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February 13, 2025

Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jt.com/>
Representative: Masamichi Terabatake, Representative Director and President,
Chief Executive Officer
Contact: Hiromasa Furukawa, Senior Vice President, Chief Financial Officer and Corporate
Communications
Telephone: +81-3-6636-2914
Scheduled date of Annual General Meeting of Shareholders: March 26, 2025
Scheduled date to file Annual Securities Report: March 26, 2025
Scheduled starting date of the dividend payments: March 27, 2025
Drawing up supplementary documents on financial results: Yes
Holding investors' meeting: Yes (for analysts and institutional investors)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	3,149,759	10.9	697,203	3.7	607,509	(2.3)	466,725	(3.8)
December 31, 2023	2,841,077	6.9	672,410	2.9	621,601	4.7	485,310	9.3

	Profit attributable to owners of the parent company		Comprehensive income for the year		Basic earnings per share	Diluted earnings per share
Year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2024	463,369	(3.9)	572,742	(14.3)	260.98	260.94
December 31, 2023	482,288	8.9	668,217	(33.1)	271.69	271.63

	Ratio of profit to equity attributable to owners of the parent company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
Year ended	%	%	%
December 31, 2024	11.8	7.8	22.1
December 31, 2023	13.1	9.0	23.7

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

Fiscal year ended December 31, 2024: ¥12,885 million; Fiscal year ended December 31, 2023: ¥8,332 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2024	8,281,118	4,132,856	4,050,752	48.9	2,281.35
December 31, 2023	7,282,097	3,912,491	3,830,156	52.6	2,157.46

(3) Consolidated Cash Flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2024	630,011	(439,766)	(94,906)	1,084,567
December 31, 2023	566,317	(125,432)	(270,500)	1,040,206

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2023	-	94.00	-	100.00	194.00	344,387	71.4	9.3
Year ended December 31, 2024	-	97.00	-	97.00	194.00	344,461	74.3	8.7
Year ending December 31, 2025 (Forecast)	-	97.00	-	97.00	194.00		76.5	

**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	(3.8)	450,000 (2.9)	253.44

[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	%
Year ended December 31, 2024	782,746	7.5
Year ending December 31, 2025 (Forecast)	815,000	8.4

The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance. For details of these financial measures, please refer to “1. Business Results” in attached materials.

For detailed information on the consolidated financial results, please refer to the materials for investors’ meeting that were released on the Company’s website on February 13, 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: Yes
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None

For details, please refer to “3. Consolidated Financial Statements and Major Notes (IFRS), (6) Notes to Consolidated Financial Statements (Significant accounting estimates / Changes in accounting policies).”

(3) Number of shares issued (ordinary shares)

- Total number of shares issued at the end of the period (including treasury shares)

As of December 31, 2024	2,000,000,000 shares
As of December 31, 2023	2,000,000,000 shares
- Number of treasury shares at the end of the period

As of December 31, 2024	224,409,101 shares
As of December 31, 2023	224,692,028 shares
- Average number of shares during the period

Fiscal year ended December 31, 2024	1,775,508,620 shares
Fiscal year ended December 31, 2023	1,775,141,654 shares

[Reference] Overview of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	530,247	(1.3)	(6,076)	-	404,377	117.8	404,849	119.1
December 31, 2023	537,261	(0.9)	20,131	(68.8)	185,665	(32.2)	184,788	(34.8)

	Net income per share	Diluted earnings per share
Year ended	Yen	Yen
December 31, 2024	228.02	227.98
December 31, 2023	104.10	104.07

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2024	2,303,789	1,214,895	52.7	684.01
December 31, 2023	2,293,951	1,179,577	51.4	664.12

Reference: Equity:

As of December 31, 2024: ¥1,214,531 million; As of December 31, 2023: ¥1,179,020 million

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

For the current fiscal year, a difference has arisen in ordinary income and net income between the actual results for the current fiscal year and the actual results for the previous fiscal year due to the impact from an increase in non-operating income, and other factors.

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to "FORWARD-LOOKING STATEMENTS" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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1. Overview of Business Results

(Non-GAAP Financial Measures)

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

Adjusted operating profit

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

Furthermore, growth rate in adjusted operating profit at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Constant FX

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 adjusted operating profit, core revenue, or from core revenue from tobacco business 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

The sum of core revenue from the Tobacco Business and revenue from the Pharmaceutical Business, Processed Food Business and other.

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 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."

(1) Consolidated Business Results

a. General summary

(Billions of yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024	Change
Revenue	2,841.1	3,149.8	10.9%
Adjusted operating profit	728.0	751.9	3.3%
Operating profit	672.4	697.2	3.7%
Profit attributable to owners of the parent company	482.3	463.4	(3.9)%
Core revenue at constant FX	2,728.8	2,958.4	8.4%
Adjusted operating profit at constant FX	728.0	782.7	7.5%

Revenue

Revenue increased by 10.9% from the previous year to ¥3,149.8 billion due to increases in the Tobacco Business and the Processed Food Business. Core revenue at constant FX increased by 8.4% from the previous year.

Adjusted operating profit

Adjusted operating profit at constant FX increased by 7.5% from the previous year mainly driven by growth in the Tobacco Business. Adjusted operating profit including foreign exchange effects increased by 3.3% from the previous year to ¥751.9 billion due to unfavorable currency movements as a result of the Japanese yen appreciating against several local currencies.

Operating profit

Operating profit increased by 3.7% from the previous year to ¥697.2 billion, driven by the increase in adjusted operating profit.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company decreased by 3.9% from the previous year to ¥463.4 billion due to an increase in financing costs, despite an increase in operating profit.

b. Review of operations by business segment

Please refer to the 2024 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(2) Consolidated Financial Position and Cash Flow Position

a. Financial position

[Assets]

Total assets at the end of the current fiscal year increased by ¥999.0 billion from the end of the previous fiscal year to ¥8,281.1 billion. This was mainly due to increases in goodwill and intangible assets.

[Liabilities]

Total liabilities at the end of the current fiscal year increased by ¥778.7 billion from the end of the previous fiscal year to ¥4,148.3 billion. This was mainly due to an increase in bonds and borrowings.

[Equity]

Total equity at the end of the current fiscal year increased by ¥220.4 billion from the end of the previous fiscal year to ¥4,132.9 billion. This was mainly due 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 current fiscal year increased by ¥44.4 billion from the end of the previous fiscal year to ¥1,084.6 billion. Cash and cash equivalents at the end of the previous fiscal year were ¥1,040.2 billion.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the current fiscal year were ¥630.0 billion, compared with ¥566.3 billion provided in the previous fiscal year. This was mainly due to the generation of a stable cash inflow from the tobacco business, despite an increase in inventories, and payments of trade and other payables.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the current fiscal year were ¥439.8 billion, compared with ¥125.4 billion used in the previous fiscal year. This was mainly due to business combinations and the purchase of property, plant and equipment.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the current fiscal year were ¥94.9 billion, compared with ¥270.5 billion used in the previous fiscal year. This was mainly due to the payment of cash dividends, despite proceeds from long-term borrowings.

(3) Outlook for the Next Fiscal Year

a. Consolidated earnings forecasts

(Billions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ending December 31, 2025 (Forecast)	Change
Revenue	3,149.8	3,273.0	3.9%
Adjusted operating profit	751.9	735.0	(2.2)%
Operating profit	697.2	671.0	(3.8)%
Profit attributable to owners of the parent company	463.4	450.0	(2.9)%
Core revenue at constant FX	3,031.8	3,232.0	6.6%
Adjusted operating profit at constant FX	751.9	815.0	8.4%

Revenue

Revenue is expected to increase by 3.9% from the current fiscal year to ¥3,273.0 billion due to increases in all businesses. Core revenue at constant FX is expected to increase by 6.6% from the current fiscal year.

Adjusted operating profit

Adjusted operating profit at constant FX is expected to increase by 8.4% from the current fiscal year due to increases in the Tobacco Business, despite decreases in the Pharmaceutical Business. Adjusted operating profit including foreign exchange effects is expected to decrease by 2.2% from the current fiscal year to ¥735.0 billion, due to the unfavorable foreign exchange effects.

Operating profit and profit attributable to owners of the parent company

Operating profit is forecast to decrease by 3.8% from the current fiscal year to ¥671.0 billion due mainly to a decrease in adjusted operating profit and an increase in the amortization of right of trademark in connection with the acquisition of the U.S. tobacco company Vector Group Ltd.

Profit attributable to owners of the parent company is forecast to decrease by 2.9% from the current fiscal year to ¥450.0 billion due mainly to a decrease in operating profit and an increase in income taxes, despite expected decreases in financing costs.

b. Review of operations by business segment

Please refer to the 2024 Earnings Report posted on the Company's website (<https://www.jt.com/investors/results/forecast/index.html>).

(4) Basic Policy on Profit Distribution and Dividends for Fiscal Years 2024 and 2025

The Company has adopted a management resource allocation policy, prioritizing business investments^(Note 1) for sustainable profit growth in the medium and long terms as well as balancing profit growth through business investments and shareholder returns.

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

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

Note 1: Grow adjusted operating profit at constant FX by placing top priority on growth-oriented investment in the tobacco business, while realizing high-quality, top-line growth through continuing provision of new value and satisfaction to consumers and society.

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

Note 3: To be in the range of approximately $\pm 5\%$.

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

Based on the above policies, the Company is planning to pay 97 yen per share as a year-end dividend for fiscal year 2024, taking into comprehensive consideration various factors, including financial results of fiscal year 2024 as well as expected profit levels of fiscal year 2025. Therefore, the annual dividend per share of fiscal year 2024 is scheduled to be 194 yen, including the interim dividend of 97 yen for fiscal year 2024.

Regarding the dividend for the fiscal year ending December 31, 2025, the Company plans to pay an annual dividend of ¥194 per share (including a ¥97 interim dividend).

2. Basic Principle on the Choice of Accounting Standards

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

FORWARD-LOOKING STATEMENTS

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

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

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

Notes on the Russia-Ukraine War

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

3. Consolidated Financial Statements and Major Notes (IFRS)

(1) Consolidated Statement of Financial Position

	As of December 31, 2023	(Millions of yen) As of December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	1,040,206	1,084,567
Trade and other receivables	535,302	568,982
Inventories	832,611	957,281
Other financial assets	58,633	120,211
Other current assets	789,888	826,766
Subtotal	3,256,639	3,557,807
Assets held for sale	2,921	19,765
Total current assets	3,259,561	3,577,572
Non-current assets		
Property, plant and equipment	821,499	907,700
Goodwill	2,616,440	2,914,254
Intangible assets	200,819	486,463
Investment property	9,338	3,716
Retirement benefit assets	65,856	89,573
Investments accounted for using the equity method	56,726	50,423
Other financial assets	155,267	152,451
Other non-current assets	7,212	5,500
Deferred tax assets	89,379	93,467
Total non-current assets	4,022,536	4,703,547
Total assets	7,282,097	8,281,118

	As of December 31, 2023	(Millions of yen) As of December 31, 2024
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	592,802	659,510
Bonds and borrowings	233,333	178,668
Income tax payables	29,647	24,621
Other financial liabilities	44,470	59,965
Provisions	18,634	25,704
Other current liabilities	1,008,390	1,029,925
Total current liabilities	1,927,276	1,978,393
Non-current liabilities		
Bonds and borrowings	908,926	1,548,120
Other financial liabilities	40,678	49,210
Retirement benefit liabilities	279,443	277,236
Provisions	45,527	48,526
Other non-current liabilities	127,170	122,321
Deferred tax liabilities	40,586	124,455
Total non-current liabilities	1,442,329	2,169,869
Total liabilities	3,369,605	4,148,262
Equity		
Share capital	100,000	100,000
Capital surplus	736,478	736,697
Treasury shares	(489,194)	(488,579)
Other components of equity	290,550	381,599
Retained earnings	3,192,323	3,321,034
Equity attributable to owners of the parent company	3,830,156	4,050,752
Non-controlling interests	82,336	82,104
Total equity	3,912,491	4,132,856
Total liabilities and equity	7,282,097	8,281,118

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

Consolidated Statement of Income

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Revenue	2,841,077	3,149,759
Cost of sales	(1,225,974)	(1,407,462)
Gross profit	1,615,103	1,742,297
Other operating income	30,027	29,308
Share of profit in investments accounted for using the equity method	8,332	12,885
Selling, general and administrative expenses	(981,052)	(1,087,287)
Operating profit	672,410	697,203
Financial income	44,414	69,503
Financial costs	(95,222)	(159,198)
Profit before income taxes	621,601	607,509
Income taxes	(136,292)	(140,784)
Profit for the period	485,310	466,725
Attributable to:		
Owners of the parent company	482,288	463,369
Non-controlling interests	3,021	3,356
Profit for the period	485,310	466,725
Earnings per share		
Basic (Yen)	271.69	260.98
Diluted (Yen)	271.63	260.94

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

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Operating profit	672,410	697,203
Amortization cost of acquired intangibles arising from business acquisitions	58,836	55,683
Adjustment items (income)	(18,651)	(13,727)
Adjustment items (costs)	15,407	12,708
Adjusted operating profit	728,002	751,868

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended December 31, 2023	Year ended December 31, 2024
Profit for the period	485,310	466,725
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	2,414	2,339
Remeasurements of defined benefit plans	(13,538)	13,998
Total of items that will not be reclassified to profit or loss	(11,123)	16,337
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	189,299	93,852
Net gain (loss) on derivatives designated as cash flow hedges	4,749	(4,201)
Hedge costs	(17)	29
Total of items that may be reclassified subsequently to profit or loss	194,031	89,680
Other comprehensive income (loss), net of taxes	182,908	106,017
Comprehensive income (loss) for the period	668,217	572,742
Attributable to:		
Owners of the parent company	660,663	569,583
Non-controlling interests	7,554	3,159
Comprehensive income (loss) for the period	668,217	572,742

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	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)	-	-	-	-	185,014	4,749	(17)
Comprehensive income (loss) for the period	-	-	-	-	185,014	4,749	(17)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	78	990	(444)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(4,150)	-
Total transactions with the owners	-	78	989	(444)	-	(4,150)	-
As of December 31, 2023	100,000	736,478	(489,194)	557	270,810	9,145	(17)
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	93,999	(4,201)	29
Comprehensive income (loss) for the period	-	-	-	-	93,999	(4,201)	29
Acquisition of treasury shares	-	-	(2)	-	-	-	-
Disposal of treasury shares	-	220	617	(193)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(918)	-
Total transactions with the owners	-	220	615	(193)	-	(918)	-
As of December 31, 2024	100,000	736,697	(488,579)	364	364,809	4,026	12

(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	-	-	-	482,288	482,288	3,021	485,310
Other comprehensive income (loss)	2,199	(13,571)	178,375	-	178,375	4,533	182,908
Comprehensive income (loss) for the period	2,199	(13,571)	178,375	482,288	660,663	7,554	668,217
Acquisition of treasury shares	-	-	-	-	(1)	-	(1)
Disposal of treasury shares	-	-	(444)	(505)	119	-	119
Share-based payments	-	-	-	505	505	22	526
Dividends	-	-	-	(367,415)	(367,415)	(2,945)	(370,360)
Changes in the scope of consolidation	-	-	-	-	-	(33)	(33)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(0)	(0)	1,413	1,413
Transfer from other components of equity to retained earnings	(1,111)	13,571	12,460	(12,460)	-	-	-
Other increase (decrease)	-	-	(4,150)	-	(4,150)	-	(4,150)
Total transactions with the owners	(1,111)	13,571	7,866	(379,875)	(370,942)	(1,544)	(372,486)
As of December 31, 2023	10,054	-	290,550	3,192,323	3,830,156	82,336	3,912,491
Profit for the period	-	-	-	463,369	463,369	3,356	466,725
Other comprehensive income (loss)	2,333	14,054	106,214	-	106,214	(197)	106,017
Comprehensive income (loss) for the period	2,333	14,054	106,214	463,369	569,583	3,159	572,742
Acquisition of treasury shares	-	-	-	-	(2)	-	(2)
Disposal of treasury shares	-	-	(193)	(493)	151	-	151
Share-based payments	-	-	-	664	664	24	688
Dividends	-	-	-	(349,759)	(349,759)	(2,810)	(352,569)
Changes in the scope of consolidation	-	-	-	627	627	(66)	561
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	251	251	(539)	(287)
Transfer from other components of equity to retained earnings	1	(14,054)	(14,053)	14,053	-	-	-
Other increase (decrease)	-	-	(918)	-	(918)	-	(918)
Total transactions with the owners	1	(14,054)	(15,164)	(334,657)	(348,987)	(3,390)	(352,377)
As of December 31, 2024	12,388	-	381,599	3,321,034	4,050,752	82,104	4,132,856

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	621,601	607,509
Depreciation and amortization	177,409	179,837
Impairment losses	13,710	17,370
Interest and dividend income	(42,816)	(67,562)
Interest expense	28,493	42,485
Share of profit in investments accounted for using the equity method	(8,332)	(12,885)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(16,810)	(7,374)
(Gains) losses on sale of investments in subsidiaries	104	(1,722)
(Increase) decrease in trade and other receivables	(30,169)	45,770
(Increase) decrease in inventories	(136,232)	(96,566)
Increase (decrease) in trade and other payables	40,998	(46,221)
Increase (decrease) in retirement benefit liabilities	455	(7,175)
(Increase) decrease in prepaid tobacco excise taxes	(106,987)	13,802
Increase (decrease) in tobacco excise tax payables	102,787	4,973
Increase (decrease) in consumption tax payables	23,249	4,126
Other	43,079	83,226
Subtotal	710,540	759,591
Interest and dividends received	41,189	65,353
Interest paid	(26,324)	(33,980)
Income taxes paid	(159,088)	(160,953)
Net cash flows from operating activities	566,317	630,011
Cash flows from investing activities		
Purchase of securities	(113,010)	(65,514)
Proceeds from sale and redemption of securities	84,363	81,318
Purchase of property, plant and equipment	(94,861)	(127,769)
Proceeds from sale of investment property	19,653	9,753
Purchase of intangible assets	(21,707)	(22,598)
Payments into time deposits	—	(48,262)
Payments for business combinations	—	(265,667)
Proceeds from sale of investments in associates	1,369	414
Other	(1,239)	(1,441)
Net cash flows from investing activities	(125,432)	(439,766)

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Cash flows from financing activities		
Dividends paid to owners of the parent company	(367,331)	(349,645)
Dividends paid to non-controlling interests	(2,594)	(2,701)
Capital contribution from non-controlling interests	431	130
Increase (decrease) in short-term borrowings and commercial paper	143,042	(150,105)
Proceeds from long-term borrowings	2,890	581,380
Repayments of long-term borrowings	(14,909)	(236,538)
Proceeds from issuance of bonds	59,795	97,616
Redemption of bonds	(68,194)	(8,722)
Repayments of lease liabilities	(23,613)	(26,218)
Acquisition of treasury shares	(1)	(2)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(17)	(100)
Other	0	0
Net cash flows from financing activities	(270,500)	(94,906)
Net increase (decrease) in cash and cash equivalents	170,385	95,339
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	2,935	(50,978)
Cash and cash equivalents at the end of the period	1,040,206	1,084,567

(5) Notes on Premise of Going Concern

No items to report.

(6) Notes to Consolidated Financial Statements**(Significant accounting estimates)**

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

(Changes in accounting policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the fiscal year ended December 31, 2024.

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

The adoption of the above standards and interpretations does not have a material impact on the 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 year ended December 31, 2024.

(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.

Year ended December 31, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	2,590,910	94,875	153,854	2,839,638	1,439	-	2,841,077
Intersegment revenue	393	-	31	425	2,783	(3,208)	-
Total revenue	<u>2,591,303</u>	<u>94,875</u>	<u>153,885</u>	<u>2,840,063</u>	<u>4,222</u>	<u>(3,208)</u>	<u>2,841,077</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>749,757</u>	<u>17,409</u>	<u>6,848</u>	<u>774,014</u>	<u>(46,136)</u>	<u>124</u>	<u>728,002</u>
Other items							
Depreciation and amortization (Note 3)	163,584	4,586	7,057	175,227	2,189	(7)	177,409
Impairment losses on other than financial assets	13,613	-	28	13,641	70	-	13,710
Reversal of impairment losses on other than financial assets	486	-	-	486	-	-	486
Share of profit (loss) in investments accounted for using the equity method	8,294	-	58	8,352	(21)	-	8,332
Capital expenditures (Note 4)	101,560	6,582	5,818	113,961	6,755	-	120,715

¥2,478,625 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 5)	796,919	603,254	1,078,451	2,478,625
Adjusted operating profit	245,845	231,446	272,466	749,757

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Year ended December 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Revenue							
External revenue	2,896,555	94,464	157,183	3,148,203	1,556	-	3,149,759
Intersegment revenue	431	-	28	458	3,037	(3,496)	-
Total revenue	<u>2,896,986</u>	<u>94,464</u>	<u>157,211</u>	<u>3,148,661</u>	<u>4,593</u>	<u>(3,496)</u>	<u>3,149,759</u>
Segment profit (loss)							
Adjusted operating profit (Note 1)	<u>791,773</u>	<u>9,233</u>	<u>8,071</u>	<u>809,077</u>	<u>(57,214)</u>	<u>5</u>	<u>751,868</u>
Other items							
Depreciation and amortization (Note 3)	162,129	4,950	7,312	174,391	5,452	(5)	179,837
Impairment losses on other than financial assets	16,549	-	12	16,561	810	-	17,370
Reversal of impairment losses on other than financial assets	825	-	-	825	-	-	825
Share of profit (loss) in investments accounted for using the equity method	12,793	-	26	12,819	66	-	12,885
Capital expenditures (Note 4)	134,963	7,001	6,116	148,081	2,610	-	150,691

¥2,778,610 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 5)	802,325	688,921	1,287,364	2,778,610
Adjusted operating profit	219,645	257,106	315,022	791,773

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

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

Year ended December 31, 2023

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	749,757	17,409	6,848	774,014	(46,136)	124	728,002
Amortization cost of acquired intangibles arising from business acquisitions	(58,836)	-	-	(58,836)	-	-	(58,836)
Adjustment items (income) (Note 6)	444	-	867	1,311	17,339	-	18,651
Adjustment items (costs) (Note 7)	(14,265)	-	(24)	(14,289)	(1,117)	-	(15,407)
Operating profit (loss)	677,101	17,409	7,691	702,201	(29,914)	124	672,410
Financial income							44,414
Financial costs							(95,222)
Profit before income taxes							621,601

Year ended December 31, 2024

(Millions of yen)

	Reportable Segments				Other (Note 2)	Elimination	Consolidated
	Tobacco	Pharmaceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	791,773	9,233	8,071	809,077	(57,214)	5	751,868
Amortization cost of acquired intangibles arising from business acquisitions	(55,683)	-	-	(55,683)	-	-	(55,683)
Adjustment items (income) (Note 6)	3,674	-	446	4,119	9,607	-	13,727
Adjustment items (costs) (Note 7)	(11,438)	-	(511)	(11,949)	(760)	-	(12,708)
Operating profit (loss)	728,326	9,233	8,005	745,565	(48,367)	5	697,203
Financial income							69,503
Financial costs							(159,198)
Profit before income taxes							607,509

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

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

(Note 3) Depreciation of right-of-use assets included in "Depreciation and amortization" is as follows:

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Tobacco	21,530	22,794
Pharmaceuticals	656	547
Processed Food	518	503
Other	1,364	3,174
Depreciation of right-of-use assets	24,068	27,018

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

(Note 5) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

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

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Restructuring incomes	18,207	7,885
Other	444	5,842
Adjustment items (income)	18,651	13,727

Restructuring incomes for the year ended December 31, 2023 and 2024 mainly related to gains on sale of real estate. Other (income) for the year ended December 31, 2024 mainly related to gains on deconsolidation of subsidiaries.

(Note 7) The breakdown of “Adjustment items (costs)” is as follows:

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Restructuring costs	4,534	6,077
Other	10,873	6,631
Adjustment items (costs)	15,407	12,708

Restructuring costs for the year ended December 31, 2024 mainly related to rationalization in a market in the “Tobacco Business.” Other (costs) for the year ended December 31, 2023 mainly related to losses on changes in estimates of asset retirement obligations and impairment loss on trademark in the “Tobacco Business.” Other (costs) for the year ended December 31, 2024 mainly related to impairment loss on trademark and transaction costs of the business combination in the “Tobacco Business.”

c. Geographic information

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

Non-current Assets

	(Millions of yen)	
	As of December 31, 2023	As of December 31, 2024
Japan	636,639	575,799
Overseas	3,017,621	3,736,334
Consolidated	3,654,260	4,312,132

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

External Revenue

	(Millions of yen)	
	Year ended December 31, 2023	Year ended December 31, 2024
Japan	685,373	668,005
Overseas	2,155,704	2,481,754
Consolidated	2,841,077	3,149,759

(Note) Revenue is segmented by the sales destination.

d. Major customers information

The “Tobacco Business” of the Group sells products to the Megapolis Group that engages in distribution and wholesale business in Russia and other countries. The external revenues from the Megapolis Group were ¥370,970 million (13.1% of consolidated revenue) for the year ended December 31, 2023 and ¥416,186 million (13.2% of consolidated revenue) for the year ended December 31, 2024.

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

(Millions of yen)

	Year ended December 31, 2023	Year ended December 31, 2024
Profit for the period attributable to owners of the parent company	482,288	463,369
Profit not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic earnings per share	482,288	463,369

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

(Thousands of shares)

	Year ended December 31, 2023	Year ended December 31, 2024
Weighted-average number of shares during the period	1,775,142	1,775,509

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

(Millions of yen)

	Year ended December 31, 2023	Year ended December 31, 2024
Profit for the period used for calculation of basic earnings per share	482,288	463,369
Adjustment	-	-
Profit for the period used for calculation of diluted earnings per share	482,288	463,369

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

(Thousands of shares)

	Year ended December 31, 2023	Year ended December 31, 2024
Weighted-average number of ordinary shares during the period	1,775,142	1,775,509
Increased number of ordinary shares under subscription rights to shares	415	264
Weighted-average number of diluted ordinary shares during the period	1,775,557	1,775,773

(Significant subsequent events)

The Company entered into loan agreements with banks as follows:

- (1) Lenders : Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited
- (2) Aggregate amount of borrowings : ¥100 billion
- (3) Interest rates : Floating rates (TIBOR plus spread)
- (4) Drawdown date : January 31, 2025
- (5) Repayment date : January 31, 2055

The Company may, at its option, repay early all or a portion of the principal on any Interest Payment Date on or after the Interest Payment Date of January 2030.

- (6) Collateral/Guarantee : None
- (7) Use of proceeds : Repayment of the Existing Subordinated Loan
- (8) Other borrowing terms :

a. Interest deferral clause

The Company may, at its option, defer the payment of interest.

b. Subordination clause

The lenders shall have subordinated claim rights subordinated to senior debts in liquidation proceedings, bankruptcy proceedings, reorganization proceedings, civil rehabilitation proceedings or any other equivalent proceedings other than those under the laws of Japan.

No terms and conditions of the Subordinated Loan Agreement may be amended in a manner detrimental in any way to any creditors of the Company other than the creditors of the subordinated receivables.

c. Replacement restrictions

There is no contractual provision on replacement restrictions.

Provided, when making a prepayment of the Subordinated Loan, the Company intends to replace it with the funds raised by common stock or financial instruments that have equity credit attributes approved by rating agencies to be equal to or higher than the Subordinated Loan within twelve months prior to the prepayment date. However, the Company may decide not to replace the Subordinated Loan with the approved funds that have equal or higher equity credit attributes, if predefined financial requirements are met.

4. Non-consolidated Financial Statements and Major Notes (Japanese GAAP)

(1) Non-consolidated Balance Sheet

	As of December 31, 2023	(Millions of yen) As of December 31, 2024
Assets		
Current assets		
Cash and deposits	177,685	205,764
Accounts receivable - trade	33,949	35,420
Merchandise and finished goods	38,008	38,813
Semi-finished goods	80,783	76,050
Work in process	988	1,726
Raw materials and supplies	38,491	42,204
Advance payments - trade	400	1,641
Prepaid expenses	6,165	5,364
Short-term loans receivable from subsidiaries and affiliates	33,831	39,264
Other	15,967	33,922
Allowance for doubtful accounts	(31)	(31)
Total current assets	426,237	480,137
Noncurrent assets		
Property, plant and equipment		
Buildings	67,108	65,106
Structures	1,891	1,849
Machinery and equipment	27,462	28,822
Vehicles	305	961
Tools, furniture and fixtures	9,652	12,401
Land	46,171	43,669
Construction in progress	5,994	6,605
Total property, plant and equipment	158,583	159,412
Intangible assets		
Right of trademark	32,783	16,422
Software	8,331	16,481
Goodwill	71,542	35,771
Other	13,830	6,831
Total intangible assets	126,487	75,505
Investments and other assets		
Investment securities	21,753	21,707
Shares of subsidiaries and affiliates	1,502,043	1,508,834
Long-term loans receivable from subsidiaries and affiliates	5,558	5,488
Long-term prepaid expenses	10,593	9,714
Deferred tax assets	24,694	25,981
Other	18,110	17,102
Allowance for doubtful accounts	(108)	(90)
Total investments and other assets	1,582,644	1,588,735
Total noncurrent assets	1,867,714	1,823,652
Total assets	2,293,951	2,303,789

	As of December 31, 2023	(Millions of yen) As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	7,279	15,261
Short-term borrowings	158,000	100,000
Current portion of bonds	-	25,000
Current portion of long-term borrowings	20,000	-
Lease obligations	138	182
Accounts payable - other	42,765	71,164
National tobacco excise taxes payable	70,378	66,209
National tobacco special excise taxes payable	8,484	7,982
Local tobacco excise taxes payable	79,077	76,693
Income taxes payable	5,624	1,330
Accrued consumption taxes	27,323	26,994
Cash management system deposits received	300,833	292,571
Provision for bonuses	5,498	13,396
Other provisions	1,331	3,471
Other	28,933	53,561
Total current liabilities	755,663	753,816
Noncurrent liabilities		
Bonds payable	125,000	100,000
Long-term borrowings	120,000	120,000
Lease obligations	45	616
Provision for retirement benefits	101,387	98,521
Other	12,278	15,943
Total noncurrent liabilities	358,711	335,079
Total liabilities	1,114,374	1,088,895

	As of December 31, 2023	(Millions of yen) As of December 31, 2024
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	736,400	636,400
Other capital surplus	78	100,297
Total capital surpluses	736,478	736,697
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for investment loss on developing new business	326	243
Reserve for reduction entry	32,922	31,382
Special account for reduction entry	914	877
Retained earnings brought forward	775,229	831,979
Total retained earnings	828,167	883,256
Treasury shares	(489,194)	(488,579)
Total shareholders' equity	1,175,451	1,231,375
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,545	7,052
Deferred gains or losses on hedges	(2,975)	(23,896)
Total valuation and translation adjustments	3,569	(16,844)
Subscription rights to shares	557	364
Total net assets	1,179,577	1,214,895
Total liabilities and net assets	2,293,951	2,303,789

(2) Non-consolidated Statement of Income

(Millions of yen)

	Year ended December 31, 2023	Year ended December 31, 2024
Net sales	537,261	530,247
Cost of sales	191,861	195,050
Gross profit	345,399	335,197
Selling, general and administrative expenses	325,269	341,273
Operating income (loss)	20,131	(6,076)
Non-operating income		
Interest income	135	141
Dividends income	162,991	423,513
Other	11,937	10,280
Total non-operating income	175,064	433,934
Non-operating expenses		
Interest expenses	1,633	2,341
Interest on bonds	846	1,013
Foreign exchange losses	5,960	18,370
Other	1,090	1,758
Total non-operating expenses	9,529	23,482
Ordinary income	185,665	404,377
Extraordinary income		
Gain on sales of noncurrent assets	17,001	7,898
Other	1,698	1,324
Total extraordinary income	18,699	9,223
Extraordinary losses		
Loss on sales of noncurrent assets	214	196
Loss on retirement of noncurrent assets	2,715	1,455
Impairment loss	4,506	4,504
Other	1,854	1,894
Total extraordinary losses	9,289	8,048
Income before income taxes	195,075	405,552
Income taxes - current	14,905	2,309
Income taxes - deferred	(4,618)	(1,606)
Total income taxes	10,287	703
Net income	184,788	404,849

(3) Non-consolidated Statement of Changes in Net Assets

Year ended December 31, 2023

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	-	736,400	18,776	331	34,780	574	956,333	1,010,794
Changes of items during the period										
Reversal of legal capital surplus	-	-	-	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	-	326	-	-	(326)	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	(331)	-	-	331	-
Provision of reserve for reduction entry	-	-	-	-	-	-	628	-	(628)	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	(2,487)	-	2,487	-
Provision of special account for reduction entry	-	-	-	-	-	-	-	914	(914)	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-	(574)	574	-
Dividends from surplus	-	-	-	-	-	-	-	-	(367,415)	(367,415)
Net income	-	-	-	-	-	-	-	-	184,788	184,788
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	78	78	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	-	78	78	-	(5)	(1,858)	341	(181,104)	(182,627)
Balance at the end of current period	100,000	736,400	78	736,478	18,776	326	32,922	914	775,229	828,167

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(490,183)	1,357,011	6,903	3,728	10,631	1,001	1,368,643
Changes of items during the period							
Reversal of legal capital surplus	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Provision of reserve for reduction entry	-	-	-	-	-	-	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	-
Provision of special account for reduction entry	-	-	-	-	-	-	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-
Dividends from surplus	-	(367,415)	-	-	-	-	(367,415)
Net income	-	184,788	-	-	-	-	184,788
Purchase of treasury shares	(1)	(1)	-	-	-	-	(1)
Disposal of treasury shares	990	1,068	-	-	-	-	1,068
Net changes of items other than shareholders' equity	-	-	(358)	(6,704)	(7,062)	(444)	(7,506)
Total changes of items during the period	989	(181,560)	(358)	(6,704)	(7,062)	(444)	(189,066)
Balance at the end of current period	(489,194)	1,175,451	6,545	(2,975)	3,569	557	1,179,577

Year ended December 31, 2024

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
Balance at the beginning of current period	100,000	736,400	78	736,478	18,776	326	32,922	914	775,229	828,167
Changes of items during the period										
Reversal of legal capital surplus	-	(100,000)	100,000	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	-	243	-	-	(243)	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	(326)	-	-	326	-
Provision of reserve for reduction entry	-	-	-	-	-	-	918	-	(918)	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	(2,458)	-	2,458	-
Provision of special account for reduction entry	-	-	-	-	-	-	-	877	(877)	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-	(914)	914	-
Dividends from surplus	-	-	-	-	-	-	-	-	(349,759)	(349,759)
Net income	-	-	-	-	-	-	-	-	404,849	404,849
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	220	220	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	(100,000)	100,220	220	-	(83)	(1,540)	(38)	56,750	55,089
Balance at the end of current period	100,000	636,400	100,297	736,697	18,776	243	31,382	877	831,979	883,256

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(489,194)	1,175,451	6,545	(2,975)	3,569	557	1,179,577
Changes of items during the period							
Reversal of legal capital surplus	-	-	-	-	-	-	-
Provision of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Reversal of reserve for investment loss on developing new business	-	-	-	-	-	-	-
Provision of reserve for reduction entry	-	-	-	-	-	-	-
Reversal of reserve for reduction entry	-	-	-	-	-	-	-
Provision of special account for reduction entry	-	-	-	-	-	-	-
Reversal of special account for reduction entry	-	-	-	-	-	-	-
Dividends from surplus	-	(349,759)	-	-	-	-	(349,759)
Net income	-	404,849	-	-	-	-	404,849
Purchase of treasury shares	(2)	(2)	-	-	-	-	(2)
Disposal of treasury shares	617	836	-	-	-	-	836
Net changes of items other than shareholders' equity	-	-	507	(20,921)	(20,414)	(193)	(20,607)
Total changes of items during the period	615	55,924	507	(20,921)	(20,414)	(193)	35,317
Balance at the end of current period	(488,579)	1,231,375	7,052	(23,896)	(16,844)	364	1,214,895

(4) Notes on Premise of Going Concern

No items to report.

(5) Notes to Non-consolidated Financial Statements

(Significant subsequent events)

The Company entered into loan agreements with banks as follows:

- (1) Lenders : Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited
- (2) Aggregate amount of borrowings : ¥100 billion
- (3) Interest rates : Floating rates (TIBOR plus spread)
- (4) Drawdown date : January 31, 2025
- (5) Repayment date : January 31, 2055

The Company may, at its option, repay early all or a portion of the principal on any Interest Payment Date on or after the Interest Payment Date of January 2030.

- (6) Collateral/Guarantee : None
- (7) Use of proceeds : Repayment of the Existing Subordinated Loan
- (8) Other borrowing terms :

- a. Interest deferral clause

The Company may, at its option, defer the payment of interest.

- b. Subordination clause

The lenders shall have subordinated claim rights subordinated to senior debts in liquidation proceedings, bankruptcy proceedings, reorganization proceedings, civil rehabilitation proceedings or any other equivalent proceedings other than those under the laws of Japan.

No terms and conditions of the Subordinated Loan Agreement may be amended in a manner detrimental in any way to any creditors of the Company other than the creditors of the subordinated receivables.

- c. Replacement restrictions

There is no contractual provision on replacement restrictions.

Provided, when making a prepayment of the Subordinated Loan, the Company intends to replace it with the funds raised by common stock or financial instruments that have equity credit attributes approved by rating agencies to be equal to or higher than the Subordinated Loan within twelve months prior to the prepayment date. However, the Company may decide not to replace the Subordinated Loan with the approved funds that have equal or higher equity credit attributes, if predefined financial requirements are met.