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February 14, 2023

Consolidated Financial Results for the Fiscal Year Ended December 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
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 Scheduled date of Annual General Meeting of Shareholders: March 24, 2023
 Scheduled date to file Securities Report: March 24, 2023
 Scheduled starting date of the dividend payments: March 27, 2023
 Drawing up supplementary documents on financial results: Yes
 Holding 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 Fiscal Year Ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended								
December 31, 2022	2,657,832	14.3	653,575	31.0	593,450	25.6	444,174	30.6
December 31, 2021	2,324,838	11.1	499,021	6.4	472,390	12.5	340,181	9.0

	Profit attributable to owners of the parent company		Comprehensive income for the year		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended						
December 31, 2022	442,716	30.8	998,229	84.8	249.45	249.36
December 31, 2021	338,490	9.1	540,258	306.6	190.76	190.68

	Ratio of profit to equity attributable to owners of the parent company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended			
December 31, 2022	13.9	9.6	24.6
December 31, 2021	12.7	8.5	21.5

Reference: Share of profit (loss) in investments accounted for using the equity method:

Fiscal year ended December 31, 2022: ¥8,009 million; Fiscal year ended December 31, 2021: ¥3,997 million

(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
December 31, 2022	6,548,078	3,616,761	3,540,435	54.1	1,994.78
December 31, 2021	5,774,209	2,886,081	2,809,258	48.7	1,583.10

(3) Consolidated Cash Flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	483,799	(101,822)	(306,176)	866,885
December 31, 2021	598,909	(97,499)	(353,138)	721,731

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Year ended December 31, 2021	Yen -	Yen 65.00	Yen -	Yen 75.00	Yen 140.00	Millions of yen 248,433	% 73.4	% 9.3
Year ended December 31, 2022	-	75.00	-	113.00	188.00	333,672	75.4	10.5
Year ending December 31, 2023 (Forecast)	-	94.00	-	94.00	188.00		75.8	

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
Year ending December 31, 2023	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	2,629,000	(1.1)	612,000	(6.4)	440,000	(0.6)	247.91

[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 rates 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	%
Year ended December 31, 2022	665,666	9.0
Year ending December 31, 2023 (Forecast)	728,000	0.0

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 "1. Business Results" in attached materials.

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 February 14, 2023.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None

For details, please refer to "3. Consolidated Financial Statements and Major Notes (IFRS), (6) Notes to Consolidated Financial Statements (Changes in accounting policies)."
- (3) Number of shares issued (ordinary shares)
 - a. Total number of shares issued at the end of the period (including treasury shares)

As of December 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 December 31, 2022	225,146,463 shares
As of December 31, 2021	225,475,301 shares
 - c. Average number of shares during the period

Fiscal year ended December 31, 2022	1,774,749,410 shares
Fiscal year ended December 31, 2021	1,774,419,289 shares

[Reference] Overview of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

Year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	542,181	(8.4)	64,574	(31.2)	273,734	(1.8)	283,461	30.7
December 31, 2021	592,220	(0.8)	93,839	(7.0)	278,809	15.9	216,896	(10.3)

Year ended	Net income per share	Diluted earnings per share
	Yen	Yen
December 31, 2022	159.72	159.66
December 31, 2021	122.23	122.18

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2022	2,363,267	1,368,643	57.9	770.57
December 31, 2021	2,487,979	1,344,696	54.0	757.10

Reference: Equity:

As of December 31, 2022: ¥1,367,642 million; As of December 31, 2021: ¥1,343,494 million

Reason for difference compared with the previous fiscal year's actual non-consolidated financial results

For the current fiscal year, a difference has arisen in net income between the actual results for the current fiscal year and the actual results for the previous fiscal year due to the impact from the recording of extraordinary income, and other factors.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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.

Attached Materials

Index

1. Business Results	2
(1) Consolidated Business Results	2
(2) Consolidated Financial Position	4
(3) Outlook for the Next Fiscal Year	5
(4) Basic policy on Profit Distribution and Dividends for Fiscal Years 2022 and 2023.....	6
2. Basic Principle on the Choice of Accounting Standards.....	7
3. Consolidated Financial Statements and Major Notes (IFRS).....	8
(1) Consolidated Statement of Financial Position	8
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	10
(3) Consolidated Statement of Changes in Equity	12
(4) Consolidated Statement of Cash Flows.....	14
(5) Notes on Premise of Going Concern.....	16
(6) Notes to Consolidated Financial Statements	16
(Changes in accounting policies).....	16
(Segment information).....	17
(Per share information)	23
(Significant subsequent events).....	24
4. Non-consolidated Financial Statements and Major Notes (Japanese GAAP).....	25
(1) Non-consolidated Balance Sheet	25
(2) Non-consolidated Statement of Income	28
(3) Non-consolidated Statement of Changes in Net Assets	29
(4) Notes on Premise of Going Concern.....	31

1. Business Results

(Non-GAAP Financial Measures)

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

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

Furthermore, growth rate in adjusted operating profit at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single-digit over the mid- to long-term and will continue to pursue this goal. Adjusted operating profit at constant FX is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year and increase in revenue or profit due to inflation in some markets calculated using certain methods from adjusted operating profit, core revenue, or from core revenue from tobacco business for the current period in the Tobacco Business.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 "Financial Reporting in Hyperinflationary Economies" (hereinafter referred to as "IAS 29"). However, the impact of IAS 29 is not included in adjusted operating profit at constant FX, core revenue at constant FX, or in the core revenue from tobacco business.

(1) Consolidated Business Results

a. General summary

(Billions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Change
Revenue	2,324.8	2,657.8	14.3%
Adjusted operating profit	610.4	727.8	19.2%
Operating profit	499.0	653.6	31.0%
Profit attributable to owners of the parent company	338.5	442.7	30.8%
Adjusted operating profit at constant FX	610.4	665.7	9.0%

Revenue

Revenue increased by 14.3% from the previous year to ¥2,657.8 billion due to increases in all businesses. Core revenue ^(Note 1) at constant FX increased by 4.8% from the previous year.

Adjusted operating profit

Adjusted operating profit at constant FX increased by 9.0% from the previous year driven by growth in the Tobacco Business and the Pharmaceutical Business, partially offset by a decrease in the Processed Food Business. Adjusted operating profit including foreign exchange effects increased by 19.2% from the previous year to ¥727.8 billion, due mainly to favorable foreign exchange effects in the Tobacco Business and other factors.

Operating profit

Operating profit increased by 31.0% from the previous year to ¥653.6 billion, driven by the increase in adjusted operating profit and other factors.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company increased by 30.8% from the previous year to ¥442.7 billion due to an increase in operating profit, despite an increase in financing costs.

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

b. Review of operations by business segment

Please refer to the 2022 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(2) Consolidated Financial Position

Cash and cash equivalents at the end of the current fiscal year increased by ¥145.2 billion from the end of the previous fiscal year to ¥866.9 billion. Cash and cash equivalents at the end of the previous fiscal year was ¥721.7 billion.

a. Cash flows from (used in) operating activities

Net cash flows from operating activities during the current fiscal year were ¥483.8 billion, compared with ¥598.9 billion provided in the previous fiscal year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite payments of trade and other payables.

b. Cash flows from (used in) investing activities

Net cash flows used in investing activities during the current fiscal year were ¥101.8 billion, compared with ¥97.5 billion used in the previous fiscal year. This was mainly due to the purchase of property, plant and equipment, and intangible assets.

c. Cash flows from (used in) financing activities

Net cash flows used in financing activities during the current fiscal year were ¥306.2 billion, compared with ¥353.1 billion used in the previous fiscal year. This was mainly due to the payment of cash dividend, despite the proceeds from issuance of bonds.

(3) Outlook for the Next Fiscal Year

a. Consolidated earnings forecasts

(Billions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ending December 31, 2023 (Forecast)	Change
Revenue	2,657.8	2,629.0	(1.1)%
Adjusted operating profit	727.8	667.0	(8.4)%
Operating profit	653.6	612.0	(6.4)%
Profit attributable to owners of the parent company	442.7	440.0	(0.6)%
Adjusted operating profit at constant FX	727.8	728.0	0.0%

Revenue

Revenue is expected to decrease by 1.1% from the current fiscal year to ¥2,629.0 billion due to the unfavorable foreign exchange effects in the Tobacco Business. Core revenue at constant FX is expected to increase by 2.0% from the current fiscal year despite decreases in the Processed Food Business.

Adjusted operating profit

Adjusted operating profit at constant FX is expected to be flat from the current fiscal year. Adjusted operating profit including foreign exchange effects is expected to decrease by 8.4% from the current fiscal year to ¥667.0 billion, due to the unfavorable foreign exchange effects in the Tobacco Business.

Operating profit and profit attributable to owners of the parent company

Operating profit is expected to decrease by 6.4% from the current fiscal year to ¥612.0 billion due mainly to a decrease in adjusted operating profit.

Profit attributable to owners of the parent company is forecast to decrease by 0.6% from the current fiscal year to ¥440.0 billion due mainly to a decrease in operating profit, despite decrease in financing costs.

b. Review of operations by business segment

Please refer to the 2022 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(4) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2022 and 2023

The Company has adopted a management resources allocation policy, under which the Company will continue to place a high priority on making business investments^(Note 1) that contribute to sustainable mid- to long-term profit growth as well as to value the balance between profit growth through business investments and shareholder returns.

In addition, the shareholder return policy has been set forth as follows:

- Aim to enhance shareholder returns by realizing the Company's mid- to long-term profit growth, while maintaining a solid financial base^(Note 2)
- Target a dividend payout ratio of about 75%^(Note 3), a competitive level^(Note 4) in the capital markets
- Consider implementing a share buy-back program, mainly taking into account the Company's financial outlook of the respective year and mid-term capital needs

Based on the above policies, the Company plans to pay a year-end dividend of ¥113 per share. Accordingly, the annualized sum will be ¥188 per share which includes an interim dividend of ¥75 per share.

Regarding the dividend for the fiscal year ending December 31, 2023, the Company plans to pay an annual dividend of ¥188 per share (including a ¥94 interim dividend).

Note 1: Investment towards the growth of the tobacco business is our highest priority. Pursue growth of Adjusted Operating Profit at constant FX through quality top-line growth through the continuous provision of new value and satisfaction to our customers and society.

Note 2: The Company will maintain a solid financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.

Note 3: To be in the range of approximately ±5%

Note 4: Monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our 4S model and have realized strong business growth.

2. Basic Principle on the Choice of Accounting Standards

The Group has used the International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2012 in order to enhance the international comparability of its financial information in capital markets and to aim to diversify its financing methods in global markets.

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 applicable regulations and international sanctions while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business. As this moment, the Company is unable to reasonably estimate the outlook and the impact on its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

	(Millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	555,777	540,089
Bonds and borrowings	142,901	137,308
Income tax payables	30,794	37,470
Other financial liabilities	28,342	40,065
Provisions	24,858	26,610
Other current liabilities	717,653	781,093
Subtotal	1,500,326	1,562,635
Liabilities directly associated with assets held for sale	-	29
Total current liabilities	1,500,326	1,562,664
Non-current liabilities		
Bonds and borrowings	775,721	821,003
Other financial liabilities	43,885	41,735
Retirement benefit liabilities	296,176	244,116
Provisions	22,867	26,490
Other non-current liabilities	179,195	195,248
Deferred tax liabilities	69,959	40,061
Total non-current liabilities	1,387,803	1,368,653
Total liabilities	2,888,128	2,931,317
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(490,899)	(490,183)
Other components of equity	(400,086)	104,309
Retained earnings	2,863,843	3,089,909
Equity attributable to owners of the parent company	2,809,258	3,540,435
Non-controlling interests	76,823	76,326
Total equity	2,886,081	3,616,761
Total liabilities and equity	5,774,209	6,548,078

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

Consolidated Statement of Income

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Revenue	2,324,838	2,657,832
Cost of sales	(956,861)	(1,090,989)
Gross profit	1,367,976	1,566,843
Other operating income	15,622	20,262
Share of profit in investments accounted for using the equity method	3,997	8,009
Selling, general and administrative expenses	(888,574)	(941,538)
Operating profit	499,021	653,575
Financial income	19,013	31,147
Financial costs	(45,645)	(91,272)
Profit before income taxes	472,390	593,450
Income taxes	(132,208)	(149,277)
Profit for the period	340,181	444,174
Attributable to:		
Owners of the parent company	338,490	442,716
Non-controlling interests	1,691	1,458
Profit for the period	340,181	444,174
Earnings per share		
Basic (Yen)	190.76	249.45
Diluted (Yen)	190.68	249.36

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

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Operating profit	499,021	653,575
Amortization cost of acquired intangibles arising from business acquisitions	68,876	71,392
Adjustment items (income)	(11,469)	(15,865)
Adjustment items (costs)	54,006	18,677
Adjusted operating profit	610,434	727,779

(3) 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, 2021	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	206,199	(68)	(65)
Comprehensive income (loss) for the period	-	-	-	-	206,199	(68)	(65)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	609	(51)	-	-	-
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	-	-	-	-	-	-	1
Other increase (decrease)	-	-	-	-	-	(327)	-
Total transactions with the owners	-	-	608	(51)	-	(327)	1
As of December 31, 2021	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	493,971	8,584	1,880
Comprehensive income (loss) for the period	-	-	-	-	493,971	8,584	1,880
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	-	717	(200)	-	-	-
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	-	-	-	-	-	-	(75)
Other increase (decrease)	-	-	-	-	-	236	-
Total transactions with the owners	-	-	716	(200)	-	236	(75)
As of December 31, 2022	100,000	736,400	(490,183)	1,001	85,796	8,546	8,966

(Millions of yen)

	Equity attributable to owners of the parent company					Total equity
	Other components of equity		Retained earnings	Total	Non-controlling interests	
	Remeasurements of defined benefit plans	Total				
As of January 1, 2021	-	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	-	-	338,490	338,490	1,691	340,181
Other comprehensive income (loss)	(6,350)	199,716	-	199,716	361	200,077
Comprehensive income (loss) for the period	(6,350)	199,716	338,490	538,206	2,052	540,258
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(51)	(558)	0	-	0
Share-based payments	-	-	479	479	33	512
Dividends	-	-	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the scope of consolidation	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	27	27	18	45
Transfer from other components of equity to retained earnings	6,350	6,351	(6,351)	-	-	-
Other increase (decrease)	-	(327)	-	(327)	-	(327)
Total transactions with the owners	6,350	5,973	(258,364)	(251,782)	(1,890)	(253,672)
As of December 31, 2021	-	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	-	-	442,716	442,716	1,458	444,174
Other comprehensive income (loss)	49,535	553,970	-	553,970	85	554,055
Comprehensive income (loss) for the period	49,535	553,970	442,716	996,687	1,542	998,229
Acquisition of treasury shares	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	(200)	(516)	0	-	0
Share-based payments	-	-	460	460	21	481
Dividends	-	-	(266,203)	(266,203)	(1,631)	(267,834)
Changes in the scope of consolidation	-	-	-	-	(429)	(429)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(1)	(1)	(0)	(1)
Transfer from other components of equity to retained earnings	(49,535)	(49,610)	49,610	-	-	-
Other increase (decrease)	-	236	-	236	-	236
Total transactions with the owners	(49,535)	(49,575)	(216,650)	(265,510)	(2,039)	(267,548)
As of December 31, 2022	-	104,309	3,089,909	3,540,435	76,326	3,616,761

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	472,390	593,450
Depreciation and amortization	187,057	199,651
Impairment losses	22,768	27,539
Interest and dividend income	(13,372)	(26,535)
Interest expense	23,050	27,019
Share of profit in investments accounted for using the equity method	(3,997)	(8,009)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(3,974)	(4,891)
(Gains) losses on sale of investments in subsidiaries	-	(849)
(Increase) decrease in trade and other receivables	(29,891)	26,574
(Increase) decrease in inventories	9,770	(93,910)
Increase (decrease) in trade and other payables	111,912	(38,251)
Increase (decrease) in retirement benefit liabilities	(23,651)	(4,156)
(Increase) decrease in prepaid tobacco excise taxes	(43,617)	(6,825)
Increase (decrease) in tobacco excise tax payables	33,167	24,989
Increase (decrease) in consumption tax payables	(3,856)	(11,461)
Other	2,849	(28,608)
Subtotal	740,605	675,728
Interest and dividends received	19,245	25,530
Interest paid	(19,113)	(23,728)
Income taxes paid	(141,829)	(193,731)
Net cash flows from operating activities	598,909	483,799
Cash flows from investing activities		
Purchase of securities	(27,810)	(37,414)
Proceeds from sale and redemption of securities	24,137	18,208
Purchase of property, plant and equipment	(86,350)	(81,411)
Proceeds from sale of investment property	8,002	7,583
Purchase of intangible assets	(16,568)	(17,997)
Payments into time deposits	(1,427)	(350)
Proceeds from withdrawal of time deposits	1,222	1,602
Proceeds from sale of investments in subsidiaries	-	2,963
Proceeds from sale of investments in associates	2,562	63
Other	(1,268)	4,930
Net cash flows from investing activities	(97,499)	(101,822)

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Cash flows from financing activities		
Dividends paid to owners of the parent company	(251,935)	(266,175)
Dividends paid to non-controlling interests	(1,958)	(1,536)
Capital contribution from non-controlling interests	42	27
Increase (decrease) in short-term borrowings and commercial paper	22,887	(27,610)
Proceeds from long-term borrowings	3,295	1,522
Repayments of long-term borrowings	(12,442)	(42,849)
Proceeds from issuance of bonds	55,334	69,175
Redemption of bonds	(147,911)	(30,000)
Repayments of lease liabilities	(20,449)	(21,009)
Acquisition of treasury shares	(1)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	(1)
Proceeds from settlement of derivatives	—	12,281
Other	0	0
Net cash flows from financing activities	<u>(353,138)</u>	<u>(306,176)</u>
Net increase (decrease) in cash and cash equivalents	148,271	75,801
Cash and cash equivalents at the beginning of the period	538,844	721,731
Effect of exchange rate changes on cash and cash equivalents	34,616	69,353
Cash and cash equivalents at the end of the period	<u><u>721,731</u></u>	<u><u>866,885</u></u>

(5) Notes on Premise of Going Concern

No items to report.

(6) Notes to consolidated financial statements

(Significant accounting estimates)

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

(Changes in accounting policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the fiscal year ended December 31, 2022.

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

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

(Segment information)

a. Outline of Reportable Segments

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

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

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

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

Due to the change in the segment classification, the segment information for the year ended December 31, 2021 has been reclassified to conform with the presentation for the year ended December 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.

Year ended December 31, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	2,095,122	80,392	147,245	2,322,759	2,078	-	2,324,838
Intersegment revenue	411	-	1	412	5,123	(5,535)	-
Total revenue	<u>2,095,533</u>	<u>80,392</u>	<u>147,246</u>	<u>2,323,172</u>	<u>7,201</u>	<u>(5,535)</u>	<u>2,324,838</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>639,244</u>	<u>11,093</u>	<u>3,956</u>	<u>654,294</u>	<u>(43,739)</u>	<u>(120)</u>	<u>610,434</u>
Other items							
Depreciation and amortization (Note 3)	171,934	5,442	6,712	184,089	2,976	(7)	187,057
Impairment losses on other than financial assets	21,431	-	1,240	22,671	97	-	22,768
Reversal of impairment losses on other than financial assets	39	-	26	66	-	-	66
Share of profit (loss) in investments accounted for using the equity method	3,847	-	49	3,897	101	-	3,997
Capital expenditures (Note 4)	80,993	5,983	10,739	97,715	3,175	(7)	100,882

¥2,001,981 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	792,221	503,129	706,631	2,001,981
Adjusted operating profit	269,264	208,006	161,975	639,244

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.

Year ended December 31, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	2,417,409	82,908	155,539	2,655,856	1,976	-	2,657,832
Intersegment revenue	332	-	3	335	7,518	(7,853)	-
Total revenue	<u>2,417,741</u>	<u>82,908</u>	<u>155,542</u>	<u>2,656,191</u>	<u>9,495</u>	<u>(7,853)</u>	<u>2,657,832</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>753,996</u>	<u>11,146</u>	<u>3,509</u>	<u>768,651</u>	<u>(40,821)</u>	<u>(52)</u>	<u>727,779</u>
Other items							
Depreciation and amortization (Note 3)	183,828	5,438	7,221	196,486	3,173	(7)	199,651
Impairment losses on other than financial assets	23,020	-	1,229	24,249	3,290	-	27,539
Reversal of impairment losses on other than financial assets	282	-	-	282	-	-	282
Share of profit (loss) in investments accounted for using the equity method	8,193	-	(4)	8,189	(181)	-	8,009
Capital expenditures (Note 4)	83,839	2,420	8,158	94,418	6,626	(0)	101,044

¥2,315,242 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	804,874	538,828	971,539	2,315,242
Adjusted operating profit	267,517	219,332	267,147	753,996

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”

Year ended December 31, 2021

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	639,244	11,093	3,956	654,294	(43,739)	(120)	610,434
Amortization cost of acquired intangibles arising from business acquisitions	(68,876)	-	-	(68,876)	-	-	(68,876)
Adjustment items (income) (Note 5)	4,399	200	129	4,728	6,742	-	11,469
Adjustment items (costs) (Note 6)	(52,328)	0	(1,157)	(53,485)	(521)	-	(54,006)
Operating profit (loss)	522,439	11,293	2,928	536,661	(37,519)	(120)	499,021
Financial income							19,013
Financial costs							(45,645)
Profit before income taxes							472,390

Year ended December 31, 2022

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	753,996	11,146	3,509	768,651	(40,821)	(52)	727,779
Amortization cost of acquired intangibles arising from business acquisitions	(71,392)	-	-	(71,392)	-	-	(71,392)
Adjustment items (income) (Note 5)	6,366	-	2,392	8,758	7,106	-	15,865
Adjustment items (costs) (Note 6)	(9,594)	-	(1,730)	(11,324)	(7,352)	-	(18,677)
Operating profit (loss)	679,375	11,146	4,171	694,693	(41,067)	(52)	653,575
Financial income							31,147
Financial costs							(91,272)
Profit before income taxes							593,450

(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) Depreciation of right-of-use assets included in "Depreciation and amortization" is as follows:

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Tobacco	17,682	20,070
Pharmaceuticals	582	681
Processed Food	494	602
Other	1,201	1,411
Depreciation of right-of-use assets	19,959	22,763

(Note 4) The increase of right-of-use assets is excluded.

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

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Restructuring incomes	5,088	2,776
Other	6,381	13,089
Adjustment items (income)	11,469	15,865

Restructuring incomes for the year ended December 31, 2021 and 2022 mainly related to gains on sale of real estate. Other (income) for the year ended December 31, 2021 mainly related to gains on sale of an investment in an associate during the past fiscal years and gains on sale of real estate. Other (income) for the year ended December 31, 2022 mainly related to gains on sale of real estate, reversal of liabilities recognized at the time of acquisition and gains on sale of shares of subsidiaries.

(Note 6) The breakdown of “Adjustment items (costs)” is as follows:

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Restructuring costs	40,032	11,302
Cooperation fee for terminating leaf tobacco farming	6,560	-
Other	7,414	7,375
Adjustment items (costs)	54,006	18,677

Restructuring costs for the year ended December 31, 2021 mainly related to costs of measures to strengthen the operations in the “Tobacco Business” and rationalization in a market in the “Tobacco Business.” Restructuring costs for the year ended December 31, 2022 mainly related to loss on disposal of real estate and costs of measures to strengthen the operations in the “Tobacco Business.” Other (costs) for the year ended December 31, 2021 mainly related to impairment losses of trademarks in the “Tobacco Business.” Other (costs) for the year ended December 31, 2022 mainly related to impairment losses of trademarks in the “Tobacco Business” and loss on sale of shares of a subsidiary.

c. Geographic information

The regional breakdown of non-current assets and external revenue as of each fiscal year end is as follows:

Non-current Assets

	(Millions of yen)	
	As of December 31, 2021	As of December 31, 2022
Japan	709,588	659,541
Overseas	2,419,357	2,818,416
Consolidated	3,128,945	3,477,957

(Note) Non-current assets, exclusive of financial instruments, deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

	(Millions of yen)	
	Year ended December 31, 2021	Year ended December 31, 2022
Japan	731,334	705,366
Overseas	1,593,504	1,952,466
Consolidated	2,324,838	2,657,832

(Note) Revenue is segmented by the sales destination.

d. Major customers information

The “Tobacco Business” of the Group sells products to the Megapolis Group that engages in distribution and wholesale business in Russia and other countries. The external revenues from the Megapolis Group were ¥258,362 million (11.1% of consolidated revenue) for the year ended December 31, 2021 and ¥387,542 million (14.6% of consolidated revenue) for the year ended December 31, 2022.

(Per share information)**(1) Basis of Calculating Basic Earnings per Share****a. Profit attributable to ordinary shareholders of the parent company**

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Profit for the period attributable to owners of the parent company	338,490	442,716
Profit not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic earnings per share	338,490	442,716

b. Weighted-average number of ordinary shares outstanding during the period

(Thousands of shares)

	Year ended December 31, 2021	Year ended December 31, 2022
Weighted-average number of shares during the period	1,774,419	1,774,749

(2) Basis of Calculating Diluted Earnings per Share**a. Profit attributable to diluted ordinary shareholders**

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Profit for the period used for calculation of basic earnings per share	338,490	442,716
Adjustment	-	-
Profit for the period used for calculation of diluted earnings per share	338,490	442,716

b. Weighted-average number of diluted ordinary shares outstanding during the period

(Thousands of shares)

	Year ended December 31, 2021	Year ended December 31, 2022
Weighted-average number of ordinary shares during the period	1,774,419	1,774,749
Increased number of ordinary shares under subscription rights to shares	741	633
Weighted-average number of diluted ordinary shares during the period	1,775,161	1,775,383

(Significant subsequent events)

No items to report.

Non-consolidated financial statements and major notes (Japanese GAAP)

(1) Non-consolidated balance sheet

	As of December 31, 2021	(Millions of yen) As of December 31, 2022
Assets		
Current assets		
Cash and deposits	238,127	193,376
Accounts receivable - trade	37,614	31,739
Securities	20,000	18,000
Merchandise and finished goods	26,768	25,424
Semi-finished goods	83,612	84,534
Work in process	1,725	1,815
Raw materials and supplies	29,364	32,017
Advance payments - trade	1,714	2,440
Prepaid expenses	5,669	5,040
Short-term loans receivable from subsidiaries and affiliates	4,967	38,649
Other	18,579	26,255
Allowance for doubtful accounts	(24)	(29)
Total current assets	468,113	459,260
Noncurrent assets		
Property, plant and equipment		
Buildings	77,170	69,893
Structures	2,404	2,066
Machinery and equipment	41,889	34,722
Vehicles	832	536
Tools, furniture and fixtures	11,898	9,996
Land	48,113	47,298
Construction in progress	384	533
Total property, plant and equipment	182,690	165,044
Intangible assets		
Patent right	91	194
Right of trademark	65,629	49,196
Software	14,818	11,652
Goodwill	143,084	107,313
Other	2,834	7,337
Total intangible assets	226,457	175,692
Investments and other assets		
Investment securities	19,136	22,358
Shares of subsidiaries and affiliates	1,492,833	1,495,647
Long-term loans receivable from subsidiaries and affiliates	51,299	6,069
Long-term prepaid expenses	7,881	7,335
Deferred tax assets	28,751	16,987
Other	14,998	15,030
Allowance for doubtful accounts	(4,179)	(154)
Total investments and other assets	1,610,719	1,563,271
Total noncurrent assets	2,019,866	1,904,007
Total assets	2,487,979	2,363,267

	As of December 31, 2021	(Millions of yen) As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	5,675	10,445
Current portion of bonds	30,000	60,000
Current portion of long-term borrowings	30,000	-
Lease obligations	2,050	230
Accounts payable - other	124,329	72,620
National tobacco excise taxes payable	69,066	72,925
National tobacco special excise taxes payable	8,298	8,791
Local tobacco excise taxes payable	78,114	82,013
Income taxes payable	10,910	1,863
Accrued consumption taxes	30,596	28,711
Cash management system deposits received	360,786	318,412
Provision for bonuses	5,898	5,675
Other	11,584	20,565
Total current liabilities	767,305	682,250
Noncurrent liabilities		
Bonds payable	125,000	65,000
Long-term borrowings	140,000	140,000
Lease obligations	3,061	152
Provision for retirement benefits	102,960	101,421
Other	4,957	5,800
Total noncurrent liabilities	375,978	312,374
Total liabilities	1,143,283	994,623

	As of December 31, 2021	(Millions of yen) As of December 31, 2022
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	736,400	736,400
Total capital surpluses	<u>736,400</u>	<u>736,400</u>
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for investment loss on developing new business	356	331
Reserve for reduction entry	37,715	34,780
Special account for reduction entry	425	574
Retained earnings brought forward	935,204	956,333
Total retained earnings	<u>992,476</u>	<u>1,010,794</u>
Treasury shares	<u>(490,899)</u>	<u>(490,183)</u>
Total shareholders' equity	<u>1,337,977</u>	<u>1,357,011</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,833	6,903
Deferred gains or losses on hedges	(316)	3,728
Total valuation and translation adjustments	<u>5,517</u>	<u>10,631</u>
Subscription rights to shares	<u>1,202</u>	<u>1,001</u>
Total net assets	<u>1,344,696</u>	<u>1,368,643</u>
Total liabilities and net assets	<u><u>2,487,979</u></u>	<u><u>2,363,267</u></u>

(2) Non-consolidated statement of income

(Millions of yen)

	Year ended December 31, 2021	Year ended December 31, 2022
Net sales	592,220	542,181
Cost of sales	154,227	173,609
Gross profit	437,993	368,572
Selling, general and administrative expenses	344,154	303,998
Operating income	93,839	64,574
Non-operating income		
Interest income	91	78
Dividends income	182,091	204,825
Other	8,660	8,205
Total non-operating income	190,842	213,108
Non-operating expenses		
Interest expenses	1,697	1,686
Interest on bonds	2,188	456
Other	1,986	1,806
Total non-operating expenses	5,871	3,948
Ordinary income	278,809	273,734
Extraordinary income		
Gain on sales of noncurrent assets	6,688	6,459
Gain on sale of businesses	—	39,005
Other	101	5,504
Total extraordinary income	6,789	50,968
Extraordinary losses		
Loss on sales of noncurrent assets	103	478
Loss on retirement of noncurrent assets	3,263	3,857
Impairment loss	1,402	4,381
Business restructuring costs	31,592	1,642
Cooperation fee for terminating leaf tobacco farming	6,560	-
Loss on redemption of bonds	4,105	-
Other	2,371	4,290
Total extraordinary losses	49,397	14,647
Income before income taxes	236,202	310,055
Income taxes - current	30,996	17,701
Income taxes - deferred	(11,690)	8,893
Total income taxes	19,306	26,594
Net income	216,896	283,461

(3) Non-consolidated statement of changes in net assets

Year ended December 31, 2021

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	736,400	18,776	377	41,711	327	966,416	1,027,608
Changes of items during the period	-	-	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	356	-	-	(356)	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	(377)	-	-	377	-
Provision of reserve for reduction entry	-	-	-	-	-	764	-	(764)	-
Reversal of reserve for reduction entry	-	-	-	-	-	(4,761)	-	4,761	-
Provision of special account for reduction entry	-	-	-	-	-	-	425	(425)	-
Reversal of special account for reduction entry	-	-	-	-	-	-	(327)	327	-
Dividends from surplus	-	-	-	-	-	-	-	(251,961)	(251,961)
Net income	-	-	-	-	-	-	-	216,896	216,896
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(67)	(67)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	-	-	-	(22)	(3,997)	98	(31,212)	(35,132)
Balance at the end of current period	100,000	736,400	736,400	18,776	356	37,715	425	935,204	992,476

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(491,507)	1,372,501	4,069	12,189	16,259	1,252	1,390,011
Changes of items during the period			-	-		-	
Provision of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Provision of reserve for reduction entry	-	-	-	-	-	-	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	-
Provision of special account for reduction entry	-	-	-	-	-	-	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-
Dividends from surplus	-	(251,961)	-	-	-	-	(251,961)
Net income	-	216,896	-	-	-	-	216,896
Purchase of treasury shares	(0)	(0)	-	-	-	-	(0)
Disposal of treasury shares	609	542	-	-	-	-	542
Net changes of items other than shareholders' equity	-	-	1,764	(12,505)	(10,742)	(51)	(10,792)
Total changes of items during the period	608	(34,524)	1,764	(12,505)	(10,742)	(51)	(45,316)
Balance at the end of current period	(490,899)	1,337,977	5,833	(316)	5,517	1,202	1,344,696

Year ended December 31, 2022

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	736,400	18,776	356	37,715	425	935,204	992,476
Cumulative effects of changes in accounting policies								1,117	1,117
Restated balance	100,000	736,400	736,400	18,776	356	37,715	425	936,321	993,593
Changes of items during the period	-	-	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	331	-	-	(331)	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	(356)	-	-	356	-
Provision of reserve for reduction entry	-	-	-	-	-	690	-	(690)	-
Reversal of reserve for reduction entry	-	-	-	-	-	(3,624)	-	3,624	-
Provision of special account for reduction entry	-	-	-	-	-	-	574	(574)	-
Reversal of special account for reduction entry	-	-	-	-	-	-	(425)	425	-
Dividends from surplus	-	-	-	-	-	-	-	(266,203)	(266,203)
Net income	-	-	-	-	-	-	-	283,461	283,461
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	(57)	(57)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	-	-	-	(25)	(2,934)	149	20,012	17,201
Balance at the end of current period	100,000	736,400	736,400	18,776	331	34,780	574	956,333	1,010,794

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(490,899)	1,337,977	5,833	(316)	5,517	1,202	1,344,696
Cumulative effects of changes in accounting policies		1,117					1,117
Restated balance	(490,899)	1,339,094	5,833	(316)	5,517	1,202	1,345,813
Changes of items during the period	0	0	-	-	0	-	0
Provision of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Provision of reserve for reduction entry	-	-	-	-	-	-	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	-
Provision of special account for reduction entry	-	-	-	-	-	-	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-
Dividends from surplus	-	(266,203)	-	-	-	-	(266,203)
Net income	-	283,461	-	-	-	-	283,461
Purchase of treasury shares	(1)	(1)	-	-	-	-	(1)
Disposal of treasury shares	717	660	-	-	-	-	660
Net changes of items other than shareholders' equity	-	-	1,070	4,045	5,114	(200)	4,914
Total changes of items during the period	716	17,917	1,070	4,045	5,114	(200)	22,831
Balance at the end of current period	(490,183)	1,357,011	6,903	3,728	10,631	1,001	1,368,643

(4) Notes on premise of going concern

No items to report.