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Provisions to base upon:	Item (i) of the table in Article 24-5, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
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Semi-annual accounting period:	First six months of the 40th term (from January 1, 2024 to June 30, 2024)
Company name (Japanese):	日本たばこ産業株式会社 (Nihon Tabako Sangyo Kabushiki-Kaisha)
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Masamichi Terabatake, Representative Director and President, Chief Executive Officer
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Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

Term	Six months ended June 30, 2023	Six months ended June 30, 2024	39th term
Accounting period	From January 1, 2023 to June 30, 2023	From January 1, 2024 to June 30, 2024	From January 1, 2023 to December 31, 2023
Revenue (Millions of yen)	1,392,812	1,569,892	2,841,077
Profit before income taxes (Millions of yen)	373,430	399,073	621,601
Profit for the period (Millions of yen)	288,462	307,126	485,310
Profit attributable to owners of the parent company (Millions of yen)	287,009	305,172	482,288
Comprehensive income (loss) for the period (Millions of yen)	535,212	791,917	668,217
Total equity (Millions of yen)	3,949,717	4,525,292	3,912,491
Total assets (Millions of yen)	6,974,355	7,868,668	7,282,097
Basic earnings per share (Yen)	161.70	171.89	271.69
Diluted earnings per share (Yen)	161.65	171.86	271.63
Ratio of equity attributable to owners of the parent company to total assets (%)	55.46	56.44	52.60
Net cash flows from operating activities (Millions of yen)	206,860	260,206	567,014
Net cash flows from investing activities (Millions of yen)	(102,651)	(28,700)	(126,129)
Net cash flows from financing activities (Millions of yen)	(163,303)	(267,492)	(270,500)
Cash and cash equivalents at the end of the period (Millions of yen)	827,220	1,087,840	1,040,206

Notes: 1. The Group prepares the consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS").

2. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares interim consolidated financial statements.

3. The yen amounts are rounded to the nearest million.

2. Business Description

During the six months ended June 30, 2024, there were no material changes in the business of the Group (the Company, 218 consolidated subsidiaries and 17 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

II. Review of Operations

1. Business and Other Risks

During the six months ended June 30, 2024, there were no new businesses or other risks.

There were no material changes to the items regarding business and other risks mentioned in the previous fiscal year's Annual Securities Report.

In the Russian market, the Group is fully committed to complying with all applicable sanctions, regulations, etc. while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business. As this moment, the Company is unable to reasonably estimate the outlook and the impact on financial results.

2. Management Analysis of Financial Position, Operating Results and Cash Flows

Major notes concerning the operating results from the viewpoint of the management are as follows.

Matters concerning the future in this document were determined as of June 30, 2024.

(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 a mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Constant FX

Adjusted operating profit at constant FX is a financial benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year from core revenue or from adjusted operating profit for the current period in the Tobacco Business. Adjusted operating profit results at constant FX excludes the increase in revenue or profit caused by inflation in some markets calculated using certain methods.

Core revenue from tobacco business

Regarding tobacco business, core revenue is disclosed. Core revenue excludes revenue related to the distribution business and contract manufactured products, among others.

(Hyperinflationary Accounting Adjustments)

The Group applies accounting adjustments to the underlying financial statements of the subsidiaries in the hyperinflationary economy as required by IAS 29, "Financial Reporting in Hyperinflationary Economies."

(RRP)

Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as heated tobacco products and E-Vapor products.

Heated tobacco products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate tobacco vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy. The Company's portfolio includes heated tobacco sticks (HTS) that use high temperature heating, and infused tobacco capsules (Infused) that use low temperature heating.

Conversely, E-Vapor products do not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy.

Analyses and examinations concerning the operating results from the viewpoint of the management are as follows.

(1) Business Results

a. Consolidated results

	(Billions of yen)		
	Six months ended June 30, 2023	Six months ended June 30, 2024	Change
Revenue	1,392.8	1,569.9	12.7%
Adjusted operating profit	442.8	453.1	2.3%
Operating profit	413.6	432.7	4.6%
Profit attributable to owners of the parent company	287.0	305.2	6.3%

<Revenue>

Revenue increased by 12.7% from the same period of the previous year to ¥1,569.9 billion due to an increase in sales in the Tobacco Business. Core revenue ^(Note 1) at constant FX increased by 6.2% from the same period of the previous year.

<Adjusted operating profit>

Adjusted operating profit at constant FX increased by 2.7% from the same period of the previous year driven by increases in the Tobacco Business and the Processed Food Business. Adjusted operating profit including foreign exchange effects increased by 2.3% from the same period of the previous year to ¥453.1 billion due to unfavorable currency movements as a result of the Japanese yen appreciating against several local currencies.

<Operating profit>

Operating profit increased by 4.6% from the same period of the previous year to ¥432.7 billion due to an increase in adjusted operating profit, a decrease in amortization cost of acquired intangibles arising from business acquisitions, and other factors.

<Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 6.3% from the same period of the previous year to ¥305.2 billion, due to an increase in operating profit and a decrease in financing costs.

(Note: 1) Core revenue at constant FX is the sum of core revenue at constant FX from the Tobacco Business and revenue from the Pharmaceutical Business, Processed Food Business and other.

b. Operating segments

[Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Six months ended June 30, 2023	Six months ended June 30, 2024	Change
Total volume	269.3	274.9	2.0%
Combustibles volume ^(Note 1)	265.2	269.6	1.7%
RRP volume ^(Note 2)	4.2	5.2	25.5%
Core revenue from tobacco business	1,217.2	1,391.8	14.3%
Adjusted operating profit	450.2	472.1	4.9%

<Total volume> ^(Note 3) ^(Note 4)

Total volume increased by 2.0% from the same period of the previous year to 274.9 billion cigarettes due to consistent growth in market shares in several markets, an increase in combustibles volume, and an increase in RRP volume. Combustibles volume increased by 1.7% from the same period of the previous year due to increases in EMA. RRP volume increased by 25.5% from the same period of the previous year due to consistent growth in market shares in the HTS category in Japan and a sales increase in the new markets where the products were launched.

Market share grew in various markets, including the key markets of Italy, Taiwan, the Philippines, and Russia.

<Core revenue from tobacco business and adjusted operating profit>

Core revenue from tobacco business and adjusted operating profit increased by 14.3% and 4.9%, respectively, from the same period of the previous year, due to favorable pricing effects in several markets. RRP-related revenue ^(Note 2) increased by 28.6% from the same period of the previous year to ¥50.7 billion.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 7.1% and 5.3%, respectively, from the same period of the previous year.

(Note: 1) Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral tobacco and E-Vapor.

(Note: 2) RRP volume does not include volume from devices and associated accessories, etc., while RRP-related revenue includes revenue from devices and associated accessories, etc.

(Note: 3) Industry volume and market share were estimated by the Company.

(Note: 4) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes Japan and the entire Asian region, Western Europe includes the Western European region, EMA includes Africa, the Middle East, Eastern Europe, Turkey, Americas, and all duty-free markets. Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes Italy, the U.K., Spain, etc., and EMA includes Turkey, Romania, Russia, etc. For details, please refer to “IV. Accounting, 1. Condensed Interim Consolidated Financial Statements, Notes to Condensed Interim Consolidated Financial Statements, 5. Operating Segments, (2) Revenues and Performances of Reportable Segments.”

[Pharmaceutical Business]

(Billions of yen)

Pharmaceutical Business	Six months ended June 30, 2023	Six months ended June 30, 2024	Change
Revenue	47.7	44.1	(7.5)%
Adjusted operating profit	10.0	4.0	(60.2)%

<Revenue and adjusted operating profit>

Revenue decreased by 7.5% from the same period of the previous year due to the absence of one-time income pertaining to license agreements for licensed compounds received in the previous year, despite sales growth in the area of skin diseases and allergens at our consolidated subsidiary, Torii Pharmaceutical Co., Ltd.

Adjusted operating profit decreased by 60.2% from the same period of the previous year due to the impact on revenue from the absence of one-time income as well as an increase in research and development expenses.

[Processed Food Business]

(Billions of yen)

Processed Food Business	Six months ended June 30, 2023	Six months ended June 30, 2024	Change
Revenue	73.4	73.8	0.6%
Adjusted operating profit	2.9	4.4	48.0%

<Revenue and adjusted operating profit>

Revenue was largely in line with the same period of the previous year, with steady sales in the seasonings business, in addition to contribution from price revisions implemented in the previous and current fiscal years in the frozen and ambient foods as well as the seasonings businesses, offsetting a decline in sales of household products in the frozen and ambient foods business and an impact from discontinuation of some products due to a portfolio optimization.

Adjusted operating profit increased by 48.0% from the same period of the previous year due to the positive contribution from price revisions implemented in the previous and current fiscal years, which offset factors such as the increase in raw material costs and unfavorable currency movements.

(2) Financial Position and Cash Flow Position

a. Financial position

[Assets]

Total assets at the end of the six months ended June 30, 2024 increased by ¥586.6 billion from the end of the previous fiscal year to ¥7,868.7 billion. This was due mainly to an increase in goodwill resulting from foreign exchange effects, as well as to an increase in trade and other receivables.

[Liabilities]

Total liabilities at the end of the six months ended June 30, 2024 decreased by ¥26.2 billion from the end of the previous fiscal year to ¥3,343.4 billion. This was mainly due to a decrease in trade and other payables.

[Equity]

Total equity at the end of the six months ended June 30, 2024 increased by ¥612.8 billion from the end of the previous fiscal year to ¥4,525.3 billion. This was mainly due to a rise in exchange differences on translation of foreign operations, in addition to an increase in retained earnings as a result of 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, 2024 increased by ¥47.6 billion from the end of the previous fiscal year to ¥1,087.8 billion. Cash and cash equivalents at the end of the same period of the previous year were ¥827.2 billion.

[Net cash flows from operating activities]

Net cash flows from operating activities during the six months ended June 30, 2024 were ¥260.2 billion, compared with ¥206.9 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 payments of trade and other payables, etc.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the six months ended June 30, 2024 were ¥28.7 billion, compared with ¥102.7 billion used in the same period of the previous year. This was mainly due to the purchase of securities, purchase of property, plant and equipment, and purchase of intangible assets.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the six months ended June 30, 2024 were ¥267.5 billion, compared with ¥163.3 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends.

(3) Management Policy, Management Strategy, Etc.

During the six months ended June 30, 2024, there were no material changes in management policy, management strategy, etc. stipulated by the Group mentioned in the previous fiscal year's Annual Securities Report.

(4) Operational and Financial Issues to Be Addressed

During the six months ended June 30, 2024, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year's Annual Securities Report.

(5) Research and Development Activities

Research and development expenses of the entire Group during the six months ended June 30, 2024 were ¥35.9 billion.

During the six months ended June 30, 2024, there were no material changes in the status of the Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

(6) Analysis of Capital Resources and Liquidity of Funds

a. Funding requirements

Funds are mainly allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans, the payment of interest and dividends, the acquisition of treasury shares and the payment of income taxes.

b. Resources of funds

The necessary funds are mainly procured from net cash flows from operating activities, loans from financial institutions and bond and commercial paper issuances.

<Cash flows>

Please refer to “(2) Financial Position and Cash Flow Position, b. Cash flow position.”

<Interest-bearing debt>

(Long-term debt)

Bonds issued (including the current portion) as of December 31, 2023 and as of June 30, 2024 accounted for ¥785.9 billion and ¥955.4 billion, respectively, and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥147.4 billion and ¥143.7 billion, respectively.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥209.0 billion as of December 31, 2023 and ¥53.4 billion as of June 30, 2024. There was no commercial paper outstanding.

c. Liquidity

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of June 30, 2024, the Group had committed lines of credit from major financial institutions both domestic and international. In addition, the Group has a commercial paper program, uncommitted lines of credit, a domestic bond shelf registration, and a euro MTN program.

3. Important Operational Contracts

No important operational contracts were determined or entered into during the six months ended June 30, 2024.

III. Filing Company

1. Information on the Company's Shares

(1) Total Number of Shares Authorized

a. Total number of shares authorized

Class	Total number of shares authorized (Shares)
Ordinary shares	8,000,000,000
Total	8,000,000,000

b. Number of shares issued

Class	Number of shares issued (Shares; as of June 30, 2024)	Number of shares issued (Shares; as of the date of filing: August 2, 2024)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange Prime Market	(Note 2)
Total	2,000,000,000	2,000,000,000	—	—

Notes: 1. The provisions of Article 2 of the Act on Japan Tobacco Inc. prescribe that the Japanese government must continue to hold more than one-third of all shares issued by the Company (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders).
2. The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

(2) Status of Subscription Rights to Shares

a. Stock options

No items to report.

b. Other status of subscription rights to shares

No items to report.

(3) Exercise of Bond Certificates With Subscription Rights to Shares With Exercise Price Amendment Clause

No items to report.

(4) Trends in Total Number of Shares Issued and Share Capital

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
June 28, 2024 ^(Note)	—	2,000,000	—	100,000	(100,000)	636,400

Note: By resolution of the 39th Ordinary General Meeting of Shareholders held on March 22, 2024, capital reserve was reduced and the entire reduced amount was transferred to other capital surplus.

(5) Status of Major Shareholders

(As of June 30, 2024)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (excluding treasury shares) (%)
Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	666,885,200	37.56
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan	182,384,400	10.27
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	62,231,800	3.50
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	31,215,136	1.76
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	25,659,941	1.45
Barclays Securities Japan Limited BNYM (Standing proxy: MUFG Bank, Ltd.)	10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan)	18,088,600	1.02
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	17,172,100	0.97
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 BANK STREET, CANARY, WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	11,653,904	0.66
JT Group Employees' Shareholding Association	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	10,900,287	0.61
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	9,713,944	0.55
Total	—	1,035,905,312	58.34

Note: In addition to the above, the Company held 224,447,488 shares of ordinary shares as treasury shares.

(6) Status of Voting Rights

a. Number of shares issued

(As of June 30, 2024)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares)	Ordinary shares 224,447,400	–	(Note 2)
Shares with full voting rights (Other)	Ordinary shares 1,773,324,400	17,733,244	(Note 2)
Shares less than one unit	Ordinary shares 2,228,200	–	(Note 3)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,733,244	–

Notes: 1. The number of “Shares with full voting rights (Other)” includes 33,600 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes 336 units of voting rights related to shares with full voting rights in its name.

2. The Company’s standard class of shares with no rights limitations. Its share trading unit is 100 shares.

3. Includes 88 shares of treasury shares.

b. Treasury shares

(As of June 30, 2024)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	224,447,400	–	224,447,400	11.22
Total	–	224,447,400	–	224,447,400	11.22

Note: The treasury shares of 162,514 shares were allotted on April 19, 2024, based on the allocation of treasury shares towards Restricted Stock Remuneration and Performance Share Units, which was resolved at the meeting of the Board of Directors of the Company held on March 22, 2024.

2. Status of Officers

After filing the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the six months ended June 30, 2024.

IV. Accounting

1. Preparation Policy for the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the “Company”) are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (hereinafter referred to as “IAS 34”), pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the Ordinance on CFS). In accordance with the Part 3 of the Ordinance on CFS, the Company prepares Type 1 interim consolidated financial statements.

Figures stated in the condensed interim consolidated financial statements are rounded to the nearest million yen.

2. Audit Certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for this second quarter period (from April 1, 2024 to June 30, 2024) and for the six months ended June 30, 2024 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and cash equivalents (Note 6)	1,040,206	1,087,840
Trade and other receivables	535,302	657,917
Inventories	832,611	941,571
Other financial assets	58,633	24,484
Other current assets	789,888	743,284
Subtotal	3,256,639	3,455,096
Assets held for sale	2,921	6,307
Total current assets	3,259,561	3,461,403
Non-current assets		
Property, plant and equipment (Note 7)	821,499	890,154
Goodwill (Note 7)	2,616,440	2,927,306
Intangible assets (Note 7)	200,819	191,399
Investment property	9,338	5,293
Retirement benefit assets	65,856	75,188
Investments accounted for using the equity method	56,726	69,908
Other financial assets	155,267	143,047
Other non-current assets	7,212	6,879
Deferred tax assets	89,379	98,091
Total non-current assets	4,022,536	4,407,266
Total assets	7,282,097	7,868,668

	(Millions of yen)	
	As of December 31, 2023	As of June 30, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	592,802	524,777
Bonds and borrowings	233,333	76,545
Income tax payables	29,647	35,425
Other financial liabilities	44,470	66,287
Provisions	18,634	13,359
Other current liabilities	1,008,390	1,017,859
Total current liabilities	1,927,276	1,734,252
Non-current liabilities		
Bonds and borrowings	908,926	1,075,931
Other financial liabilities	40,678	46,974
Retirement benefit liabilities	279,443	270,373
Provisions	45,527	37,267
Other non-current liabilities	127,170	133,523
Deferred tax liabilities	40,586	45,057
Total non-current liabilities	1,442,329	1,609,125
Total liabilities	3,369,605	3,343,377
Equity		
Share capital	100,000	100,000
Capital surplus	736,478	736,710
Treasury shares	(489,194)	(488,663)
Other components of equity	290,550	755,694
Retained earnings	3,192,323	3,337,467
Equity attributable to owners of the parent company	3,830,156	4,441,208
Non-controlling interests	82,336	84,084
Total equity	3,912,491	4,525,292
Total liabilities and equity	7,282,097	7,868,668

(2) Condensed Interim Consolidated Statement of Income

(For the six-month period)

Six months ended June 30, 2023 and 2024

(Millions of yen)

	2023	2024
Revenue (Notes 5, 10)	1,392,812	1,569,892
Cost of sales	(563,811)	(682,278)
Gross profit	829,001	887,614
Other operating income (Note 11)	9,046	15,777
Share of profit in investments accounted for using the equity method	3,554	3,996
Selling, general and administrative expenses (Note 12)	(428,046)	(474,725)
Operating profit (Note 5)	413,555	432,662
Financial income (Note 13)	16,994	31,485
Financial costs (Note 13)	(57,119)	(65,074)
Profit before income taxes	373,430	399,073
Income taxes	(84,967)	(91,946)
Profit for the period	288,462	307,126
Attributable to		
Owners of the parent company	287,009	305,172
Non-controlling interests	1,453	1,954
Profit for the period	288,462	307,126
Interim earnings per share		
Basic (Yen) (Note 15)	161.70	171.89
Diluted (Yen) (Note 15)	161.65	171.86

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

(Millions of yen)

	2023	2024
Operating profit	413,555	432,662
Amortization cost of acquired intangibles arising from business acquisitions	30,539	26,254
Adjustment items (income)	(3,451)	(5,944)
Adjustment items (costs)	2,188	93
Adjusted operating profit (Note 5)	442,832	453,065

(For the three-month period)

Three months ended June 30, 2023 and 2024

	(Millions of yen)	
	2023	2024
Revenue (Note 5)	727,534	829,560
Cost of sales	(301,479)	(362,177)
Gross profit	426,055	467,382
Other operating income	5,607	9,400
Share of profit in investments accounted for using the equity method	2,255	1,923
Selling, general and administrative expenses	(226,766)	(261,862)
Operating profit (Note 5)	207,151	216,843
Financial income	9,511	16,608
Financial costs	(26,378)	(35,644)
Profit before income taxes	190,284	197,807
Income taxes	(47,047)	(48,447)
Profit for the period	143,237	149,360
Attributable to		
Owners of the parent company	142,325	147,907
Non-controlling interests	911	1,454
Profit for the period	143,237	149,360
Interim earnings per share		
Basic (Yen) (Note 15)	80.18	83.30
Diluted (Yen) (Note 15)	80.16	83.29

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

	(Millions of yen)	
	2023	2024
Operating profit	207,151	216,843
Amortization cost of acquired intangibles arising from business acquisitions	15,471	13,302
Adjustment items (income)	(3,445)	(3,981)
Adjustment items (costs)	287	205
Adjusted operating profit (Note 5)	219,465	226,370

(3) Condensed Interim Consolidated Statement of Comprehensive Income

(For the six-month period)

Six months ended June 30, 2023 and 2024

(Millions of yen)

	2023	2024
Profit for the period	288,462	307,126
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	2,196	2,036
Remeasurements of defined benefit plans (Note 14)	-	16,360
Total of items that will not be reclassified to profit or loss	2,196	18,396
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	245,760	471,355
Net gain (loss) on derivatives designated as cash flow hedges	(1,206)	(4,839)
Hedge costs	-	(122)
Total of items that may be reclassified subsequently to profit or loss	244,554	466,395
Other comprehensive income (loss), net of taxes	246,750	484,791
Comprehensive income (loss) for the period	535,212	791,917
Attributable to		
Owners of the parent company	529,343	788,399
Non-controlling interests	5,869	3,519
Comprehensive income (loss) for the period	535,212	791,917

(For the three-month period)

Three months ended June 30, 2023 and 2024

(Millions of yen)

	2023	2024
Profit for the period	143,237	149,360
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	1,064	816
Remeasurements of defined benefit plans (Note 14)	-	16,360
Total of items that will not be reclassified to profit or loss	1,064	17,176
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	219,242	287,994
Net gain (loss) on derivatives designated as cash flow hedges	1,358	(1,735)
Hedge costs	-	108
Total of items that may be reclassified subsequently to profit or loss	220,600	286,367
Other comprehensive income (loss), net of taxes	221,664	303,543
Comprehensive income (loss) for the period	364,901	452,903
Attributable to		
Owners of the parent company	362,621	450,757
Non-controlling interests	2,280	2,146
Comprehensive income (loss) for the period	364,901	452,903

(4) 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, 2023	100,000	736,400	(490,183)	1,001	85,796	8,546	-
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	241,554	(1,206)	-
Comprehensive income (loss) for the period	-	-	-	-	241,554	(1,206)	-
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	462	(362)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 9)	-	-	-	-	-	-	-
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)	-	-	-	-	-	(1,850)	-
Total transactions with the owners	-	-	462	(362)	-	(1,850)	-
As of June 30, 2023	<u>100,000</u>	<u>736,400</u>	<u>(489,722)</u>	<u>639</u>	<u>327,350</u>	<u>5,491</u>	<u>-</u>
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 (Note 9)	-	-	-	-	-	-	-
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>

(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, 2023	8,966	-	104,309	3,089,909	3,540,435	76,326	3,616,761
Profit for the period	-	-	-	287,009	287,009	1,453	288,462
Other comprehensive income (loss)	1,986	-	242,334	-	242,334	4,416	246,750
Comprehensive income (loss) for the period	1,986	-	242,334	287,009	529,343	5,869	535,212
Acquisition of treasury shares	-	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	-	(362)	(99)	0	-	0
Share-based payments	-	-	-	272	272	22	294
Dividends (Note 9)	-	-	-	(200,558)	(200,558)	(1,514)	(202,072)
Changes in the scope of consolidation	-	-	-	-	-	(33)	(33)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	0	0	1,406	1,406
Transfer from other components of equity to retained earnings	(708)	-	(708)	708	-	-	-
Other increase (decrease)	-	-	(1,850)	-	(1,850)	-	(1,850)
Total transactions with the owners	(708)	-	(2,920)	(199,677)	(202,136)	(120)	(202,256)
As of June 30, 2023	<u>10,243</u>	<u>-</u>	<u>343,723</u>	<u>3,177,241</u>	<u>3,867,642</u>	<u>82,075</u>	<u>3,949,717</u>
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 (Note 9)	-	-	-	(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	<u>11,041</u>	<u>-</u>	<u>755,694</u>	<u>3,337,467</u>	<u>4,441,208</u>	<u>84,084</u>	<u>4,525,292</u>

(5) Condensed Interim Consolidated Statement of Cash Flows
Six months ended June 30, 2023 and 2024

(Millions of yen)

	2023	2024
Cash flows from operating activities		
Profit before income taxes	373,430	399,073
Depreciation and amortization	86,328	88,121
Impairment losses	892	1,585
Interest and dividend income	(16,708)	(30,338)
Interest expense	14,203	16,607
Share of profit in investments accounted for using the equity method	(3,554)	(3,996)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(3,275)	(3,015)
(Increase) decrease in trade and other receivables	(54,543)	(70,331)
(Increase) decrease in inventories	(48,364)	(40,250)
Increase (decrease) in trade and other payables	(66,577)	(105,381)
Increase (decrease) in retirement benefit liabilities	(3,749)	(8,688)
(Increase) decrease in prepaid tobacco excise taxes	13,480	104,663
Increase (decrease) in tobacco excise tax payables	(33,189)	(27,126)
Increase (decrease) in consumption tax payables	17,963	38,273
Other	(6,107)	(30,709)
Subtotal	270,229	328,489
Interest and dividends received	16,627	29,728
Interest paid	(13,131)	(16,175)
Income taxes paid	(66,865)	(81,837)
Net cash flows from operating activities	206,860	260,206
Cash flows from investing activities		
Purchase of securities	(71,932)	(18,911)
Proceeds from sale and redemption of securities	13,242	49,279
Purchase of property, plant and equipment	(39,019)	(56,375)
Proceeds from sale of investment property	4,092	3,105
Purchase of intangible assets	(11,914)	(6,494)
Proceeds from sale of investments in associates	973	-
Other	1,907	695
Net cash flows from investing activities	(102,651)	(28,700)

	2023	(Millions of yen) 2024
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 9)	(200,491)	(177,463)
Dividends paid to non-controlling interests	(1,537)	(1,555)
Capital contribution from non-controlling interests	412	108
Increase (decrease) in short-term borrowings and commercial paper	(10,814)	(159,982)
Proceeds from long-term borrowings	2,899	202
Repayments of long-term borrowings	(547)	(4,492)
Proceeds from issuance of bonds (Note 8)	59,795	97,616
Redemption of bonds (Note 8)	(1,451)	(8,397)
Repayments of lease liabilities	(11,553)	(13,427)
Acquisition of treasury shares	(0)	(1)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(16)	(99)
Other	0	0
Net cash flows from financing activities	(163,303)	(267,492)
Net increase (decrease) in cash and cash equivalents	(59,093)	(35,986)
Cash and cash equivalents at the beginning of the period	866,885	1,040,206
Effect of exchange rate changes on cash and cash equivalents	19,428	83,620
Cash and cash equivalents at the end of the period (Note 6)	827,220	1,087,840

Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

The Company is a joint stock corporation under the Companies Act of Japan, pursuant to the Japan Tobacco Inc. Act, with its principal places of business located in Japan since its incorporation. The addresses of the Company's registered head office and principal business offices are available on the Company's website (<https://www.jt.com/>).

The condensed interim consolidated financial statements for the three and six months ended June 30, 2024 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on August 2, 2024 by Masamichi Terabatake, President and Chief Executive Officer.

2. Basis of Preparation

The Group's condensed interim consolidated financial statements, which satisfy the requirements concerning the "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of the Ordinance on CFS, are prepared in accordance with International Financial Reporting Standards pursuant to the provision of Article 312 of the Ordinance on CFS.

The condensed interim consolidated financial statements are prepared in accordance with IAS 34 and do not include all information required for the consolidated financial statements for the year. They should be read along with the consolidated financial statements for the year ended December 31, 2023.

3. Material Accounting Policy Information

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, 2023 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, 2024.

	IFRS Accounting Standards	Description of new standards and amendments
IFRS 7	Financial Instruments: Disclosures	Providing requirements for disclosure relating to supplier finance
IAS 7	Statement of Cash Flows	arrangements

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

Part of the consolidated financial statements for the year ended December 31, 2023 has been reclassified to conform with the presentation for the six months ended June 30, 2024.

4. Significant Accounting Estimates and Judgments

Preparation of condensed interim consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the interim period end date. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the interim period end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of changes in estimates and assumptions are recognized in the period of the change and future periods.

In principle, estimates and assumptions that may have a material effect on the amounts recognized in the condensed interim consolidated financial statements of the Group are the same as those for the year ended December 31, 2023. For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

5. Operating Segments

(1) 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.

(2) 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.

(For the six-month period)

Six months ended June 30, 2023

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
	(Millions of yen)						
Revenue							
External revenue	1,271,048	47,652	73,402	1,392,102	711	-	1,392,812
Intersegment revenue	151	-	16	167	1,437	(1,604)	-
Total revenue	<u>1,271,199</u>	<u>47,652</u>	<u>73,418</u>	<u>1,392,269</u>	<u>2,148</u>	<u>(1,604)</u>	<u>1,392,812</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>450,179</u>	<u>10,046</u>	<u>2,950</u>	<u>463,175</u>	<u>(20,361)</u>	<u>17</u>	<u>442,832</u>

¥1,217,196 million of the external revenue from the tobacco business is core revenue.

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

	Clusters			
	Asia	Western Europe	EMA	Total
	(Millions of yen)			
Core revenue (Note 3)	392,593	302,951	521,652	1,217,196
Adjusted operating profit (Note 1)	145,152	137,867	167,160	450,179

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, 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.

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

Six months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	450,179	10,046	2,950	463,175	(20,361)	17	442,832
Amortization cost of acquired intangibles arising from business acquisitions	(30,539)	-	-	(30,539)	-	-	(30,539)
Adjustment items (income) (Note 4)	126	-	845	972	2,479	-	3,451
Adjustment items (costs) (Note 5)	(1,374)	-	(11)	(1,385)	(803)	-	(2,188)
Operating profit (loss)	418,392	10,046	3,784	432,223	(18,684)	17	413,555
Financial income							16,994
Financial costs							(57,119)
Profit before income taxes							373,430

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

(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, 2023 and 2024

	2023	2024
Restructuring incomes	3,324	2,805
Other	126	3,139
Adjustment items (income)	<u>3,451</u>	<u>5,944</u>

Restructuring incomes for the six months ended June 30, 2023 and 2024 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in "11. Other Operating Income. 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, 2023 and 2024

	2023	2024
Restructuring costs	2,139	85
Other	49	8
Adjustment items (costs)	<u>2,188</u>	<u>93</u>

Restructuring costs included in "Cost of sales" were ¥(247) million for the six months ended June 30, 2023. Restructuring costs included in "Selling, general and administrative expenses" were ¥2,386 million and ¥85 million for the six months ended June 30, 2023 and 2024, respectively. The breakdown of restructuring costs is described in "12. Selling, general and administrative expenses."

(For the three-month period)
Three months ended June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	666,716	22,727	37,824	727,267	268	-	727,534
Intersegment revenue	90	-	8	98	783	(881)	-
Total revenue	<u>666,807</u>	<u>22,727</u>	<u>37,832</u>	<u>727,365</u>	<u>1,050</u>	<u>(881)</u>	<u>727,534</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>225,037</u>	<u>3,122</u>	<u>1,541</u>	<u>229,700</u>	<u>(10,244)</u>	<u>9</u>	<u>219,465</u>

¥638,126 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)	196,441	162,464	279,221	638,126
Adjusted operating profit (Note 1)	69,309	73,131	82,597	225,037

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 June 30, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	770,379	20,719	38,126	829,224	336	-	829,560
Intersegment revenue	119	-	7	126	803	(929)	-
Total revenue	<u>770,498</u>	<u>20,719</u>	<u>38,134</u>	<u>829,350</u>	<u>1,139</u>	<u>(929)</u>	<u>829,560</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>240,222</u>	<u>154</u>	<u>2,345</u>	<u>242,720</u>	<u>(16,350)</u>	<u>1</u>	<u>226,370</u>

¥738,527 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)	206,620	181,849	350,058	738,527
Adjusted operating profit (Note 1)	66,852	71,071	102,298	240,222

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 June 30, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	225,037	3,122	1,541	229,700	(10,244)	9	219,465
Amortization cost of acquired intangibles arising from business acquisitions	(15,471)	-	-	(15,471)	-	-	(15,471)
Adjustment items (income) (Note 4)	126	-	842	969	2,476	-	3,445
Adjustment items (costs) (Note 5)	(55)	-	86	31	(318)	-	(287)
Operating profit (loss)	209,637	3,122	2,469	215,229	(8,087)	9	207,151
Financial income							9,511
Financial costs							(26,378)
Profit before income taxes							190,284

Three 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)	240,222	154	2,345	242,720	(16,350)	1	226,370
Amortization cost of acquired intangibles arising from business acquisitions	(13,302)	-	-	(13,302)	-	-	(13,302)
Adjustment items (income) (Note 4)	3,132	-	-	3,132	849	-	3,981
Adjustment items (costs) (Note 5)	336	-	(4)	332	(537)	-	(205)
Operating profit (loss)	230,387	154	2,341	232,881	(16,038)	1	216,843
Financial income							16,608
Financial costs							(35,644)
Profit before income taxes							197,807

(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 June 30, 2023 and 2024

	2023	2024
Restructuring incomes	3,318	849
Other	126	3,132
Adjustment items (income)	<u>3,445</u>	<u>3,981</u>

Restructuring incomes for the three months ended June 30, 2023 mainly related to gains on sale of real estate. Other (income) for the three months ended June 30, 2024 mainly related to gains on deconsolidation of subsidiaries.

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

Three months ended June 30, 2023 and 2024

	2023	2024
Restructuring costs	240	197
Other	47	8
Adjustment items (costs)	<u>287</u>	<u>205</u>

6. Cash and Cash Equivalents

The Group’s Iranian subsidiaries’ ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. The Group’s Canadian subsidiary, JTI-Macdonald Corp. (hereinafter referred to as “JTI-Mac”) is subject to certain restrictions on the use of funds other than in the ordinary course of business due to the adoption of the “Companies’ Creditors Arrangement Act (CCAA).” “Cash and cash equivalents” as of June 30, 2024 includes cash and cash equivalents of ¥153,751 million and ¥171,832 million held by the Group’s Iranian subsidiaries and JTI-Mac, respectively.

7. Property, Plant and Equipment, Goodwill and Intangible Assets

The schedules of the carrying amounts of “Property, plant and equipment,” “Goodwill” and “Intangible assets” are as follows:

Carrying Amount	(Millions of yen)		
	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2024	821,499	2,616,440	200,819
Individual acquisition	60,382	-	10,930
Transfer to investment property	(17)	-	-
Transfer to assets held for sale	(5)	-	-
Depreciation or amortization	(54,406)	-	(33,675)
Impairment losses	(845)	-	(3)
Reversal of impairment losses	376	-	-
Sale or disposal	(2,124)	-	(150)
Exchange differences on translation of foreign operations	66,250	311,352	13,377
Other	(956)	(485)	102
As of June 30, 2024	890,154	2,927,306	191,399

8. Bonds

The Group issued straight bonds in EUR (outstanding amount: €600 million, carrying amount: ¥100,893 million, interest rate: 3.625%, issuance date: April 11, 2024, maturity date: April 11, 2034) in the six months ended June 30, 2024.

Also, for the six months ended June 30, 2024, the Group purchased a portion of the following bonds.

Company	Name of bond	Total amount issued	Purchase amount	Residual amount
JT International Financial Services B.V.	Straight bond in USD due 2028	USD 493 mil.	USD 9 mil.	USD 484 mil.
JT International Financial Services B.V.	Straight bond in USD due 2031	USD 593 mil.	USD 31 mil.	USD 562 mil.
JT International Financial Services B.V.	Straight bond in EUR due 2029	EUR 472 mil.	EUR 22 mil.	EUR 450 mil.

9. Dividends

Dividends paid for each interim period are as follows:

Six months ended June 30, 2023

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Annual Shareholders' Meeting (March 24, 2023)	Ordinary shares	200,558	113	December 31, 2022	March 27, 2023

Six months ended June 30, 2024

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Annual Shareholders' Meeting (March 22, 2024)	Ordinary shares	177,531	100	December 31, 2023	March 25, 2024

Dividends whose effective date falls in the next period are as follows:

Six months ended June 30, 2023

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Board of Directors (July 31, 2023)	Ordinary shares	166,856	94	June 30, 2023	September 1, 2023

Six months ended June 30, 2024

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution) Board of Directors (August 2, 2024)	Ordinary shares	172,229	97	June 30, 2024	September 4, 2024

10. Revenue

The disaggregation of “Revenue” for each interim period is as follows. The amounts are presented after the elimination of intercompany transactions.

Six months ended June 30, 2023

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	1,217,196	-	-	-	1,217,196
Other	53,852	47,652	73,402	711	175,616
Total	<u>1,271,048</u>	<u>47,652</u>	<u>73,402</u>	<u>711</u>	<u>1,392,812</u>

Six months ended June 30, 2024

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	1,391,842	-	-	-	1,391,842
Other	59,518	44,059	73,815	658	178,050
Total	<u>1,451,360</u>	<u>44,059</u>	<u>73,815</u>	<u>658</u>	<u>1,569,892</u>

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥39,462 million and ¥50,746 million for the six months ended June 30, 2023 and 2024, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

11. Other Operating Income

The breakdown of “Other operating income” for each interim period is as follows:

Six months ended June 30, 2023 and 2024

	2023	(Millions of yen) 2024
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	3,981	3,395
Other (Note)	5,064	12,382
Total	<u>9,046</u>	<u>15,777</u>

(Note) The amount of restructuring incomes included in each account is as follows:

Six months ended June 30, 2023 and 2024

	2023	(Millions of yen) 2024
Gain on sale of property, plant and equipment, intangible assets and investment property	3,304	2,788
Other	20	16
Total	<u>3,324</u>	<u>2,805</u>

12. Selling, General and Administrative Expenses

The breakdown of “Selling, general and administrative expenses” for each interim period is as follows:

Six months ended June 30, 2023 and 2024

	2023	2024
Advertising expenses	15,181	20,769
Promotion expenses	46,973	64,119
Commission (Note)	37,669	34,381
Employee benefit expenses (Note)	172,454	192,048
Research and development expenses	34,884	35,858
Depreciation and amortization	52,487	50,320
Impairment losses on other than financial assets (Note)	892	1,585
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	1,502	635
Other (Note)	66,005	75,010
Total	<u>428,046</u>	<u>474,725</u>

(Note) The amount of restructuring costs included in each account is as follows:

Six months ended June 30, 2023 and 2024

	2023	2024
Employee benefit expenses	1,080	(293)
Impairment losses on other than financial assets	99	736
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	717	162
Other	489	(520)
Total	<u>2,386</u>	<u>85</u>

13. Financial Income and Financial Costs

The breakdown of “Financial income” and “Financial costs” for each interim period is as follows:

Six months ended June 30, 2023 and 2024

	(Millions of yen)	
Financial Income	2023	2024
Dividend income	392	893
Interest income	16,317	29,445
Other	285	1,146
Total	<u>16,994</u>	<u>31,485</u>

Six months ended June 30, 2023 and 2024

	(Millions of yen)	
Financial Costs	2023	2024
Interest expenses	14,203	16,607
Foreign exchange losses (Note 1)	35,509	24,486
Employee benefit expenses (Note 2)	2,507	2,747
Loss on net monetary position	2,886	16,616
Other	2,014	4,618
Total	<u>57,119</u>	<u>65,074</u>

(Note 1) Valuation gain (loss) of currency derivatives is included in foreign exchange losses.

(Note 2) Employee benefit expenses are the net amount of interest cost and interest income related to employee benefits.

14. Other Comprehensive Income

“Remeasurements of defined benefit plans” for the six months ended June 30, 2024 include remeasurements arising from the effects of significant market fluctuations in relation to retirement benefit assets or liabilities.

15. Interim Earnings per Share

(For the six-month period)

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Six months ended June 30, 2023 and 2024

	2023	2024
Profit for the period attributable to owners of the parent company	287,009	305,172
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	287,009	305,172

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

Six months ended June 30, 2023 and 2024

	2023	2024
Weighted-average number of shares during the period	1,774,988	1,775,428

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Six months ended June 30, 2023 and 2024

	2023	2024
Profit for the period used for calculation of basic interim earnings per share	287,009	305,172
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	287,009	305,172

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

Six months ended June 30, 2023 and 2024

	2023	2024
Weighted-average number of ordinary shares during the period	1,774,988	1,775,428
Increased number of ordinary shares under subscription rights to shares	477	296
Weighted-average number of diluted ordinary shares during the period	1,775,465	1,775,724

(For the three-month period)

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Three months ended June 30, 2023 and 2024

	2023	2024
Profit for the period attributable to owners of the parent company	142,325	147,907
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	142,325	147,907

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

Three months ended June 30, 2023 and 2024

	2023	2024
Weighted-average number of shares during the period	1,775,061	1,775,520

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Three months ended June 30, 2023 and 2024

	2023	2024
Profit for the period used for calculation of basic interim earnings per share	142,325	147,907
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	142,325	147,907

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

Three months ended June 30, 2023 and 2024

	2023	2024
Weighted-average number of ordinary shares during the period	1,775,061	1,775,520
Increased number of ordinary shares under subscription rights to shares	404	269
Weighted-average number of diluted ordinary shares during the period	1,775,465	1,775,789

16. Financial Instruments

(Fair Value of Financial Instruments)

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

(Millions of yen)

	As of December 31, 2023		As of June 30, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	147,390	147,627	143,665	143,101
Bonds	785,901	732,331	955,407	894,051

(Note) Current portion is included.

With regard to short-term financial assets and short-term financial liabilities measured at amortized cost, their fair value approximates the carrying amount.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value of bonds issued by the Group is based on the market price for those having market prices, and based on the present value that is obtained by discounting the total of principal and interest by the interest rate, for which the remaining period and credit risk of such bonds are taken into consideration.

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of December 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	19,187	-	19,187
Equity securities	22,696	-	11,585	34,281
Notes and accounts receivable	-	5,307	-	5,307
Other	686	4,799	14,976	20,461
Total	23,382	29,293	26,560	79,236
Derivative liabilities	-	25,076	-	25,076
Total	-	25,076	-	25,076

As of June 30, 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	10,647	-	10,647
Equity securities	22,653	-	12,930	35,582
Notes and accounts receivable	-	6,909	-	6,909
Other	855	4,808	17,716	23,378
Total	<u>23,507</u>	<u>22,363</u>	<u>30,646</u>	<u>76,516</u>
Derivative liabilities	-	51,828	-	51,828
Total	<u>-</u>	<u>51,828</u>	<u>-</u>	<u>51,828</u>

17. Commitments

Commitments for the acquisition of assets after each closing date are as follows:

	As of December 31, 2023	As of June 30, 2024
Acquisition of property, plant and equipment	61,017	66,739

(Millions of yen)

18. Contingencies

As of June 30, 2024, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2023.

19. Subsequent Events

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

August 2, 2024

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

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of June 30, 2024, and the condensed interim consolidated statement of income and condensed interim consolidated statement of comprehensive income for the three-month and six-month periods then ended and the condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six-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 do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2024, and its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month period then ended in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated 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, 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 and fair presentation of the condensed interim consolidated financial statements in accordance with IAS 34, 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 Paragraph 4 of IAS 1 "Presentation of Financial Statements" and using the going concern basis of accounting.

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 fairly presented, in all material respects, in accordance with Paragraph 4 of IAS 1, 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 in accordance with IAS 34, as well as the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.