[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

July 31, 2020

Consolidated Financial Results for the Six Months Ended June 30, 2020 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: https://www.jti.co.jp/
Representative: Masamichi Terabatake, Representative Director and President, Chief Executive Officer
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Scheduled date to file Quarterly Securities Report: July 31, 2020
Scheduled starting date of the dividend payments: September 1, 2020
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months of the fiscal year ending December 31, 2020 (from January 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	1,030,218	(2.7)	251,989	(19.1)	225,961	(22.2)	173,354	(27.3)
June 30, 2019	1,058,549	(1.6)	311,326	3.0	290,618	0.1	238,424	9.6

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2020	172,495	(23.8)	18,345	(91.3)	97.23	97.19
June 30, 2019	226,451	4.8	210,948	369.7	127.23	127.18

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2020	5,347,173	2,624,016	2,544,705	47.6	1,434.25
December 31, 2019	5,553,071	2,743,611	2,662,696	48.0	1,501.12

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2019	-	77.00	-	77.00	154.00
Year ending December 31, 2020	-	77.00			
Year ending December 31, 2020 (Forecast)			-	77.00	154.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(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, 2020	2,010,000	(7.6)	422,000	(16.0)	286,000	(17.9)	161.21

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

[Additional Information] Growth rate in adjusted operating profit at constant rates of exchange:
The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Six months ended June 30, 2020 (Cumulative)	309,272	7.5
Year ending December 31, 2020 (Forecast)	509,000	(1.3)

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes
The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance. For details of these financial measures, please refer to "Proper use of earnings forecasts, and other special matters, (2)."

For detailed information on the consolidated financial results, please visit the Company's website (https://www.jt.com/investors/), where materials for investors' meeting have been released today, and refer to the quarterly securities report scheduled to be submitted today.

Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
   a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None

   For details, please refer to "1. Matters regarding summary information, (1) Changes in accounting policies and changes in accounting estimates."

(3) Number of shares issued (ordinary shares)
   a. Total number of shares issued at the end of the period (including treasury shares)

As of June 30, 2020	2,000,000,000	shares
As of December 31, 2019	2,000,000,000	shares

   b. Number of treasury shares at the end of the period

As of June 30, 2020	225,757,249	shares
As of December 31, 2019	226,196,566	shares

   c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2020	1,774,011,394	shares
Six months ended June 30, 2019	1,779,826,267	shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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

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

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant rates of exchange is also presented as additional information. This is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current period in the International Tobacco Business using the foreign exchange rates of the same period of the previous year. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

Attached Materials

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1. Matters regarding summary information

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

The significant 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, 2019 except 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 beginning of the first quarter ended March 31, 2020.

IFRS		Description of new standards and amendments
IFRS 3	Business Combinations	Amendments to definition of "business"
IFRS 16	Leases	Adding a practical expedient for the COVID-19-related rent concessions

The adoption of the above standards and interpretations does not have a material impact on the condensed interim consolidated financial statements.
IFRS 16 mentioned above has been early applied since May 2020. The Group has applied it from January 1, 2020, which has no impact on the condensed interim consolidated financial statements for the first quarter ended March 31, 2020.

(2) Revisions to the consolidated earnings forecasts most recently announced

The Group has revised the earnings forecasts in light of circumstances up until now.

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced		Year-on-year changes [%]
		Amount	%	
Revenue	2,010.0	(170.0)	(7.8)	(7.6)
Adjusted operating profit	457.0	(46.0)	(9.1)	(11.4)
Operating profit	422.0	(49.0)	(10.4)	(16.0)
Profit attributable to owners of the parent company	286.0	(19.0)	(6.2)	(17.9)
Adjusted operating profit at constant rates of exchange	509.0	(7.0)	(1.4)	(1.3)

The continued spread of the novel coronavirus disease (COVID-19) has had a significant impact on the global economy and social life, and it is difficult at this time to predict when COVID-19 will be brought under control. Given this situation, the Group has formulated the consolidated earnings forecasts based on the following assumptions.

- In countries and regions already affected by COVID-19, lockdown measures will gradually be lifted
- The impact of a second wave of infections and subsequent outbreaks is not included (a situation such as implementation of lockdown measures or a declaration of a state of emergency again)
- The economic recovery is assumed to follow a U-shaped curve (the impact on economic activities will peak in the second quarter ended June 30, 2020 and continue throughout the year while gradually diminishing)

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 and changing consumer preferences;

(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.

Risk associated with the spread of COVID-19

Concerning the spread of COVID-19, the Group is conducting business operations of the tobacco business, the Pharmaceutical Business and the Processed Food Business fully in compliance with the policies and directives of the governments and relevant authorities of each country. From the perspective of preventing the spread of COVID-19 inside and outside the Group and ensuring the safety of employees and their families, etc., the Group has actively used teleworking, enhanced workplace hygiene management and implemented various other infection-prevention measures.

For the six months ended June 30, 2020, the spread of COVID-19 has affected the Group businesses, including a decrease in duty-free sales in the tobacco business and a change in consumer trends in the Domestic Tobacco Business and the Processed Food Business due to people voluntarily staying home following the declaration of a state of emergency, and the impact is expected to lower revenue group-wide by approximately ¥35.0 billion.

At present, nothing is obstructing business continuity. However, it is unclear what impact there will be on mid- to long-term consumer trends and demand trends in each business, and regarding the business and financial impacts, it is also necessary to carefully monitor and examine foreign exchange rate trends and the responses of the governments and relevant authorities of each country. Because it is difficult at this time to predict when the spread of COVID-19 will be brought under control and its future impact, COVID-19 may negatively affect the Group's business performance going forward, resulting in a revision to the earnings forecasts. If the need for a revision to the Group's earnings forecasts arises, the Company will swiftly announce such a revision.

At present, there are no problems in procuring the necessary funds for business operations, and the amount of credit available through commitment lines is sufficient. However, as a provision for unforeseen circumstances, the Group increased its on-hand liquidity by ¥100.0 billion or more through the issuance of commercial papers in April 2020 and other means.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2019	**As of June 30, 2020**
Assets		
Current assets		
Cash and cash equivalents	357,158	407,740
Trade and other receivables	458,513	445,351
Inventories	677,586	653,712
Other financial assets	21,943	28,170
Other current assets	410,443	373,102
Subtotal	1,925,643	1,908,075
Non-current assets held-for-sale	30	2,043
Total current assets	1,925,673	1,910,118
Non-current assets		
Property, plant and equipment	803,239	780,725
Goodwill	2,002,595	1,907,226
Intangible assets	440,434	396,891
Investment property	16,588	16,236
Retirement benefit assets	67,377	63,813
Investments accounted for using the equity method	52,903	44,338
Other financial assets	109,568	99,503
Deferred tax assets	134,696	128,324
Total non-current assets	3,627,397	3,437,055
Total assets	5,553,071	5,347,173

(Millions of yen)

	As of December 31, 2019	**As of June 30, 2020**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	408,597	357,731
Bonds and borrowings	284,135	383,008
Income tax payables	69,543	53,800
Other financial liabilities	21,862	22,588
Provisions	16,570	18,864
Other current liabilities	701,050	586,193
Subtotal	1,501,757	1,422,185
Liabilities directly associated with non-current assets held-for-sale	-	826
Total current liabilities	1,501,757	1,423,011
Non-current liabilities		
Bonds and borrowings	690,367	698,514
Other financial liabilities	41,062	48,935
Retirement benefit liabilities	320,614	308,795
Provisions	19,463	15,702
Other non-current liabilities	155,768	155,628
Deferred tax liabilities	80,430	72,572
Total non-current liabilities	1,307,702	1,300,146
Total liabilities	2,809,459	2,723,157
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(492,469)	(491,513)
Other components of equity	(431,741)	(586,905)
Retained earnings	2,750,506	2,786,723
Equity attributable to owners of the parent company	2,662,696	2,544,705
Non-controlling interests	80,916	79,310
Total equity	2,743,611	2,624,016
Total liabilities and equity	5,553,071	5,347,173

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

Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2019 and 2020

(Millions of yen)

	2019	**2020**
Revenue	1,058,549	1,030,218
Cost of sales	(448,420)	(436,451)
Gross profit	610,129	593,767
Other operating income	66,494	4,005
Share of profit in investments accounted for using the equity method	2,606	1,613
Selling, general and administrative expenses	(367,903)	(347,396)
Operating profit	311,326	251,989
Financial income	4,109	3,739
Financial costs	(24,817)	(29,766)
Profit before income taxes	290,618	225,961
Income taxes	(52,194)	(52,607)
Profit for the period	238,424	173,354
Attributable to:		
Owners of the parent company	226,451	172,495
Non-controlling interests	11,972	859
Profit for the period	238,424	173,354
Interim earnings per share		
Basic (Yen)	127.23	97.23
Diluted (Yen)	127.18	97.19

Reconciliation from "Operating profit" to "Adjusted operating profit"

(Millions of yen)

	2019	**2020**
Operating profit	311,326	251,989
Amortization cost of acquired intangibles arising from business acquisitions	34,673	32,644
Adjustment items (income)	(63,748)	(1,726)
Adjustment items (costs)	5,545	4,727
Adjusted operating profit	287,796	287,634

Condensed Interim Consolidated Statement of Comprehensive Income

Six months ended June 30, 2019 and 2020

(Millions of yen)

	2019	**2020**
Profit for the period	238,424	173,354
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	(2,067)	(3,195)
Remeasurements of defined benefit plans	-	(48)
Total of items that will not be reclassified to profit or loss	(2,067)	(3,243)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(25,318)	(151,822)
Net gain (loss) on derivatives designated as cash flow hedges	(91)	55
Total of items that may be reclassified subsequently to profit or loss	(25,408)	(151,766)
Other comprehensive income (loss), net of taxes	(27,476)	(155,009)
Comprehensive income (loss) for the period	210,948	18,345
Attributable to:		
Owners of the parent company	199,375	17,987
Non-controlling interests	11,573	358
Comprehensive income (loss) for the period	210,948	18,345

(3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
				Other components of equity			
	Share Capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 2019	100,000	736,400	(442,829)	1,547	(454,918)	443	29,570
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(24,833)	(91)	(2,153)
Comprehensive income (loss) for the period	-	-	-	-	(24,833)	(91)	(2,153)
Acquisition of treasury shares	-	-	(50,000)	-	-	-	-
Disposal of treasury shares	-	-	261	(216)	-	-	-
Share-based payments	-	-	-	26	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(347)
Other increase (decrease)	-	-	-	-	-	(160)	-
Total transactions with the owners	-	-	(49,740)	(191)	-	(160)	(347)
As of June 30, 2019	100,000	736,400	(492,569)	1,356	(479,751)	192	27,070
As of January 1, 2020	100,000	736,400	(492,469)	1,556	(444,366)	(132)	11,201
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(151,428)	55	(3,109)
Comprehensive income (loss) for the period	-	-	-	-	(151,428)	55	(3,109)
Acquisition of treasury shares	-	-	(0)	-	-	-	-
Disposal of treasury shares	-	-	957	(328)	-	-	-
Share-based payments	-	-	-	30	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(367)
Other increase (decrease)	-	-	-	-	-	(17)	-
Total transactions with the owners	-	-	956	(298)	-	(17)	(367)
As of June 30, 2020	100,000	736,400	(491,513)	1,258	(595,794)	(94)	7,725

(Millions of yen)

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
As of January 1, 2019	-	(423,357)	2,660,381	2,630,594	69,851	2,700,445
Profit for the period	-	-	226,451	226,451	11,972	238,424
Other comprehensive income (loss)	-	(27,077)	-	(27,077)	(399)	(27,476)
Comprehensive income (loss) for the period	-	(27,077)	226,451	199,375	11,573	210,948
Acquisition of treasury shares	-	-	-	(50,000)	-	(50,000)
Disposal of treasury shares	-	(216)	(44)	0	-	0
Share-based payments	-	26	(19)	7	47	54
Dividends	-	-	(134,357)	(134,357)	(915)	(135,272)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	(0)	(0)	1	0
Transfer from other components of equity to retained earnings	-	(347)	347	-	-	-
Other increase (decrease)	-	(160)	-	(160)	-	(160)
Total transactions with the owners	-	(698)	(134,073)	(184,511)	(867)	(185,378)
As of June 30, 2019	-	(451,132)	2,752,759	2,645,458	80,557	2,726,015
As of January 1, 2020	-	(431,741)	2,750,506	2,662,696	80,916	2,743,611
Profit for the period	-	-	172,495	172,495	859	173,354
Other comprehensive income (loss)	(27)	(154,509)	-	(154,509)	(501)	(155,009)
Comprehensive income (loss) for the period	(27)	(154,509)	172,495	17,987	358	18,345
Acquisition of treasury shares	-	-	-	(0)	-	(0)
Disposal of treasury shares	-	(328)	(628)	0	-	0
Share-based payments	-	30	229	259	35	294
Dividends	-	-	(136,583)	(136,583)	(612)	(137,195)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	364	364	(1,387)	(1,023)
Transfer from other components of equity to retained earnings	27	(340)	340	-	-	-
Other increase (decrease)	-	(17)	-	(17)	-	(17)
Total transactions with the owners	27	(656)	(136,278)	(135,977)	(1,964)	(137,940)
As of June 30, 2020	-	(586,905)	2,786,723	2,544,705	79,310	2,624,016

(4) Condensed Interim Consolidated Statement of Cash Flows

Six months ended June 30, 2019 and 2020

(Millions of yen)

	2019	**2020**
Cash flows from operating activities		
Profit before income taxes	290,618	225,961
Depreciation and amortization	91,252	90,901
Impairment losses	539	1,003
Interest and dividend income	(3,906)	(3,736)
Interest expense	14,247	11,281
Share of profit in investments accounted for using the equity method	(2,606)	(1,613)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	113	(262)
(Increase) decrease in trade and other receivables	(17,648)	(23,589)
(Increase) decrease in inventories	1,802	3,332
Increase (decrease) in trade and other payables	(25,455)	(33,172)
Increase (decrease) in retirement benefit liabilities	(7,986)	(10,855)
(Increase) decrease in prepaid tobacco excise taxes	(4,296)	11,073
Increase (decrease) in tobacco excise tax payables	(23,138)	(72,046)
Increase (decrease) in consumption tax payables	25,719	(2,417)
Other	(36,331)	(14,009)
Subtotal	302,925	181,852
Interest and dividends received	8,794	6,071
Interest paid	(11,195)	(8,682)
Income taxes paid	(78,586)	(52,607)
Net cash flows from operating activities	221,938	126,634
Cash flows from investing activities		
Purchase of securities	(20,413)	(26,866)
Proceeds from sale and redemption of securities	23,933	28,509
Purchase of property, plant and equipment	(52,230)	(34,470)
Proceeds from sale of investment property	2,685	1,500
Purchase of intangible assets	(8,068)	(14,834)
Payments into time deposits	(262)	(338)
Proceeds from withdrawal of time deposits	193	209
Subsequent payments for past fiscal year's business combinations	(28,710)	-
Proceeds from sale of investments in associates	-	17,402
Other	609	1,005
Net cash flows from investing activities	(82,263)	(27,883)

(Millions of yen)

	2019	**2020**
Cash flows from financing activities		
Dividends paid to owners of the parent company	(134,320)	(136,537)
Dividends paid to non-controlling interests	(1,011)	(830)
Capital contribution from non-controlling interests	81	65
Increase (decrease) in short-term borrowings and commercial paper	88,748	23,183
Proceeds from long-term borrowings	-	98,888
Repayments of long-term borrowings	(521)	(422)
Repayments of lease liabilities	(7,020)	(8,203)
Acquisition of treasury shares	(50,000)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1)	(1,121)
Other	0	0
Net cash flows from financing activities	(104,044)	(24,978)
Net increase (decrease) in cash and cash equivalents	35,631	73,773
Cash and cash equivalents at the beginning of the period	282,063	357,158
Effect of exchange rate changes on cash and cash equivalents	(8,535)	(23,191)
Cash and cash equivalents at the end of the period	309,159	407,740

(5) 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. With respect to tobacco products, operations are managed separately for domestic and overseas markets. The reportable segments of the Group are composed of four segments: “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Processed Food Business.” They are determined by types of products, characteristics, and markets.

The “Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which include duty-free shops in Japan and markets in China, Hong Kong, and Macau where the Company’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of research and development, and the manufacture and sale of prescription drugs. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods, bakery products and seasonings.

B. Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments are as follows. The Board of Directors assesses the 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 expenses are excluded from segment performance. Transactions within the segments are based mainly on prevailing market prices.

Six months ended June 30, 2019

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue	302,723	635,651	41,807	75,423	1,055,604	2,945	-	1,058,549
Intersegment revenue	3,607	15,900	-	0	19,508	3,738	(23,245)	-
Total revenue	306,331	651,550	41,807	75,423	1,075,112	6,683	(23,245)	1,058,549
Segment profit (loss)								
Adjusted operating profit (Note 1)	109,198	185,406	5,714	1,601	301,918	(13,893)	(230)	287,796

Six months ended June 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue	267,732	651,930	37,272	71,840	1,028,773	1,445	-	1,030,218
Intersegment revenue	3,773	12,146	-	0	15,919	2,748	(18,667)	-
Total revenue	271,505	664,075	37,272	71,840	1,044,692	4,193	(18,667)	1,030,218
Segment profit (loss)								
Adjusted operating profit (Note 1)	81,819	214,326	7,934	348	304,427	(16,822)	28	287,634

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

Six months ended June 30, 2019

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	109,198	185,406	5,714	1,601	301,918	(13,893)	(230)	287,796
Amortization cost of acquired intangibles arising from business acquisitions	(8,122)	(26,551)	-	-	(34,673)	-	-	(34,673)
Adjustment items (income) (Note 3)	24	804	61,018	-	61,845	1,903	-	63,748
Adjustment items (costs) (Note 4)	-	(938)	(4,225)	(172)	(5,335)	(210)	-	(5,545)
Operating profit (loss)	101,099	158,721	62,507	1,429	323,756	(12,199)	(230)	311,326
Financial income								4,109
Financial costs								(24,817)
Profit before income taxes								290,618

Six months ended June 30, 2020

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	81,819	214,326	7,934	348	304,427	(16,822)	28	287,634
Amortization cost of acquired intangibles arising from business acquisitions	(8,122)	(24,522)	-	-	(32,644)	-	-	(32,644)
Adjustment items (income) (Note 3)	-	288	150	-	438	1,288	-	1,726
Adjustment items (costs) (Note 4)	-	(2,794)	(890)	(0)	(3,684)	(1,043)	-	(4,727)
Operating profit (loss)	73,696	187,299	7,194	348	268,537	(16,577)	28	251,989
Financial income								3,739
Financial costs								(29,766)
Profit before income taxes								225,961

(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 rent of real estate and corporate expenses relating to corporate communication and operation of the head office.
(Note 3) The breakdown of "Adjustment items (income)" is as follows:

Six months ended June 30, 2019 and 2020

(Millions of yen)

	2019	**2020**
Gain on transfer of pharmaceutical licenses	60,518	-
Restructuring incomes	2,451	1,301
Other	780	426
Adjustment items (income)	63,748	1,726

Restructuring incomes for six months ended June 30, 2019 and 2020 mainly relate to gains on sale of real estate.

(Note 4) The breakdown of "Adjustment items (costs)" is as follows:

Six months ended June 30, 2019 and 2020

(Millions of yen)

	2019	**2020**
Restructuring costs	5,389	2,996
Other	156	1,731
Adjustment items (costs)	5,545	4,727

Restructuring costs for six months ended June 30, 2019 mainly relate to business structure reform in the "Pharmaceutical Business."

(6) Note on Premise of Going Concern

No items to report