

[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  
April 28, 2022

## Consolidated Financial Results for the Three Months Ended March 31, 2022 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)  
Listed Stock Exchange: Tokyo Stock Exchange  
URL: <https://www.jti.co.jp/>  
Representative: Masamichi Terabatake, Representative Director and President,  
Chief Executive Officer  
Contact: Hiroyuki Fukuda, Senior Vice President, Corporate Communications  
Telephone: +81-3-6636-2914  
Scheduled date to file Quarterly Securities Report: April 28, 2022  
Scheduled starting date of the dividend payments: –  
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 Three Months of the Fiscal Year Ending December 31, 2022 (from January 1, 2022 to March 31, 2022)

#### (1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2022	581,505	6.2	178,368	11.4	174,699	11.7	124,602	9.3
March 31, 2021	547,366	5.3	160,129	24.2	156,342	35.8	114,039	31.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
March 31, 2022	124,110	9.1	230,570	(5.2)	69.94	69.91
March 31, 2021	113,786	31.7	243,127	-	64.13	64.10

#### (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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
March 31, 2022	5,747,354	2,983,147	2,905,828	50.6	1,637.49
December 31, 2021	5,774,209	2,886,081	2,809,258	48.7	1,583.10

## 2. Cash Dividends

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

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

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

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending December 31, 2022	2,315,000	(0.4)	534,000	7.0	356,000	5.2	200.62

Note: Revisions to the consolidated earnings forecasts most recently announced: None

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

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

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Three months ended March 31, 2022 (Cumulative)	186,114	4.5
Year ending December 31, 2022 (Forecast)	635,000	4.0

Note: Revisions to the consolidated earnings forecasts most recently announced: None

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 April 28, 2022.

## Notes

- (1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
  - a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: NoneFor 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 March 31, 2022	2,000,000,000 shares
As of December 31, 2021	2,000,000,000 shares
  - b. Number of treasury shares at the end of the period

As of March 31, 2022	225,432,376 shares
As of December 31, 2021	225,475,301 shares
  - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2022	1,774,562,503 shares
Three months ended March 31, 2021	1,774,254,698 shares

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

\* Proper use of earnings forecasts, and other special matters

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

### Adjusted operating profit

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

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

## Attached Materials

### 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 significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2021 except the following item.

The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

(Changes in Accounting Policies)

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

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

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

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

No items to report.

## Notes on the Russia-Ukraine War

Based on the recent Russia-Ukraine war, the Company suspended all new investments and marketing activities in the Russian market. Given the challenging and unpredictable environment, the Company has continued to evaluate various options for the Russia business, including the potential transfer of ownership.

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

## Notes on the Spread of COVID-19

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

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

## FORWARD-LOOKING STATEMENTS

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

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

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

## 2. Condensed Interim Consolidated Financial Statements

### (1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2021	As of March 31, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	721,731	655,260
Trade and other receivables	456,587	445,368
Inventories	563,182	583,431
Other financial assets	17,254	35,228
Other current assets	562,034	524,756
Subtotal	2,320,789	2,244,043
Non-current assets held for sale	500	1,496
Total current assets	2,321,289	2,245,540
<b>Non-current assets</b>		
Property, plant and equipment	755,843	760,139
Goodwill	2,060,965	2,102,765
Intangible assets	307,152	297,001
Investment property	4,985	4,931
Retirement benefit assets	53,177	58,843
Investments accounted for using the equity method	41,721	40,116
Other financial assets	108,658	112,425
Deferred tax assets	120,419	125,595
Total non-current assets	3,452,920	3,501,815
<b>Total assets</b>	<b>5,774,209</b>	<b>5,747,354</b>

	(Millions of yen)	
	As of December 31, 2021	As of March 31, 2022
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	555,777	483,795
Bonds and borrowings	142,901	162,515
Income tax payables	30,794	49,970
Other financial liabilities	28,342	39,660
Provisions	24,858	30,698
Other current liabilities	717,653	611,657
Total current liabilities	1,500,326	1,378,294
<b>Non-current liabilities</b>		
Bonds and borrowings	775,721	799,954
Other financial liabilities	43,885	44,824
Retirement benefit liabilities	296,176	276,074
Provisions	22,867	20,999
Other non-current liabilities	179,195	172,749
Deferred tax liabilities	69,959	71,313
Total non-current liabilities	1,387,803	1,385,913
Total liabilities	2,888,128	2,764,207
<b>Equity</b>		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,899)	(490,806)
Other components of equity	(400,086)	(314,668)
Retained earnings	2,863,843	2,874,902
Equity attributable to owners of the parent company	2,809,258	2,905,828
Non-controlling interests	76,823	77,319
Total equity	2,886,081	2,983,147
<b>Total liabilities and equity</b>	<b>5,774,209</b>	<b>5,747,354</b>



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

**Condensed Interim Consolidated Statement of Income**

Three months ended March 31, 2021 and 2022

	(Millions of yen)	
	2021	2022
Revenue	547,366	581,505
Cost of sales	(216,602)	(231,280)
Gross profit	330,764	350,224
Other operating income	2,409	2,616
Share of profit in investments accounted for using the equity method	558	816
Selling, general and administrative expenses	(173,603)	(175,288)
Operating profit	160,129	178,368
Financial income	3,538	5,150
Financial costs	(7,325)	(8,819)
Profit before income taxes	156,342	174,699
Income taxes	(42,303)	(50,097)
Profit for the period	114,039	124,602
<b>Attributable to:</b>		
Owners of the parent company	113,786	124,110
Non-controlling interests	252	492
Profit for the period	114,039	124,602
<b>Interim earnings per share</b>		
Basic (Yen)	64.13	69.94
Diluted (Yen)	64.10	69.91

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

	(Millions of yen)	
	2021	2022
Operating profit	160,129	178,368
Amortization cost of acquired intangibles arising from business acquisitions	16,270	16,267
Adjustment items (income)	(1,329)	(1,142)
Adjustment items (costs)	3,021	1,388
Adjusted operating profit	178,091	194,881

## Condensed Interim Consolidated Statement of Comprehensive Income

Three months ended March 31, 2021 and 2022

	2021	(Millions of yen) 2022
Profit for the period	114,039	124,602
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	999	420
Remeasurements of defined benefit plans	11,793	20,055
Total of items that will not be reclassified to profit or loss	12,791	20,474
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of foreign operations	116,617	84,605
Net gain (loss) on derivatives designated as cash flow hedges	(320)	889
Total of items that may be reclassified subsequently to profit or loss	116,297	85,494
Other comprehensive income (loss), net of taxes	129,088	105,968
Comprehensive income (loss) for the period	243,127	230,570
<b>Attributable to:</b>		
Owners of the parent company	242,441	229,669
Non-controlling interests	686	902
Comprehensive income (loss) for the period	243,127	230,570

### (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
<b>As of January 1, 2021</b>	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	116,195	(320)	996
Comprehensive income (loss) for the period	-	-	-	-	116,195	(320)	996
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	45	(26)	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(46)	-
Total transactions with the owners	-	-	45	(26)	-	(46)	-
<b>As of March 31, 2021</b>	<u>100,000</u>	<u>736,400</u>	<u>(491,462)</u>	<u>1,226</u>	<u>(498,180)</u>	<u>(244)</u>	<u>8,221</u>
<b>As of January 1, 2022</b>	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	84,176	889	444
Comprehensive income (loss) for the period	-	-	-	-	84,176	889	444
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	94	(52)	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(31)
Other increase (decrease)	-	-	-	-	-	(9)	-
Total transactions with the owners	-	-	93	(52)	-	(9)	(31)
<b>As of March 31, 2022</b>	<u>100,000</u>	<u>736,400</u>	<u>(490,806)</u>	<u>1,149</u>	<u>(323,999)</u>	<u>607</u>	<u>7,575</u>

(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				
<b>As of January 1, 2021</b>	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	113,786	113,786	252	114,039
Other comprehensive income (loss)	11,783	128,654	-	128,654	434	129,088
Comprehensive income (loss) for the period	11,783	128,654	113,786	242,441	686	243,127
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(26)	(19)	0	-	0
Dividends	-	-	(136,617)	(136,617)	(682)	(137,299)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	-	(1)
Transfer from other components of equity to retained earnings	(11,783)	(11,783)	11,783	-	-	-
Other increase (decrease)	-	(46)	-	(46)	-	(46)
Total transactions with the owners	(11,783)	(11,855)	(124,854)	(136,664)	(682)	(137,347)
<b>As of March 31, 2021</b>	-	(488,977)	2,772,650	2,628,611	76,664	2,705,275
<b>As of January 1, 2022</b>	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	-	-	124,110	124,110	492	124,602
Other comprehensive income (loss)	20,049	105,559	-	105,559	409	105,968
Comprehensive income (loss) for the period	20,049	105,559	124,110	229,669	902	230,570
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(52)	(41)	0	-	0
Dividends	-	-	(133,089)	(133,089)	(405)	(133,495)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	(20,049)	(20,080)	20,080	-	-	-
Other increase (decrease)	-	(9)	-	(9)	-	(9)
Total transactions with the owners	(20,049)	(20,141)	(113,051)	(133,098)	(405)	(133,504)
<b>As of March 31, 2022</b>	-	(314,668)	2,874,902	2,905,828	77,319	2,983,147

#### (4) Condensed Interim Consolidated Statement of Cash Flows

Three months ended March 31, 2021 and 2022

	2021	2022
	(Millions of yen)	
<b>Cash flows from operating activities</b>		
Profit before income taxes	156,342	174,699
Depreciation and amortization	44,809	46,372
Impairment losses	1,303	110
Interest and dividend income	(1,800)	(3,222)
Interest expense	5,761	6,092
Share of profit in investments accounted for using the equity method	(558)	(816)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	31	(741)
(Increase) decrease in trade and other receivables	(7,090)	22,904
(Increase) decrease in inventories	8,994	(2,262)
Increase (decrease) in trade and other payables	(61,006)	(77,420)
Increase (decrease) in retirement benefit liabilities	(9,332)	(5,369)
(Increase) decrease in prepaid tobacco excise taxes	(17,270)	24,134
Increase (decrease) in tobacco excise tax payables	(36,513)	(79,872)
Increase (decrease) in consumption tax payables	(9,165)	(5,667)
Other	(9,621)	(19,484)
Subtotal	64,885	79,458
Interest and dividends received	1,807	3,386
Interest paid	(4,362)	(7,005)
Income taxes paid	(49,975)	(36,856)
Net cash flows from operating activities	12,354	38,983
<b>Cash flows from investing activities</b>		
Purchase of securities	(5,640)	(11,965)
Proceeds from sale and redemption of securities	3,162	7,917
Purchase of property, plant and equipment	(18,977)	(16,386)
Proceeds from sale of investment property	697	352
Purchase of intangible assets	(3,140)	(3,236)
Payments into time deposits	-	(0)
Proceeds from withdrawal of time deposits	50	1,252
Proceeds from sale of investments in associates	1,114	-
Other	286	(659)
Net cash flows from investing activities	(22,449)	(22,726)

	2021	(Millions of yen) 2022
<b>Cash flows from financing activities</b>		
Dividends paid to owners of the parent company	(131,819)	(129,249)
Dividends paid to non-controlling interests	(756)	(314)
Capital contribution from non-controlling interests	8	13
Increase (decrease) in short-term borrowings and commercial paper	10,212	17,849
Proceeds from long-term borrowings	-	34
Repayments of long-term borrowings	(204)	(208)
Repayments of lease liabilities	(4,889)	(4,892)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	-
Other	0	0
Net cash flows from financing activities	(127,449)	(116,767)
<b>Net increase (decrease) in cash and cash equivalents</b>	(137,544)	(100,510)
<b>Cash and cash equivalents at the beginning of the period</b>	538,844	721,731
<b>Effect of exchange rate changes on cash and cash equivalents</b>	23,006	34,039
<b>Cash and cash equivalents at the end of the period</b>	424,306	655,260

## **(5) Segment Information**

### **A. Outline of Reportable Segments**

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

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

The Group has changed the previous four reportable segments of “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” to the three reportable segments of “Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business” as a result of unifying the business management structure of the tobacco business from the three months ended March 31, 2022.

Due to the change in the segment classification, the segment information for the three months ended March 31, 2021 has been reclassified to conform with the presentation for the three months ended March 31, 2022.

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

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

## B. Revenues and Performances of Reportable Segments

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

Three months ended March 31, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	493,581	19,659	33,793	547,033	333	-	547,366
Intersegment revenue	64	-	0	64	1,282	(1,346)	-
Total revenue	<u>493,644</u>	<u>19,659</u>	<u>33,793</u>	<u>547,096</u>	<u>1,615</u>	<u>(1,346)</u>	<u>547,366</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>182,302</u>	<u>4,228</u>	<u>326</u>	<u>186,856</u>	<u>(8,737)</u>	<u>(28)</u>	<u>178,091</u>

¥473,125 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	194,144	122,395	156,585	473,125
Adjusted operating profit	76,729	57,752	47,821	182,302

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.



Three months ended March 31, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Revenue							
External revenue	523,936	21,294	35,664	580,893	611	-	581,505
Intersegment revenue	59	-	0	59	1,226	(1,284)	-
Total revenue	<u>523,994</u>	<u>21,294</u>	<u>35,664</u>	<u>580,952</u>	<u>1,837</u>	<u>(1,284)</u>	<u>581,505</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>197,343</u>	<u>4,567</u>	<u>412</u>	<u>202,322</u>	<u>(7,403)</u>	<u>(38)</u>	<u>194,881</u>

¥502,037 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue	192,925	125,200	183,912	502,037
Adjusted operating profit	75,723	61,210	60,410	197,343

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

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

Three months ended March 31, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	182,302	4,228	326	186,856	(8,737)	(28)	178,091
Amortization cost of acquired intangibles arising from business acquisitions	(16,270)	-	-	(16,270)	-	-	(16,270)
Adjustment items (income) (Note 3)	1,327	-	-	1,327	1	-	1,329
Adjustment items (costs) (Note 4)	(1,754)	0	(1,069)	(2,823)	(198)	-	(3,021)
Operating profit (loss)	165,606	4,228	(744)	169,091	(8,934)	(28)	160,129
Financial income							3,538
Financial costs							(7,325)
Profit before income taxes							<u>156,342</u>

Three months ended March 31, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharma- ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	197,343	4,567	412	202,322	(7,403)	(38)	194,881
Amortization cost of acquired intangibles arising from business acquisitions	(16,267)	-	-	(16,267)	-	-	(16,267)
Adjustment items (income) (Note 3)	955	-	-	955	186	-	1,142
Adjustment items (costs) (Note 4)	(696)	-	(94)	(789)	(599)	-	(1,388)
Operating profit (loss)	181,337	4,567	318	186,221	(7,815)	(38)	178,368
Financial income							5,150
Financial costs							(8,819)
Profit before income taxes							<u>174,699</u>

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

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

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

Three months ended March 31, 2021 and 2022

	2021	2022
Restructuring incomes	4	79
Other	1,325	1,063
Adjustment items (income)	<u>1,329</u>	<u>1,142</u>

Other (income) for three months ended March 31, 2021 mainly relates to gains on sale of investments in associates for past fiscal years.

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

Three months ended March 31, 2021 and 2022

	2021	2022
Restructuring costs	2,932	1,378
Other	89	10
Adjustment items (costs)	<u>3,021</u>	<u>1,388</u>

#### **(6) Note on Premise of Going Concern**

No items to report