)

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

(Millions of yen)

	As of December 31, 2022		As of June 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	157,249	156,294	162,196	162,557
Bonds (Note)	737,329	645,061	863,774	784,477

(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, 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	24,285	-	24,285
Equity securities	21,551	-	9,786	31,337
Other	579	6,721	12,522	19,822
Total	22,130	31,006	22,308	75,444
Derivative liabilities	-	20,990	-	20,990
Total	-	20,990	-	20,990

As of June 30, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	14,022	-	14,022
Equity securities	22,654	-	11,268	33,922
Other	693	12,156	14,589	27,438
Total	23,348	26,178	25,857	75,382
Derivative liabilities	-	31,166	-	31,166
Total	-	31,166	-	31,166

16. Commitments

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

	As of December 31, 2022	As of June 30, 2023
Acquisition of property, plant and equipment	36,933	53,625

17. Contingencies

As of June 30, 2023, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2022.

18. Subsequent Events

No items to report

2. Others

(Dividends)

The Board of Directors, at a meeting held on July 31, 2023, declared the following interim dividends for the current fiscal year.

- | | |
|---|-------------------|
| (a) Total amount of interim dividends | ¥166,856 million |
| (b) Amount per share | ¥94.00 |
| (c) Effective date of requests for payment, and commencement date of payments | September 1, 2023 |

(Note) Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of June 30, 2023.

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

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

July 31, 2023

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, 2023, 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, 2023, 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, actions taken to eliminate threats or safeguards applied.

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.