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MEMBERSHIP
May 7, 2025

Consolidated Financial Results for the Three Months Ended March 31, 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/>
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Chief Executive Officer
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Scheduled starting date of the dividend payments: –
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 Three Months of the Fiscal Year Ending December 31, 2025 (from January 1, 2025 to March 31, 2025)

(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, 2025	826,981	11.7	248,758	15.3	226,069	12.3	158,226	0.3
March 31, 2024	740,333	11.3	215,818	4.6	201,266	9.9	157,766	8.6

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2025	157,480	0.1	189,516	(44.1)	88.69	88.68
March 31, 2024	157,266	8.7	339,015	99.1	88.58	88.57

(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
March 31, 2025	7,943,210	3,865,395	3,783,748	47.6	2,131.13
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	-				
Year ending December 31, 2025 (Forecast)		97.00	-	97.00	194.00

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

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	3,273,000	3.9	671,000	107.4	450,000	151.1	253.44

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

[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	%
Three months ended March 31, 2025 (Cumulative)	273,757	20.8
Year ending December 31, 2025 (Forecast)	815,000	8.4

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 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 May 7, 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
- Changes in accounting policies due to revisions in accounting standards under IFRS Accounting Standards: Yes
 - Changes in accounting policies due to other reasons: None
 - 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)
- Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2025	2,000,000,000 shares
As of December 31, 2024	2,000,000,000 shares
 - Number of treasury shares at the end of the period

As of March 31, 2025	224,535,707 shares
As of December 31, 2024	224,409,101 shares
 - Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2025	1,775,575,132 shares
Three months ended March 31, 2024	1,775,336,403 shares

* Review of the Japanese-language originals of the attached interim consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* 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.
- 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 three months ended March 31, 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 First Quarter Results (CFO Presentation),” which was disclosed on TDnet and the Company’s website on May 7, 2025. Please refer to the following.

- 2025 First Quarter Results (CFO Presentation):
https://www.jt.com/investors/results/forecast/pdf/2025/First_Quarter/20250507_06.pdf

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

a. Financial position

[Assets]

Total assets at the end of the three months ended March 31, 2025 decreased by ¥427.5 billion from the end of the previous fiscal year to ¥7,943.2 billion. This was due mainly to a decrease in cash and cash equivalents arising from the payment of cash dividends and tobacco excise tax.

[Liabilities]

Total liabilities at the end of the three months ended March 31, 2025 decreased by ¥444.2 billion from the end of the previous fiscal year to ¥4,077.8 billion. This was mainly due to a decrease in other current liabilities.

[Equity]

Total equity at the end of the three months ended March 31, 2025 increased by ¥16.7 billion from the end of the previous fiscal year to ¥3,865.4 billion. This was mainly due to an increase in exchange differences on translation of foreign operations.

b. Cash flow position

Cash and cash equivalents at the end of the three months ended March 31, 2025 decreased by ¥275.2 billion from the end of the previous fiscal year to ¥809.4 billion. Cash and cash equivalents at the same period of the previous fiscal year were ¥766.9 billion.

[Net cash flows from operating activities]

Net cash flows used in operating activities during the three months ended March 31, 2025 were ¥6.6 billion, compared with ¥61.8 billion provided in the same period of the previous year. This was mainly due to the payment of tobacco excise taxes despite the generation of a stable cash inflow from the tobacco business.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the three months ended March 31, 2025 were ¥81.1 billion, compared with ¥27.7 billion used in the same period of the previous year. This was mainly due to subsequent payments for past fiscal years' business combinations, despite proceeds from sale and redemption of securities .

[Net cash flows from financing activities]

Net cash flows used in financing activities during the three months ended March 31, 2025 were ¥180.1 billion, compared with ¥341.2 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends.

2. Matters Regarding Summary Information

Revisions to the Consolidated Earnings Forecasts Most Recently Announced

No items to report.

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

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and cash equivalents	1,084,567	809,364
Trade and other receivables	568,982	548,613
Inventories	957,281	954,158
Other financial assets	120,211	97,727
Other current assets	826,766	778,646
Subtotal	<u>3,557,807</u>	<u>3,188,508</u>
Assets held for sale	19,765	11,037
Total current assets	<u>3,577,572</u>	<u>3,199,544</u>
Non-current assets		
Property, plant and equipment	907,700	896,515
Goodwill	2,914,254	2,916,695
Intangible assets	486,463	449,317
Investment property	3,716	3,378
Retirement benefit assets	89,573	88,940
Investments accounted for using the equity method	50,423	57,241
Other financial assets	151,940	151,104
Other non-current assets	5,500	4,835
Deferred tax assets	183,591	175,642
Total non-current assets	<u>4,793,160</u>	<u>4,743,666</u>
Total assets	<u><u>8,370,732</u></u>	<u><u>7,943,210</u></u>

	As of December 31, 2024	(Millions of yen) As of March 31, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	659,510	587,455
Bonds and borrowings	178,668	170,407
Income tax payables	24,621	41,888
Other financial liabilities	59,965	46,234
Provisions	195,918	188,500
Other current liabilities	1,029,925	762,589
Total current liabilities	2,148,607	1,797,072
Non-current liabilities		
Bonds and borrowings	1,548,120	1,495,793
Other financial liabilities	49,210	40,502
Retirement benefit liabilities	277,236	265,252
Provisions	253,949	242,313
Other non-current liabilities	120,427	109,259
Deferred tax liabilities	124,455	127,624
Total non-current liabilities	2,373,398	2,280,743
Total liabilities	4,522,005	4,077,815
Equity		
Share capital	100,000	100,000
Capital surplus	736,697	736,686
Treasury shares	(488,579)	(489,119)
Other components of equity	381,599	413,755
Retained earnings	3,036,905	3,022,424
Equity attributable to owners of the parent company	3,766,623	3,783,748
Non-controlling interests	82,104	81,647
Total equity	3,848,727	3,865,395
Total liabilities and equity	8,370,732	7,943,210

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

Condensed Interim Consolidated Statement of Income

Three months ended March 31, 2024 and 2025

(Millions of yen)

	2024	2025
Revenue	740,333	826,981
Cost of sales	(320,101)	(346,214)
Gross profit	420,232	480,767
Other operating income	6,377	3,874
Share of profit in investments accounted for using the equity method	2,073	2,335
Selling, general and administrative expenses	(212,863)	(238,219)
Operating profit	215,818	248,758
Financial income	14,877	17,418
Financial costs	(29,429)	(40,108)
Profit before income taxes	201,266	226,069
Income taxes	(43,499)	(67,843)
Profit for the period	157,766	158,226
Attributable to:		
Owners of the parent company	157,266	157,480
Non-controlling interests	501	746
Profit for the period	157,766	158,226
Interim earnings per share		
Basic (Yen)	88.58	88.69
Diluted (Yen)	88.57	88.68

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

(Millions of yen)

	2024	2025
Operating profit	215,818	248,758
Amortization cost of acquired intangibles arising from business acquisitions	12,952	17,488
Adjustment items (income)	(1,963)	(442)
Adjustment items (costs)	(112)	792
Adjusted operating profit	226,695	266,597

Condensed Interim Consolidated Statement of Comprehensive Income

Three months ended March 31, 2024 and 2025

(Millions of yen)

	2024	2025
Profit for the period	157,766	158,226
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,220	(1,259)
Remeasurements of defined benefit plans	-	180
Total of items that will not be reclassified to profit or loss	1,220	(1,079)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	183,361	35,339
Net gain (loss) on derivatives designated as cash flow hedges	(3,104)	(2,970)
Hedge costs	(229)	-
Total of items that may be reclassified subsequently to profit or loss	180,028	32,369
Other comprehensive income (loss), net of taxes	181,248	31,290
Comprehensive income (loss) for the period	339,015	189,516
Attributable to:		
Owners of the parent company	337,642	189,150
Non-controlling interests	1,373	366
Comprehensive income (loss) for the period	339,015	189,516

(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	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	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)	-	-	-	-	182,493	(3,104)	(229)
Comprehensive income (loss) for the period	-	-	-	-	182,493	(3,104)	(229)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	(34)	74	(40)	-	-	-
Share-based payments	-	-	-	-	-	-	-
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)	-	-	-	-	-	(703)	-
Total transactions with the owners	-	(34)	73	(40)	-	(703)	-
As of March 31, 2024	<u>100,000</u>	<u>736,444</u>	<u>(489,122)</u>	<u>517</u>	<u>453,303</u>	<u>5,339</u>	<u>(247)</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)	-	-	-	-	35,683	(2,970)	-
Comprehensive income (loss) for the period	-	-	-	-	35,683	(2,970)	-
Acquisition of treasury shares	-	-	(620)	-	-	-	-
Disposal of treasury shares	-	(11)	80	(69)	-	-	-
Share-based payments	-	-	-	-	-	-	-
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)	-	-	-	-	-	750	-
Total transactions with the owners	-	(11)	(539)	(69)	-	750	-
As of March 31, 2025	<u>100,000</u>	<u>736,686</u>	<u>(489,119)</u>	<u>295</u>	<u>400,491</u>	<u>1,807</u>	<u>12</u>

(Millions of yen)

Equity attributable to owners of the parent company

	Other components of equity			Retained earnings	Total	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				
As of January 1, 2024	10,054	-	290,550	3,192,323	3,830,156	82,336	3,912,491
Profit for the period	-	-	-	157,266	157,266	501	157,766
Other comprehensive income (loss)	1,217	-	180,376	-	180,376	872	181,248
Comprehensive income (loss) for the period	1,217	-	180,376	157,266	337,642	1,373	339,015
Acquisition of treasury shares	-	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	-	(40)	-	0	-	0
Share-based payments	-	-	-	123	123	-	123
Dividends	-	-	-	(177,531)	(177,531)	(897)	(178,428)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(182)	(182)	154	(28)
Transfer from other components of equity to retained earnings	(64)	-	(64)	64	-	-	-
Other increase (decrease)	-	-	(703)	-	(703)	-	(703)
Total transactions with the owners	(64)	-	(808)	(177,525)	(178,294)	(743)	(179,037)
As of March 31, 2024	11,206	-	470,118	3,172,063	3,989,504	82,966	4,072,470
As of January 1, 2025	12,388	-	381,599	3,036,905	3,766,623	82,104	3,848,727
Profit for the period	-	-	-	157,480	157,480	746	158,226
Other comprehensive income (loss)	(1,234)	191	31,670	-	31,670	(380)	31,290
Comprehensive income (loss) for the period	(1,234)	191	31,670	157,480	189,150	366	189,516
Acquisition of treasury shares	-	-	-	-	(620)	-	(620)
Disposal of treasury shares	-	-	(69)	-	0	-	0
Share-based payments	-	-	-	77	77	-	77
Dividends	-	-	-	(172,232)	(172,232)	(822)	(173,055)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(0)	(0)	(0)	(0)
Transfer from other components of equity to retained earnings	(4)	(191)	(195)	195	-	-	-
Other increase (decrease)	-	-	750	(0)	750	-	750
Total transactions with the owners	(4)	(191)	486	(171,960)	(172,025)	(823)	(172,848)
As of March 31, 2025	11,150	-	413,755	3,022,424	3,783,748	81,647	3,865,395

(4) Condensed Interim Consolidated Statement of Cash Flows

Three months ended March 31, 2024 and 2025

	2024	2025
		(Millions of yen)
Cash flows from operating activities		
Profit before income taxes	201,266	226,069
Depreciation and amortization	43,965	48,858
Impairment losses	190	764
Interest and dividend income	(14,231)	(16,729)
Interest expense	7,477	19,818
Share of profit in investments accounted for using the equity method	(2,073)	(2,335)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(1,829)	(155)
(Increase) decrease in trade and other receivables	(19,610)	(3,244)
(Increase) decrease in inventories	(10,873)	(18,615)
Increase (decrease) in trade and other payables	(80,986)	(61,512)
Increase (decrease) in retirement benefit liabilities	(12,259)	(8,712)
(Increase) decrease in prepaid tobacco excise taxes	59,795	26,965
Increase (decrease) in tobacco excise tax payables	(49,852)	(144,895)
Increase (decrease) in consumption tax payables	10,511	(5,401)
Other	(36,634)	(55,746)
Subtotal	94,857	5,131
Interest and dividends received	14,537	44,369
Interest paid	(7,569)	(8,091)
Income taxes paid	(39,991)	(47,982)
Net cash flows from operating activities	61,833	(6,572)
Cash flows from investing activities		
Purchase of securities	(10,171)	(5,149)
Proceeds from sale and redemption of securities	9,646	40,809
Purchase of property, plant and equipment	(26,491)	(27,566)
Proceeds from sale of investment property	2,079	-
Purchase of intangible assets	(2,362)	(3,180)
Payments into time deposits	-	(66,186)
Proceeds from withdrawal of time deposits	-	47,211
Subsequent payments for past fiscal years' business combinations	-	(68,271)
Other	(376)	1,241
Net cash flows from investing activities	(27,674)	(81,091)

	2024	2025
		(Millions of yen)
Cash flows from financing activities		
Dividends paid to owners of the parent company	(172,715)	(167,293)
Dividends paid to non-controlling interests	(897)	(1,266)
Capital contribution from non-controlling interests	92	-
Increase (decrease) in short-term borrowings and commercial paper	(156,465)	(2,776)
Proceeds from long-term borrowings	197	99,437
Repayments of long-term borrowings	(36)	(101,223)
Redemption of bonds	(4,819)	-
Repayments of lease liabilities	(6,504)	(6,378)
Acquisition of treasury shares	(1)	(620)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(99)	(0)
Other	0	0
Net cash flows from financing activities	(341,248)	(180,119)
Net increase (decrease) in cash and cash equivalents	(307,089)	(267,782)
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	33,831	(7,421)
Cash and cash equivalents at the end of the period	766,948	809,364

(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.

Three months ended March 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	680,981	23,341	35,689	740,011	322	-	740,333
Intersegment revenue	64	-	6	69	705	(774)	-
Total revenue	<u>681,045</u>	<u>23,341</u>	<u>35,695</u>	<u>740,080</u>	<u>1,027</u>	<u>(774)</u>	<u>740,333</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>231,883</u>	<u>3,842</u>	<u>2,021</u>	<u>237,746</u>	<u>(11,074)</u>	<u>24</u>	<u>226,695</u>

¥653,314 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)	199,519	172,595	281,201	653,314
Adjusted operating profit (Note 1)	73,586	78,846	79,451	231,883

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Three months ended March 31, 2025

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	764,807	25,388	36,468	826,663	318	-	826,981
Intersegment revenue	0	-	7	8	838	(846)	-
Total revenue	<u>764,807</u>	<u>25,388</u>	<u>36,476</u>	<u>826,670</u>	<u>1,156</u>	<u>(846)</u>	<u>826,981</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>273,248</u>	<u>4,493</u>	<u>794</u>	<u>278,535</u>	<u>(11,955)</u>	<u>16</u>	<u>266,597</u>

¥738,534 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>200,993</u>	<u>176,666</u>	<u>360,875</u>	<u>738,534</u>
Adjusted operating profit (Note 1)	<u>67,878</u>	<u>81,043</u>	<u>124,327</u>	<u>273,248</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”

Three months ended March 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	231,883	3,842	2,021	237,746	(11,074)	24	226,695
Amortization cost of acquired intangibles arising from business acquisitions	(12,952)	-	-	(12,952)	-	-	(12,952)
Adjustment items (income) (Note 4)	7	-	-	7	1,956	-	1,963
Adjustment items (costs) (Note 5)	291	-	(20)	271	(159)	-	112
Operating profit (loss)	219,229	3,842	2,001	225,072	(9,278)	24	215,818
Financial income							14,877
Financial costs							(29,429)
Profit before income taxes							201,266

Three months ended March 31, 2025

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	273,248	4,493	794	278,535	(11,955)	16	266,597
Amortization cost of acquired intangibles arising from business acquisitions	(17,488)	-	-	(17,488)	-	-	(17,488)
Adjustment items (income) (Note 4)	4	-	435	438	3	-	442
Adjustment items (costs) (Note 5)	(134)	-	(7)	(141)	(651)	-	(792)
Operating profit (loss)	255,630	4,493	1,221	261,344	(12,603)	16	248,758
Financial income							17,418
Financial costs							(40,108)
Profit before income taxes							226,069

(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:

Three months ended March 31, 2024 and 2025

	2024	2025
Restructuring incomes	1,956	3
Other	7	438
Adjustment items (income)	1,963	442

Restructuring incomes for three months ended March 31, 2024 mainly related to gains on sale of real estate.

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

Three months ended March 31, 2024 and 2025

	2024	2025
Restructuring costs	(112)	785
Other	-	7
Adjustment items (costs)	(112)	792

(7) Note on Premise of Going Concern

No items to report

(8) Subsequent Events

A. Bonds

Japan Tobacco Inc. (JT) and the Company's overseas subsidiary, JT International Financial Services B.V. issued straight bonds as follows.

Overview of the JPY Straight Bonds by JT

	The 18th Straight Bonds with General Mortgage (5 years)	The 19th Straight Bonds with General Mortgage (10 years)
1. Total amount of issue	50 billion yen	20 billion yen
2. Interest rate	1.293% per annum	1.781% per annum
3. Offering price	100 yen per face value of 100 yen	100 yen per face value of 100 yen
4. Redemption price	100 yen per face value of 100 yen	100 yen per face value of 100 yen
5. Settlement date	April 10, 2025	April 10, 2025
6. Maturity date	April 10, 2030	April 10, 2035
7. Redemption	The Bonds will be redeemed in full upon maturity. JT may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds canceled.	
8. Mortgage	General mortgage under Japan Tobacco Inc. Act	
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.	

Overview of the U.S. Dollar Straight Bonds by JT

	US\$ Straight Bonds (Mature in 2028)	US\$ Straight Bonds (Mature in 2030)	US\$ Straight Bonds (Mature in 2035)
1. Total amount of issue	US\$ 800 million	US\$ 900 million	US\$ 800 million
2. Interest rate	4.850% per annum	5.250% per annum	5.850% per annum
3. Offering price	99.864% of nominal amount	99.869% of nominal amount	99.724% of nominal amount
4. Redemption price	100% of nominal amount	100% of nominal amount	100% of nominal amount
5. Settlement date	April 15, 2025	April 15, 2025	April 15, 2025
6. Maturity date	May 15, 2028	June 15, 2030	June 15, 2035
7. Redemption	The Bonds will be redeemed in full upon maturity. JT may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds canceled.		
8. Mortgage	General mortgage under Japan Tobacco Inc. Act		
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.		

Overview of the Euro Straight Bonds by JT International Financial Services B.V.

	Euro Straight Bonds (Mature in 2035)
1. Total amount of issue	EUR 550 million
2. Interest rate	4.125% per annum
3. Offering price	99.426% of nominal amount
4. Redemption price	100% of nominal amount
5. Settlement date	April 17, 2025
6. Maturity date	June 17, 2035
7. Redemption	The senior notes will be redeemed in full upon maturity. JT International Financial Services B.V. may, at any time after the date of payment, purchase the senior notes and have such purchased senior notes cancelled.
8. Guarantor	Japan Tobacco Inc.
9. Use of proceeds	Proceeds are intended to be used for the repayment of interest-bearing debt.

B. Transfer of significant business

The Company decided by resolution at the Board of Directors meeting held on May 7, 2025 to enter into agreements (the Agreements) regarding the transfer of Pharmaceutical Business (the Business) and the share of TORII PHARMACEUTICAL CO., LTD. (Torii), a consolidated subsidiary of the Company, to Shionogi & Co., Ltd. (Shionogi), and entered into the Agreements on the same date.

The Company has determined the best option for us to further develop the drug discovery capabilities we have accumulated so far and deliver prescription drugs to more patients is to develop our business under Shionogi, a pharmaceutical company that can find value in both the Business and Torii and focus on new drug discovery.

1. Transfer of the Business

The Business is transferred to Shionogi through a company split (simplified absorption-type company split).

The effective date of the absorption-type split is scheduled to be December 2025.

Transfer price (planned): 5,397 Millions of yen

2. Transfer of subsidiary shares

After completing procedures for the tender offer for the common stock of Torii ("Torii Shares"), the Company will transfer all Torii Shares held by the Company to Torii through a share buyback.

The execution date of the share transfer is scheduled to be September 2025.

Transfer price (planned): 70,342 Millions of yen

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

May 7, 2025

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,
Certified Public Accountant: Takeshi Ito

Designated Engagement Partner,
Certified Public Accountant: Akifumi Horie

Accountant's Conclusion

We have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Appendix to Consolidated Financial Results, namely, the condensed interim consolidated statement of financial position as of March 31, 2025, and the condensed interim consolidated statement of income, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the three-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements.

Basis for Accountant's Conclusion

We conducted our review in accordance with interim review standards generally accepted in Japan. Our responsibility under those standards is further described in the Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as accountants. We believe that we have obtained the evidence to provide a basis for our review conclusion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Interim Consolidated Financial Statements

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Accountant's Responsibility for the Review of the Condensed Interim Consolidated Financial Statements

Our objective is to issue an accountant's report that includes our conclusion.

As part of a review in accordance with interim review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other interim review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude whether nothing has come to our attention, based on the evidence obtained, related to going concern that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, if we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountant's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the overall presentation and disclosures of the condensed interim consolidated financial statements are not prepared in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements.
- Obtain evidence regarding the financial information of the entities or business units within the Group as a basis for forming a conclusion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and review of the interim review of the condensed interim consolidated financial statements. We remain solely responsible for our conclusion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding the planned scope and timing of the review and significant findings that we identify during our review.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Accountant's Review Report

This is an English translation of the independent accountant's review report as originally issued in Japanese for the conveniences of the reader.