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July 31, 2025

Consolidated Financial Results for the Six Months Ended June 30, 2025 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jt.com/>
Representative: Masamichi Terabatake, Representative Director and President,
Chief Executive Officer
Contact: Hiromasa Furukawa, Senior Vice President, Chief Financial Officer and
Corporate Communications
Telephone: +81-3-6636-2914
Scheduled date to file Semi-annual Securities Report: July 31, 2025
Scheduled starting date of the dividend payments: September 1, 2025
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 Six Months of the Fiscal Year Ending December 31, 2025 (from January 1, 2025 to June 30, 2025)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	1,734,543	10.5	479,871	10.9	437,821	9.7	321,965	4.8
June 30, 2024	1,569,892	12.7	432,662	4.6	399,073	6.9	307,126	6.5

	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, 2025	319,905	4.8	467,791	(40.9)	180.19	180.17
June 30, 2024	305,172	6.3	791,917	48.0	171.89	171.86

(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, 2025	8,262,786	4,141,838	4,059,580	49.1	2,286.58
December 31, 2024	8,370,732	3,848,727	3,766,623	45.0	2,121.33

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, 2024	-	97.00	-	97.00	194.00
Year ending December 31, 2025	-	104.00			
Year ending December 31, 2025 (Forecast)			-	104.00	208.00

Note: Revisions to the cash dividends forecasts most recently announced: Yes

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2025 (January 1, 2025 to December 31, 2025)

(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, 2025	3,344,000	6.2	739,000	128.5	494,000	175.6
						278.25

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. The Group expects an annual average of high-single digit growth during the period of the “Business Plan 2025” (fiscal year ending December 31, 2025 to fiscal year ending December 31, 2027), which was announced on February 13, 2025.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant FX	
	Millions of yen	%
Six months ended June 30, 2025 (Cumulative)	565,116	24.7
Year ending December 31, 2025 (Forecast)	862,000	14.6

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 Accounting Standards, 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 on July 31, 2025.

- The Company’s website: <https://www.jt.com/investors/>

Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Changes in accounting policies and changes in accounting estimates

- a. Changes in accounting policies due to revisions in accounting standards under IFRS Accounting Standards: Yes
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None

For details, please refer to “3. Condensed Interim Consolidated Financial Statements, (5) 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, 2025	2,000,000,000 shares
As of December 31, 2024	2,000,000,000 shares
- b. Number of treasury shares at the end of the period

As of June 30, 2025	224,604,356 shares
As of December 31, 2024	224,409,101 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2025	1,775,416,183 shares
Six months ended June 30, 2024	1,775,428,183 shares

* Semi-annual financial results reports are exempt from 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 Accounting Standards, 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 core revenue from tobacco business or from adjusted operating profit for the current period in the Tobacco Business. Adjusted operating profit results at constant FX for the six months ended June 30, 2025 excludes the increase in profit caused by 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

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1. Overview of Business Results

The results are presented in “2025 Interim Results (CFO Presentation),” which was disclosed on TDnet and the Company’s website on July 31, 2025. Please refer to the following.

- 2025 Interim Results (CFO Presentation):
https://www.jt.com/investors/results/forecast/pdf/2025/Second_Quarter/20250731_06.pdf

On May 7, 2025, the Company announced an agreement regarding the transfer of its Pharmaceutical Business to Shionogi & Co., Ltd. and the transfer of shares of its consolidated subsidiary, TORII PHARMACEUTICAL CO., LTD. Please refer to the links below for the details of the relevant announcements dated May 7, 2025.

- Notice regarding the transfer of JT Group’s Pharmaceutical Business through a company simplified absorption-type split
https://www.jt.com/media/news/2025/pdf/20250507_12.pdf
- Notice of Change in Consolidated Subsidiary (Transfer of Subsidiary Shares)
https://www.jt.com/media/news/2025/pdf/20250507_11.pdf

The details of financial position and cash flow position are as follows.

a. Financial position

[Assets]

Total assets at the end of the six months ended June 30, 2025 decreased by ¥107.9 billion from the end of the previous fiscal year to ¥8,262.8 billion. This was mainly due to a decrease in cash and cash equivalents.

[Liabilities]

Total liabilities at the end of the six months ended June 30, 2025 decreased by ¥401.1 billion from the end of the previous fiscal year to ¥4,120.9 billion. This was mainly due to a decrease in other current liabilities.

[Equity]

Total equity at the end of the six months ended June 30, 2025 increased by ¥293.1 billion from the end of the previous fiscal year to ¥4,141.8 billion. This was mainly due to an increase in exchange differences on translation of foreign operations as well as an increase in retained earnings due to the recording of profit attributable to owners of the parent company.

b. Cash flow position

Cash and cash equivalents at the end of the six months ended June 30, 2025 decreased by ¥219.4 billion from the end of the previous fiscal year to ¥865.2 billion. Cash and cash equivalents at the same period of the previous fiscal year were ¥1,087.8 billion.

[Net cash flows from operating activities]

Net cash flows provided in operating activities during the six months ended June 30, 2025 were ¥167.5 billion, compared with ¥260.2 billion provided in the same period of the previous year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite the payment of tobacco excise taxes and income taxes.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the six months ended June 30, 2025 were ¥132.0 billion, compared with ¥28.7 billion used in the same period of the previous year. This was mainly due to subsequent payments for past fiscal years’ business combinations and purchase of property, plant and equipment, despite proceeds from sale and redemption of securities.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the six months ended June 30, 2025 were ¥230.9 billion, compared with ¥267.5 billion used in the same period of the previous year. This was mainly due to repayments of borrowings and the payment of cash dividends, despite of income from financing.

2. Matters Regarding Summary Information

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	3,344.0	71.0	2.2	6.2
Adjusted operating profit	824.0	89.0	12.1	9.6
Operating profit	739.0	68.0	10.1	128.5
Profit attributable to owners of the parent company	494.0	44.0	9.8	175.6
Adjusted operating profit at constant FX	862.0	47.0	5.8	14.6

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.

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

	As of December 31, 2024	(Millions of yen) As of June 30, 2025
Assets		
Current assets		
Cash and cash equivalents	1,084,567	865,185
Trade and other receivables	568,982	581,171
Inventories	957,281	962,632
Other financial assets	120,211	100,177
Other current assets	826,766	796,844
Subtotal	3,557,807	3,306,010
Assets held for sale	19,765	137,416
Total current assets	3,577,572	3,443,426
Non-current assets		
Property, plant and equipment	907,700	902,212
Goodwill	2,914,254	3,037,581
Intangible assets	486,463	403,680
Investment property	3,716	3,436
Retirement benefit assets	89,573	91,493
Investments accounted for using the equity method	50,423	75,952
Other financial assets	151,940	123,868
Other non-current assets	5,500	4,311
Deferred tax assets	183,591	176,828
Total non-current assets	4,793,160	4,819,360
Total assets	8,370,732	8,262,786

	As of December 31, 2024	(Millions of yen) As of June 30, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	659,510	567,713
Bonds and borrowings	178,668	186,479
Income tax payables	24,621	40,971
Other financial liabilities	59,965	54,626
Provisions	195,918	191,886
Other current liabilities	1,029,925	815,676
Subtotal	2,148,607	1,857,350
Liabilities directly associated with assets held for sale	-	16,959
Total current liabilities	2,148,607	1,874,309
Non-current liabilities		
Bonds and borrowings	1,548,120	1,439,954
Other financial liabilities	49,210	49,716
Retirement benefit liabilities	277,236	273,357
Provisions	253,949	244,755
Other non-current liabilities	120,427	111,528
Deferred tax liabilities	124,455	127,329
Total non-current liabilities	2,373,398	2,246,639
Total liabilities	4,522,005	4,120,948
Equity		
Share capital	100,000	100,000
Capital surplus	736,697	737,065
Treasury shares	(488,579)	(489,705)
Other components of equity	381,599	527,574
Retained earnings	3,036,905	3,184,646
Equity attributable to owners of the parent company	3,766,623	4,059,580
Non-controlling interests	82,104	82,258
Total equity	3,848,727	4,141,838
Total liabilities and equity	8,370,732	8,262,786

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

Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Revenue	1,569,892	1,734,543
Cost of sales	(682,278)	(730,779)
Gross profit	887,614	1,003,764
Other operating income	15,777	6,934
Share of profit in investments accounted for using the equity method	3,996	6,703
Selling, general and administrative expenses	(474,725)	(537,530)
Operating profit	432,662	479,871
Financial income	31,485	37,145
Financial costs	(65,074)	(79,196)
Profit before income taxes	399,073	437,821
Income taxes	(91,946)	(115,856)
Profit for the period	307,126	321,965
Attributable to:		
Owners of the parent company	305,172	319,905
Non-controlling interests	1,954	2,060
Profit for the period	307,126	321,965
Interim earnings per share		
Basic (Yen)	171.89	180.19
Diluted (Yen)	171.86	180.17

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

		(Millions of yen)
	2024	2025
Operating profit	432,662	479,871
Amortization cost of acquired intangibles arising from business acquisitions	26,254	35,045
Adjustment items (income)	(5,944)	(435)
Adjustment items (costs)	93	25,423
Adjusted operating profit	453,065	539,905

Condensed Interim Consolidated Statement of Comprehensive Income

Six months ended June 30, 2024 and 2025

(Millions of yen)

	2024	2025
Profit for the period	307,126	321,965
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	2,036	(85)
Remeasurements of defined benefit plans	16,360	185
Total of items that will not be reclassified to profit or loss	18,396	100
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	471,355	150,415
Net gain (loss) on derivatives designated as cash flow hedges	(4,839)	(4,676)
Hedge costs	(122)	(14)
Total of items that may be reclassified subsequently to profit or loss	466,395	145,726
Other comprehensive income (loss), net of taxes	484,791	145,826
Comprehensive income (loss) for the period	791,917	467,791
Attributable to:		
Owners of the parent company	788,399	466,041
Non-controlling interests	3,519	1,750
Comprehensive income (loss) for the period	791,917	467,791

(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	Hedge costs
As of January 1, 2024	100,000	736,478	(489,194)	557	270,810	9,145	(17)
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	469,815	(4,839)	(122)
Comprehensive income (loss) for the period	-	-	-	-	469,815	(4,839)	(122)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	232	533	(122)	-	-	-
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	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(576)	-
Total transactions with the owners	-	232	532	(122)	-	(576)	-
As of June 30, 2024	<u>100,000</u>	<u>736,710</u>	<u>(488,663)</u>	<u>436</u>	<u>740,625</u>	<u>3,731</u>	<u>(139)</u>
As of January 1, 2025	100,000	736,697	(488,579)	364	364,809	4,026	12
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	150,714	(4,676)	(14)
Comprehensive income (loss) for the period	-	-	-	-	150,714	(4,676)	(14)
Acquisition of treasury shares	-	-	(1,579)	-	-	-	-
Disposal of treasury shares	-	368	453	(71)	-	-	-
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	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	88	-
Total transactions with the owners	-	368	(1,126)	(71)	-	88	-
As of June 30, 2025	<u>100,000</u>	<u>737,065</u>	<u>(489,705)</u>	<u>293</u>	<u>515,523</u>	<u>(561)</u>	<u>(2)</u>

(Millions of yen)

Equity attributable to owners of the parent company							
	Other components of equity					Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
As of January 1, 2024	10,054	-	290,550	3,192,323	3,830,156	82,336	3,912,491
Profit for the period	-	-	-	305,172	305,172	1,954	307,126
Other comprehensive income (loss)	2,011	16,361	483,227	-	483,227	1,564	484,791
Comprehensive income (loss) for the period	2,011	16,361	483,227	305,172	788,399	3,519	791,917
Acquisition of treasury shares	-	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	-	(122)	(493)	151	-	151
Share-based payments	-	-	-	327	327	24	351
Dividends	-	-	-	(177,531)	(177,531)	(1,193)	(178,724)
Changes in the scope of consolidation	-	-	-	-	-	(18)	(18)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	284	284	(583)	(299)
Transfer from other components of equity to retained earnings	(1,024)	(16,361)	(17,385)	17,385	-	-	-
Other increase (decrease)	-	-	(576)	-	(576)	-	(576)
Total transactions with the owners	(1,024)	(16,361)	(18,083)	(160,028)	(177,347)	(1,771)	(179,117)
As of June 30, 2024	11,041	-	755,694	3,337,467	4,441,208	84,084	4,525,292
As of January 1, 2025	12,388	-	381,599	3,036,905	3,766,623	82,104	3,848,727
Profit for the period	-	-	-	319,905	319,905	2,060	321,965
Other comprehensive income (loss)	(85)	196	146,136	-	146,136	(310)	145,826
Comprehensive income (loss) for the period	(85)	196	146,136	319,905	466,041	1,750	467,791
Acquisition of treasury shares	-	-	-	-	(1,579)	-	(1,579)
Disposal of treasury shares	-	-	(71)	(616)	134	-	134
Share-based payments	-	-	-	512	512	22	535
Dividends	-	-	-	(172,232)	(172,232)	(1,620)	(173,852)
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(6)	(6)	1	(5)
Transfer from other components of equity to retained earnings	18	(196)	(179)	179	-	-	-
Other increase (decrease)	-	-	88	(0)	88	-	88
Total transactions with the owners	18	(196)	(161)	(172,164)	(173,084)	(1,596)	(174,680)
As of June 30, 2025	12,320	-	527,574	3,184,646	4,059,580	82,258	4,141,838

(4) Condensed Interim Consolidated Statement of Cash Flows

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Cash flows from operating activities		
Profit before income taxes	399,073	437,821
Depreciation and amortization	88,121	97,452
Impairment losses	1,585	25,183
Interest and dividend income	(30,338)	(36,307)
Interest expense	16,607	37,899
Share of profit in investments accounted for using the equity method	(3,996)	(6,703)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(3,015)	450
(Increase) decrease in trade and other receivables	(70,331)	(60,647)
(Increase) decrease in inventories	(40,250)	(52,885)
Increase (decrease) in trade and other payables	(105,381)	(57,777)
Increase (decrease) in retirement benefit liabilities	(8,688)	(9,475)
(Increase) decrease in prepaid tobacco excise taxes	104,663	15,942
Increase (decrease) in tobacco excise tax payables	(27,126)	(122,440)
Increase (decrease) in consumption tax payables	38,273	10,810
Other	(30,709)	(47,798)
Subtotal	328,489	231,525
Interest and dividends received	29,728	75,867
Interest paid	(16,175)	(34,188)
Income taxes paid	(81,837)	(105,752)
Net cash flows from operating activities	260,206	167,451
Cash flows from investing activities		
Purchase of securities	(18,911)	(8,874)
Proceeds from sale and redemption of securities	49,279	46,272
Purchase of property, plant and equipment	(56,375)	(52,982)
Proceeds from sale of investment property	3,105	-
Purchase of intangible assets	(6,494)	(8,383)
Payments into time deposits	-	(138,520)
Proceeds from withdrawal of time deposits	-	120,115
Subsequent payments for past fiscal years' business combinations	-	(68,271)
Purchase of investments in associates	-	(22,873)
Other	695	1,550
Net cash flows from investing activities	(28,700)	(131,965)

		(Millions of yen)
	2024	2025
Cash flows from financing activities		
Dividends paid to owners of the parent company	(177,463)	(172,192)
Dividends paid to non-controlling interests	(1,555)	(2,002)
Capital contribution from non-controlling interests	108	-
Increase (decrease) in short-term borrowings and commercial paper	(159,982)	9,973
Proceeds from long-term borrowings	202	99,437
Repayments of long-term borrowings	(4,492)	(666,593)
Proceeds from issuance of bonds	97,616	515,001
Redemption of bonds	(8,397)	-
Repayments of lease liabilities	(13,427)	(12,916)
Acquisition of treasury shares	(1)	(1,579)
Payments for acquisition of interests in subsidiaries	(99)	(5)
from non-controlling interests		
Other	0	0
Net cash flows from financing activities	(267,492)	(230,877)
Net increase (decrease) in cash and cash equivalents	(35,986)	(195,391)
Cash and cash equivalents at the beginning of the period	1,040,206	1,084,567
Effect of exchange rate changes on cash and cash equivalents	83,620	(3,153)
Changes in cash and cash equivalents resulting from transfer to assets held for sale	-	(20,837)
Cash and cash equivalents at the end of the period	1,087,840	865,185

(5) 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, 2024 except for 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 year

ending December 31, 2025.

IFRS Accounting Standards		Description of new standards and amendments
IAS 21	The Effects of Changes in Foreign Exchange Rates	Providing requirements for accounting treatment and disclosure relating to currencies that lack exchangeability

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

(6) 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, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	1,451,360	44,059	73,815	1,569,235	658	-	1,569,892
Intersegment revenue	182	-	13	196	1,508	(1,703)	-
Total revenue	<u>1,451,542</u>	<u>44,059</u>	<u>73,829</u>	<u>1,569,430</u>	<u>2,165</u>	<u>(1,703)</u>	<u>1,569,892</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>472,104</u>	<u>3,995</u>	<u>4,366</u>	<u>480,465</u>	<u>(27,424)</u>	<u>24</u>	<u>453,065</u>

\1,391,842 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 3)	406,139	354,444	631,259	1,391,842
Adjusted operating profit (Note 1)	140,439	149,917	181,749	472,104

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, 2025

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	1,608,779	48,331	76,747	1,733,858	686	-	1,734,543
Intersegment revenue	0	-	14	14	1,882	(1,897)	-
Total revenue	<u>1,608,780</u>	<u>48,331</u>	<u>76,761</u>	<u>1,733,872</u>	<u>2,568</u>	<u>(1,897)</u>	<u>1,734,543</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>556,142</u>	<u>4,163</u>	<u>2,568</u>	<u>562,873</u>	<u>(22,993)</u>	<u>24</u>	<u>539,905</u>

\1,552,541 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 3)	<u>417,314</u>	<u>363,802</u>	<u>771,425</u>	<u>1,552,541</u>
Adjusted operating profit (Note 1)	<u>136,912</u>	<u>160,094</u>	<u>259,137</u>	<u>556,142</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, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	472,104	3,995	4,366	480,465	(27,424)	24	453,065
Amortization cost of acquired intangibles arising from business acquisitions	(26,254)	-	-	(26,254)	-	-	(26,254)
Adjustment items (income) (Note 4)	3,139	-	-	3,139	2,805	-	5,944
Adjustment items (costs) (Note 5)	627	-	(24)	603	(696)	-	(93)
Operating profit (loss)	449,617	3,995	4,342	457,954	(25,316)	24	432,662
Financial income							31,485
Financial costs							(65,074)
Profit before income taxes							399,073

Six months ended June 30, 2025

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	556,142	4,163	2,568	562,873	(22,993)	24	539,905
Amortization cost of acquired intangibles arising from business acquisitions	(35,045)	-	-	(35,045)	-	-	(35,045)
Adjustment items (income) (Note 4)	4	-	424	428	7	-	435
Adjustment items (costs) (Note 5)	(152)	(24,346)	(10)	(24,507)	(915)	-	(25,423)
Operating profit (loss)	520,949	(20,183)	2,983	503,749	(23,901)	24	479,871
Financial income							37,145
Financial costs							(79,196)
Profit before income taxes							437,821

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

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Restructuring incomes	2,805	7
Other	3,139	428
Adjustment items (income)	5,944	435

Restructuring incomes for the six months ended June 30, 2024 mainly related to gains on sale of real estate.
Other (income) for the six months ended June 30, 2024 mainly related to gains on deconsolidation of subsidiaries.

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Restructuring costs	85	25,413
Other	8	10
Adjustment items (costs)	93	25,423

Restructuring costs for the six months ended June 30, 2025 mainly related to impairment losses in connection with the decision to transfer the “Pharmaceutical Business”.

(7) Note on Premise of Going Concern

No items to report