

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]



MEMBERSHIP
July 31, 2023

Consolidated Financial Results for the Six Months Ended June 30, 2023 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jti.co.jp/>
Representative: Masamichi Terabatake, Representative Director and President,
Chief Executive Officer
Contact: Nobuya Kato, Senior Vice President, Chief Financial Officer and Corporate
Communications
Telephone: +81-3-6636-2914
Scheduled date to file Quarterly Securities Report: July 31, 2023
Scheduled starting date of the dividend payments: September 1, 2023
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to June 30, 2023)

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

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2023	1,392,812	9.9	413,555	8.0	373,430	3.4	288,462	8.9
June 30, 2022	1,266,828	10.7	382,972	18.9	360,985	14.9	265,004	17.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2023	287,009	8.7	535,212	(46.6)	161.70	161.65
June 30, 2022	264,063	17.3	1,002,901	150.2	148.80	148.74

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2023	6,974,355	3,949,717	3,867,642	55.5	2,178.87
December 31, 2022	6,548,078	3,616,761	3,540,435	54.1	1,994.78

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	-	75.00	-	113.00	188.00
Year ending December 31, 2023	-	94.00			
Year ending December 31, 2023 (Forecast)			-	94.00	188.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Year ending December 31, 2023	2,759,000	3.8	633,000	(3.1)	457,000	3.2	Yen 257.46

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

[Additional Information] Growth rate in adjusted operating profit at constant FX:

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.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant FX	
	Millions of yen	%
Six months ended June 30, 2023 (Cumulative)	434,330	4.7
Year ending December 31, 2023 (Forecast)	730,000	0.3

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

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

For detailed information on the consolidated financial results, please refer to the materials for investors' meeting that were released on the Company's website (<https://www.jt.com/investors/>) on July 31, 2023.

Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: YesFor details, please refer to “1. Matters Regarding Summary Information, (1) Changes in Accounting Policies and Changes in Accounting Estimates.”
- (3) Number of shares issued (ordinary shares)
 - a. Total number of shares issued at the end of the period (including treasury shares)

As of June 30, 2023	2,000,000,000 shares
As of December 31, 2022	2,000,000,000 shares
 - b. Number of treasury shares at the end of the period

As of June 30, 2023	224,934,347 shares
As of December 31, 2022	225,146,463 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	1,774,988,149 shares
Six months ended June 30, 2022	1,774,644,814 shares

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

* Proper use of earnings forecasts, and other special matters

- (1) The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to “FORWARD-LOOKING STATEMENTS” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
- (2) The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance.

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant 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 from adjusted operating profit for the current period in the Tobacco Business. The results for the six months ended June 30, 2023 on a constant FX basis exclude the increase in profit due to inflation in some markets calculated using certain methods.

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”.

Attached Materials

Index

1. Matters Regarding Summary Information.....	2
(1) Changes in Accounting Policies and Changes in Accounting Estimates	2
(2) Revisions to the Consolidated Earnings Forecasts Most Recently Announced.....	2
2. Condensed Interim Consolidated Financial Statements.....	4
(1) Condensed Interim Consolidated Statement of Financial Position.....	4
(2) Condensed Interim Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	6
(3) Condensed Interim Consolidated Statement of Changes in Equity	8
(4) Condensed Interim Consolidated Statement of Cash Flows	10
(5) Segment Information.....	12
(6) Note on Premise of Going Concern.....	16

1. Matters Regarding Summary Information

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

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 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 ended December 31, 2023.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ended 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	Adoption of temporary exception to the requirement from tax law enacted or substantively enacted to implement international tax reform-the 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 or disclosure for 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 rule.

(Changes in Accounting Estimates)

The Group had previously used a period of 10 to 15 years for the estimated useful lives of tobacco production machinery. However, in consideration of changes in the business environment, the Group has, from the year ending December 31, 2023, revised the estimated useful lives for some tobacco production machinery to 18 years based on estimated economically useful lives that are more consistent with actual conditions and applied this change prospectively.

As a result, operating profit for the six months ended June 30, 2023 increased by ¥4,895 million compared to the figure calculated using the previous method.

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

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

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced		Year-on-year changes [%]
		Amount	%	
Revenue	2,759.0	130.0	4.9	3.8
Adjusted operating profit	683.0	16.0	2.4	(6.2)
Operating profit	633.0	21.0	3.4	(3.1)
Profit attributable to owners of the parent company	457.0	17.0	3.9	3.2
Adjusted operating profit at constant FX	730.0	2.0	0.3	0.3

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties.

Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition, changing consumer preferences and behavior;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

Notes on the Russia-Ukraine War

The Group is fully committed to complying with all applicable sanctions, restrictions, 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 its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

2. 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	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	775,957	810,150
Goodwill	2,446,063	2,654,306
Intangible assets	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 and Consolidated Statement of Comprehensive Income

Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2022 and 2023

(Millions of yen)

	2022	2023
Revenue	1,266,828	1,392,812
Cost of sales	(507,869)	(563,811)
Gross profit	758,959	829,001
Other operating income	7,881	9,046
Share of profit in investments accounted for using the equity method	3,623	3,554
Selling, general and administrative expenses	(387,491)	(428,046)
Operating profit	382,972	413,555
Financial income	9,886	16,994
Financial costs	(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)	148.80	161.70
Diluted (Yen)	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	414,851	442,832

Condensed Interim Consolidated Statement of Comprehensive Income

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

(3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

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

(4) Condensed Interim Consolidated Statement of Cash Flows

Six months ended June 30, 2022 and 2023

	2022	2023
		(Millions of yen)
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)

	(Millions of yen)	
	2022	2023
Cash flows from financing activities		
Dividends paid to owners of the parent company	(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	-	59,795
Redemption of bonds	-	(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	748,696	827,220

(5) Segment Information

A. Outline of Reportable Segments

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

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods.

The reportable segments of the Group are composed of three segments: “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business.”

The “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.

B. Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments are as follows. The Board of Directors assesses segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Since financial income, financial costs and income taxes are managed by the Group head office, these income and expense categories are excluded from segmental performance. Transactions within segments are primarily based upon prevailing market prices.

Six months ended June 30, 2022

(Millions of yen)

	Reportable Segments				Other (Note 3)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	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 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)	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)	<u>392,593</u>	<u>302,951</u>	<u>521,652</u>	<u>1,217,196</u>
Adjusted operating profit (Note 1)	<u>145,152</u>	<u>137,867</u>	<u>167,160</u>	<u>450,179</u>

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. 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

(6) Note on Premise of Going Concern

No items to report