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[Cover]

Document to be filed:	Semi-annual Securities Report
Provisions to base upon:	Item (i) of the table in Article 24-5, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	July 31, 2025
Semi-annual accounting period:	First six months of the 41st term (from January 1, 2025 to June 30, 2025)
Company name (Japanese):	日本たばこ産業株式会社 (Nihon Tabako Sangyo Kabushiki-Kaisha)
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Masamichi Terabatake, Representative Director and President, Chief Executive Officer
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Places where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

Term	Six months ended June 30, 2024	Six months ended June 30, 2025	40th term
Accounting period	From January 1, 2024 to June 30, 2024	From January 1, 2025 to June 30, 2025	From January 1, 2024 to December 31, 2024
Revenue (Millions of yen)	1,569,892	1,734,543	3,149,759
Profit before income taxes (Millions of yen)	399,073	437,821	233,766
Profit for the period (Millions of yen)	307,126	321,965	182,596
Profit attributable to owners of the parent company (Millions of yen)	305,172	319,905	179,240
Comprehensive income (loss) for the period (Millions of yen)	791,917	467,791	288,612
Total equity (Millions of yen)	4,525,292	4,141,838	3,848,727
Total assets (Millions of yen)	7,868,668	8,262,786	8,370,732
Basic earnings per share (Yen)	171.89	180.19	100.95
Diluted earnings per share (Yen)	171.86	180.17	100.94
Ratio of equity attributable to owners of the parent company to total assets (%)	56.44	49.13	45.00
Net cash flows from operating activities (Millions of yen)	260,206	167,451	630,011
Net cash flows from investing activities (Millions of yen)	(28,700)	(131,965)	(439,766)
Net cash flows from financing activities (Millions of yen)	(267,492)	(230,877)	(94,906)
Cash and cash equivalents at the end of the period (Millions of yen)	1,087,840	865,185	1,084,567

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

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

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

2. Business Description

During the six months ended June 30, 2025, there were no material changes in the business of the Group (the Company, 268 consolidated subsidiaries and 54 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

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

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

II. Review of Operations

1. Business and Other Risks

During the six months ended June 30, 2025, there were no new businesses or other risks.

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

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

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

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

Matters concerning the future in this document were determined as of June 30, 2025.

(Non-GAAP financial measures)

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

Adjusted operating profit

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

Furthermore, growth rate in adjusted operating profit (AOP) at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in AOP 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 benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the previous year from core revenue or from adjusted operating profit for the current fiscal year 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

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

(Hyperinflationary Accounting Adjustments)

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

(RRP)

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

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

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

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

(1) Business Results

a. Consolidated results

	Six months ended June 30, 2024	Six months ended June 30, 2025	(Billions of yen) Change
Revenue	1,569.9	1,734.5	10.5%
Adjusted operating profit	453.1	539.9	19.2%
Operating profit	432.7	479.9	10.9%
Profit attributable to owners of the parent company	305.2	319.9	4.8%

<Revenue>

Revenue increased by 10.5% from the same period of the previous year to ¥1,734.5 billion due to increases in all business segments. Core revenue^(Note 1) at constant FX increased by 14.2% from the same period of the previous year.

<Adjusted operating profit>

Adjusted operating profit increased by 19.2% from the same period of the previous year to ¥539.9 billion mainly due to an increase in profit in the Tobacco Business. Adjusted operating profit at constant FX increased by 24.7% from the same period of the previous year.

<Operating profit>

Operating profit increased by 10.9% from the same period of the previous year to ¥479.9 billion due to an increase in adjusted operating profit, partially offset by adjustment items related to impairment losses from the transfer of the Company's Pharmaceutical Business and increased amortization of intangible assets from past acquisitions.

<Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 4.8% from the same period of the previous year to ¥319.9 billion, due to an increase in operating profit more than offset the higher financing costs as well as higher income taxes.

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

b. Segment results

[Tobacco Business]

(Billions of cigarettes, Billions of yen)

Tobacco Business	Six months ended June 30, 2024	Six months ended June 30, 2025	Change
Total volume	281.3	283.3	0.7%
• Combustibles volume ^(Note 1)	276.0	277.0	0.3%
• RRP volume ^(Note 2)	5.2	6.3	20.2%
- HTS volume	3.8	5.0	29.5%
RRP-related revenue ^(Note 2)	50.7	55.8	10.0%
Core revenue	1,391.8	1,552.5	11.5%
Adjusted operating profit	472.1	556.1	17.8%

<Total volume>^(Note 3)

Total volume increased by 0.7% from the same period of the previous year to 283.3 billion cigarettes due to the contribution from the acquisition of Vector Group Ltd. of the United States along with consistent growth in the market share in combustibles and double-digit growth in RRP volume. Combustibles volume increased by 0.3%, mainly fueled by Winston and Camel. RRP volume increased by 20.2% from the same period of the previous year due to Japan-led growth in HTS volume (up 29.5% from the same period of the previous year).

Market share continued to grow in many markets, including key markets of Italy, Romania, Spain, Taiwan, Turkey, the U.K. and the U.S.

<Core revenue and adjusted operating profit>^(Note 4)

Core revenue increased by 11.5% from the same period of the previous year due mainly to favorable pricing effects in all clusters and the impact of positive variance in volume, including the contribution from the acquisition of Vector Group Ltd. of the United States, more than offsetting the unfavorable foreign exchange effects. Adjusted operating profit increased by 17.8% from the same period of the previous year, driven by the impact of positive price variance, partially offset by the increase in investments for Ploom, inflation-led cost increases in the supply chain, and the unfavorable foreign exchange effects. RRP-related revenue increased by 10.0% from the same period of the previous year.

Core revenue at constant FX and adjusted operating profit at constant FX increased by 14.9% and 23.1%, respectively, from the same period of the previous year.

(Note: 1) Combustibles include all tobacco products excluding contract manufactured products and RRP.

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

(Note: 3) Market share was estimated by the Company.

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

[Processed Food Business]

(Billions of yen)

Processed Food Business	Six months ended June 30, 2024	Six months ended June 30, 2025	Change
Revenue	73.8	76.7	4.0%
Adjusted operating profit	4.4	2.6	(41.2)%

<Revenue and adjusted operating profit>

Revenue increased 4.0% from the same period of the previous year due to price revisions and sales growth of certain products in the frozen and ambient foods business.

Adjusted operating profit decreased by 41.2% from the same period of the previous year due to the soaring costs of raw materials, despite the increase in revenue.

[Pharmaceutical Business]

(Billions of yen)

Pharmaceutical Business	Six months ended June 30, 2024	Six months ended June 30, 2025	Change
Revenue	44.1	48.3	9.7%
Adjusted operating profit	4.0	4.2	4.2%

<Revenue and adjusted operating profit>

Revenue increased by 9.7% from the same period of the previous year due to sales growth in the area of skin diseases and allergens at our consolidated subsidiary, TORII PHARMACEUTICAL CO., LTD., and the increase in overseas royalty income.

Adjusted operating profit increased by 4.2% from the same period of the previous year due to the increase in revenue offsetting an increase in selling, general and administrative expenses.

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

- Notice regarding the transfer of JT Group's Pharmaceutical Business through a company simplified absorption-type split
https://www.jt.com/media/news/2025/pdf/20250507_12.pdf
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(2) Financial Position and Cash Flow Position

a. Financial position

[Assets]

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

[Liabilities]

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

[Equity]

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

b. Cash flow position

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

[Net cash flows from operating activities]

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

[Net cash flows from investing activities]

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

[Net cash flows from financing activities]

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

(3) Management Policy, Management Strategy, Etc.

During the six months ended June 30, 2025, there were no material changes in management policy, management strategy, etc. stipulated by the Group mentioned in the previous fiscal year's Annual Securities Report.

(4) Operational and Financial Issues to Be Addressed

During the six months ended June 30, 2025, there were no material changes in issues to be addressed by the Group mentioned in the previous fiscal year's Annual Securities Report.

(5) Research and Development Activities

Research and development expenses of the entire Group during the six months ended June 30, 2025 were ¥37.5 billion.

During the six months ended June 30, 2025, there were no material changes in the status of the Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

(6) Analysis of Capital Resources and Liquidity of Funds

a. Funding requirements

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

b. Resources of funds

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

<Cash flows>

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

<Interest-bearing debt>

(Long-term debt)

Bonds issued (including the current portion) as of December 31, 2024 and as of June 30, 2025 accounted for ¥928.1 billion and ¥1,437.4 billion, respectively, and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥738.3 billion and ¥120.9 billion, respectively.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥60.3 billion as of December 31, 2024 and ¥68.1 billion as of June 30, 2025. There was no commercial paper outstanding.

c. Liquidity

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of June 30, 2025, the Group had committed lines of credit from major financial institutions both domestic and international. In addition, the Group has a commercial paper program, uncommitted lines of credit, a domestic bond shelf registration, and a euro MTN program.

3. Important Operational Contracts

At its Board of Directors meeting held on May 7, 2025, the Company resolved to transfer its pharmaceutical business to Shionogi & Co., Ltd. (hereinafter, “Shionogi”) through a company simplified absorption-type split (hereinafter, the “Absorption-type Split”) and entered into an agreement related to the Absorption-type Split. The effective date of the Absorption-type Split is scheduled for December 2025, and the consideration to be received by the Company for the rights and obligations to be taken over by Shionogi through the transfer of the pharmaceutical business is ¥5,397 million (planned).

Furthermore, at the Board of Directors meeting held on the same day, the Company resolved to enter into an agreement with Shionogi in relation to the tender offer for ordinary shares of TORII PHARMACEUTICAL CO., LTD. (hereinafter, “Torii”), the Company’s consolidated subsidiary, (hereinafter, “Torii Shares”) by Shionogi (“Tender Offer”), which includes the following terms and conditions: (i) not tender all of Torii Shares held by the Company, (ii) implement procedures to make the Company and Shionogi the only shareholders of Torii after the completion of the Tender Offer (including a consolidation of Torii Shares), and (iii) transfer all Torii Shares held by the Company through the acquisition of treasury shares conducted by Torii (hereinafter, the “Share Transfer”). The execution date of the Share Transfer is scheduled for September 2025, and the transfer price is ¥70,342 million (planned).

To further develop the drug discovery capabilities that the Group has cultivated so far and deliver pharmaceuticals to more patients, the Company has determined that the best option is to conduct business under Shionogi that values both the Company’s pharmaceutical business and Torii as well as focuses on new drug discovery. For details, please refer to the below announcements dated May 7, 2025.

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

III. Filing Company (the Company)

1. Information on the Company's Shares

(1) Total Number of Shares Authorized

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of shares issued (Share; as of June 30, 2025)	Number of shares issued (Share; as of the date of filing: July 31, 2025)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange Prime Market	(Note 2)
Total	2,000,000,000	2,000,000,000	—	—

Notes: 1. The provisions of Article 2 of the Act on Japan Tobacco Inc. prescribe that the Japanese government must continue to hold more than one-third of all shares issued by the Company (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders).

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

(2) Status of Subscription Rights to Shares

a. Stock options

No items to report.

b. Other status of subscription rights to shares

No items to report.

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

No items to report.

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

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
January 1, 2025 to June 30, 2025	—	2,000,000	—	100,000	—	636,400

(5) Status of Major Shareholders

(As of June 30, 2025)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (excluding treasury shares) (%)
Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	666,885,200	37.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan	178,334,100	10.04
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	61,089,100	3.44
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	32,291,213	1.82
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	26,278,741	1.48
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND (Standing proxy: Citibank, N.A., Tokyo Branch)	2-2-2 Otemachi, Chiyoda-ku, Tokyo, Japan (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo, Japan)	19,332,400	1.09
Barclays Securities Japan Limited BNYM (Standing proxy: MUFG Bank, Ltd.)	10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan (Transaction Services Division, 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan)	15,000,000	0.84
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	14,044,426	0.79
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	13,065,000	0.74
JT Group Employees' Shareholding Association	1-1, Toranomon 4-chome, Minato-ku, Tokyo, Japan	11,106,635	0.63
Total	—	1,037,426,815	58.42

Note: In addition to the above, the Company held 224,201,195 shares of ordinary shares as treasury shares.

(6) Status of Voting Rights

a. Number of shares issued

(As of June 30, 2025)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares)	Ordinary shares 224,201,100	—	(Note 1)
Shares with full voting rights (Other)	Ordinary shares 1,772,703,700	17,727,037	(Notes 1, 2)
Shares less than one unit	Ordinary shares 3,095,200	—	(Note 3)
Total number of shares issued	2,000,000,000	—	—
Total number of voting rights	—	17,727,037	(Note 2)

Notes: 1. The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

2. The number of "Shares with full voting rights (Other)" includes 33,600 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes 336 units of voting rights related to shares with full voting rights in its name.
3. Includes 95 shares of treasury shares.

b. Treasury shares

(As of June 30, 2025)

Name of shareholder	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan	224,201,100	—	224,201,100	11.21
Total	—	224,201,100	—	224,201,100	11.21

Note: The treasury shares of 170,044 shares were allotted on June 27, 2025, based on the allocation of treasury shares towards Restricted Stock Remuneration and Performance Share Units, which was resolved at the meeting of the Board of Directors of the Company held on June 4, 2025.

2. Status of Officers

After filing the previous fiscal year's Annual Securities Report, there were no personnel changes of officers during the six months ended June 30, 2025.

IV. Accounting

1. Preparation Policy for the Condensed Interim Consolidated Financial Statements

The condensed interim consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the “Company”) are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (hereinafter referred to as “IAS 34”), pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the Ordinance on CFS). The Company falls under the category listed in the left column of item 1 of the table in Article 24-5, Paragraph 1 of the Financial Instruments and Exchange Act, and prepares Type 1 Interim Consolidated Financial Statements in accordance with the provisions of Part 1 and Part 5 of the Ordinance on CFS.

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

2. Audit Certification

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the condensed interim consolidated financial statements for the six months ended June 30, 2025 were reviewed by Deloitte Touche Tohmatsu LLC.

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2024	As of June 30, 2025
Assets		
Current assets		
Cash and cash equivalents (Note 6)	1,084,567	865,185
Trade and other receivables	568,982	581,171
Inventories	957,281	962,632
Other financial assets	120,211	100,177
Other current assets	826,766	796,844
Subtotal	3,557,807	3,306,010
Assets held for sale	19,765	137,416
Total current assets	3,577,572	3,443,426
Non-current assets		
Property, plant and equipment (Note 7)	907,700	902,212
Goodwill (Note 7)	2,914,254	3,037,581
Intangible assets (Note 7)	486,463	403,680
Investment property	3,716	3,436
Retirement benefit assets	89,573	91,493
Investments accounted for using the equity method	50,423	75,952
Other financial assets	151,940	123,868
Other non-current assets	5,500	4,311
Deferred tax assets	183,591	176,828
Total non-current assets	4,793,160	4,819,360
Total assets	8,370,732	8,262,786

	(Millions of yen)	
	As of December 31, 2024	As of June 30, 2025
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	659,510	567,713
Bonds and borrowings	178,668	186,479
Income tax payables	24,621	40,971
Other financial liabilities	59,965	54,626
Provisions	195,918	191,886
Other current liabilities	1,029,925	815,676
Subtotal	2,148,607	1,857,350
Liabilities directly associated with assets held for sale	-	16,959
Total current liabilities	2,148,607	1,874,309
Non-current liabilities		
Bonds and borrowings (Note 8,9)	1,548,120	1,439,954
Other financial liabilities	49,210	49,716
Retirement benefit liabilities	277,236	273,357
Provisions	253,949	244,755
Other non-current liabilities	120,427	111,528
Deferred tax liabilities	124,455	127,329
Total non-current liabilities	2,373,398	2,246,639
Total liabilities	4,522,005	4,120,948
Equity		
Share capital	100,000	100,000
Capital surplus	736,697	737,065
Treasury shares	(488,579)	(489,705)
Other components of equity	381,599	527,574
Retained earnings	3,036,905	3,184,646
Equity attributable to owners of the parent company	3,766,623	4,059,580
Non-controlling interests	82,104	82,258
Total equity	3,848,727	4,141,838
Total liabilities and equity	8,370,732	8,262,786

(2) Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Revenue (Notes 5, 11)	1,569,892	1,734,543
Cost of sales	(682,278)	(730,779)
Gross profit	887,614	1,003,764
Other operating income (Note 12)	15,777	6,934
Share of profit in investments accounted for using the equity method	3,996	6,703
Selling, general and administrative expenses (Note 13)	(474,725)	(537,530)
Operating profit (Note 5)	432,662	479,871
Financial income (Note 14)	31,485	37,145
Financial costs (Note 14)	(65,074)	(79,196)
Profit before income taxes	399,073	437,821
Income taxes	(91,946)	(115,856)
Profit for the period	307,126	321,965
Attributable to		
Owners of the parent company	305,172	319,905
Non-controlling interests	1,954	2,060
Profit for the period	307,126	321,965
Interim earnings per share		
Basic (Yen) (Note 15)	171.89	180.19
Diluted (Yen) (Note 15)	171.86	180.17

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

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

(3) Condensed Interim Consolidated Statement of Comprehensive Income**Six months ended June 30, 2024 and 2025**

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

(4) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Hedge costs
As of January 1, 2024	100,000	736,478	(489,194)	557	270,810	9,145	(17)
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	469,815	(4,839)	(122)
Comprehensive income (loss) for the period	-	-	-	-	469,815	(4,839)	(122)
Acquisition of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	232	533	(122)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 10)	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(576)	-
Total transactions with the owners	-	232	532	(122)	-	(576)	-
As of June 30, 2024	100,000	736,710	(488,663)	436	740,625	3,731	(139)
As of January 1, 2025	100,000	736,697	(488,579)	364	364,809	4,026	12
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	150,714	(4,676)	(14)
Comprehensive income (loss) for the period	-	-	-	-	150,714	(4,676)	(14)
Acquisition of treasury shares	-	-	(1,579)	-	-	-	-
Disposal of treasury shares	-	368	453	(71)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 10)	-	-	-	-	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	88	-
Total transactions with the owners	-	368	(1,126)	(71)	-	88	-
As of June 30, 2025	100,000	737,065	(489,705)	293	515,523	(561)	(2)

(Millions of yen)

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

(5) Condensed Interim Consolidated Statement of Cash Flows
Six months ended June 30, 2024 and 2025

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

		(Millions of yen)
	2024	2025
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 10)	(177,463)	(172,192)
Dividends paid to non-controlling interests	(1,555)	(2,002)
Capital contribution from non-controlling interests	108	-
Increase (decrease) in short-term borrowings and commercial paper	(159,982)	9,973
Proceeds from long-term borrowings	202	99,437
Repayments of long-term borrowings	(4,492)	(666,593)
Proceeds from issuance of bonds (Note 9)	97,616	515,001
Redemption of bonds	(8,397)	-
Repayments of lease liabilities	(13,427)	(12,916)
Acquisition of treasury shares	(1)	(1,579)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(99)	(5)
Other	0	0
Net cash flows from financing activities	(267,492)	(230,877)
Net increase (decrease) in cash and cash equivalents	(35,986)	(195,391)
Cash and cash equivalents at the beginning of the period	1,040,206	1,084,567
Effect of exchange rate changes on cash and cash equivalents	83,620	(3,153)
Changes in cash and cash equivalents resulting from transfer to assets held for sale	-	(20,837)
Cash and cash equivalents at the end of the period (Note 6)	1,087,840	865,185

Notes to Condensed Interim Consolidated Financial Statements

1. Reporting Entity

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

The condensed interim consolidated financial statements for the three and six months ended June 30, 2025 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on July 31, 2025 by Masamichi Terabatake, President and Chief Executive Officer.

2. Basis of Preparation

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

The condensed interim consolidated financial statements are prepared in accordance with IAS 34 and do not include all information required for the consolidated financial statements for the year. They should be read along with the consolidated financial statements for the year ended December 31, 2024.

3. Material Accounting Policy Information

The material accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2024 except for the following item.

The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ending December 31, 2025.

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

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

4. Significant Accounting Estimates and Judgments

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

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

In principle, estimates and assumptions that may have a material effect on the amounts recognized in the condensed interim consolidated financial statements of the Group are the same as those for the year ended December 31, 2024. For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

5. Operating Segments

(1) Outline of Reportable Segments

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. The reportable segments of the Group are composed of three segments: “Tobacco Business,” “Pharmaceutical Business” and “Processed Food Business.”

The “Tobacco Business” consists of the manufacture and sale of tobacco products in domestic areas and overseas. The “Pharmaceutical Business” consists of the research and development, manufacture and sale of prescription drugs. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods and seasonings.

(2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments are as follows. The Board of Directors assesses segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Since financial income, financial costs and income taxes are managed by the Group head office, these income and expense categories are excluded from segmental performance. Transactions within segments are primarily based upon prevailing market prices.

Six months ended June 30, 2024

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

¥1,391,842 million of the external revenue from the tobacco business is core revenue.

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

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 3)	406,139	354,444	631,259	1,391,842
Adjusted operating profit (Note 1)	140,439	149,917	181,749	472,104

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

Six months ended June 30, 2025

(Millions of yen)

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

¥1,552,541 million of the external revenue from the tobacco business is core revenue.

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

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 3)	417,314	363,802	771,425	1,552,541
Adjusted operating profit (Note 1)	136,912	160,094	259,137	556,142

Asia: All over Asia including Japan

Western Europe: Western Europe region

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

Asia includes Taiwan, Japan, the Philippines, etc.

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

EMA includes Turkey, Romania, Russia, etc.

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

Six months ended June 30, 2024

(Millions of yen)

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

Six months ended June 30, 2025

(Millions of yen)

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

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

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

(Note 3) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

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

Six months ended June 30, 2024 and 2025

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

Restructuring incomes for the six months ended June 30, 2024 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in “12. Other Operating Income. Other (income) for the six months ended June 30, 2024 mainly related to gains on deconsolidation of subsidiaries.

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

Six months ended June 30, 2024 and 2025

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

Restructuring costs for the six months ended June 30, 2025 mainly related to impairment losses in connection with the decision to transfer the “Pharmaceutical Business”. The breakdown of restructuring costs is described in “13. Selling, general and administrative expenses.”

6. Cash and Cash Equivalents

The Group's Iranian subsidiaries' ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. JTI-Macdonald Corp. (hereinafter referred to as "JTI-Mac"), the Company's Canadian subsidiary, is subject to certain restrictions on the use of funds other than in the ordinary course of business due to the adoption of the "Companies' Creditors Arrangement Act" (hereinafter referred to as "CCAA"). "Cash and cash equivalents" as of June 30, 2025 includes cash and cash equivalents of ¥138,349 million and ¥173,929 million held by the Group's Iranian subsidiaries and JTI-Mac, respectively. JTI-Mac and other parties to the CCAA Plans of Compromise and Arrangement (hereinafter referred to as the "Plans"), which were approved by the Ontario Superior Court as of March 6, 2025, are now proceeding with various procedures for the implementation of the Plans. The application of the CCAA is expected to be lifted upon the implementation of the Plans.

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

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

	(Millions of yen)		
Carrying Amount	Property, plant and equipment	Goodwill	Intangible assets
As of January 1, 2025	907,700	2,914,254	486,463
Individual acquisition	75,266	-	8,228
Transfer to investment property	(442)	-	-
Transfer to assets held for sale	(2,760)	-	(9,222)
Depreciation or amortization	(54,931)	-	(42,476)
Impairment losses	(15,321)	-	(9,244)
Reversal of impairment losses	155	-	-
Sale or disposal	(2,062)	-	(450)
Exchange differences on translation of foreign operations	(5,156)	122,232	(29,666)
Other	(238)	1,095	47
As of June 30, 2025	902,212	3,037,581	403,680

8. Borrowings

The Company entered into a subordinated loan agreement (aggregate amount of borrowings: ¥100,000 million, carrying amount: ¥99,400 million, repayment date: January 31, 2055) for the six months ended June 30, 2025.

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 in January 2030.

9. Bonds

The straight bonds issued for the six months ended June 30, 2025 are as follows:

Company	Name of bond	Date of issuance	(Millions of yen)	(%)	Collateral	Date of maturity
			Carrying amount	Interest rate		
Japan Tobacco Inc.	18th domestic straight bond	April 10, 2025	49,901	1.293	Yes	April 10, 2030
Japan Tobacco Inc.	19th domestic straight bond	April 10, 2025	19,943	1.781	Yes	April 10, 2035
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	115,076 [USD 800mil.]	4.850	Yes	May 15, 2028
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	129,323 [USD 900mil.]	5.250	Yes	June 15, 2030
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	114,660 [USD 800mil.]	5.850	Yes	June 15, 2035
JT International Financial Services B.V.	Straight bond in EUR	April 17, 2025	92,271 [EUR 550mil.]	4.125	No	June 17, 2035

(Note) The figure in parentheses [] represents the amount of foreign currency-denominated bond.

10. Dividends

Dividends paid for each interim period are as follows:

Six months ended June 30, 2024

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

Six months ended June 30, 2025

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Annual Shareholders' Meeting (March 26, 2025)	Ordinary shares	172,232	97	December 31, 2024	March 27, 2025

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

Six months ended June 30, 2024

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

Six months ended June 30, 2025

		(Millions of yen)	(Yen)		
	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
(Resolution)					
Board of Directors (July 31, 2025)	Ordinary shares	184,641	104	June 30, 2025	September 1, 2025

11. Revenue

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

Six months ended June 30, 2024

(Millions of yen)

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

Six months ended June 30, 2025

(Millions of yen)

	Reportable Segments			Other	Consolidated
	Tobacco (Note)	Pharma- ceuticals	Processed Food		
Core revenue from tobacco business	1,552,541	-	-	-	1,552,541
Other	56,238	48,331	76,747	686	182,002
Total	<u>1,608,779</u>	<u>48,331</u>	<u>76,747</u>	<u>686</u>	<u>1,734,543</u>

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥50,746 million and ¥55,824 million for the six months ended June 30, 2024 and 2025, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

12. Other Operating Income

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	3,395	510
Other (Note)	12,382	6,424
Total	15,777	6,934

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Gain on sale of property, plant and equipment, intangible assets and investment property	2,788	-
Other	16	7
Total	2,805	7

13. Selling, General and Administrative Expenses

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Advertising expenses	20,769	22,920
Promotion expenses	64,119	69,949
Commission (Note)	34,381	38,863
Employee benefit expenses (Note)	192,048	207,672
Research and development expenses	35,858	37,534
Depreciation and amortization	50,320	59,144
Impairment losses on other than financial assets (Note)	1,585	25,183
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	635	1,191
Other (Note)	75,010	75,073
Total	474,725	537,530

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Employee benefit expenses	(293)	151
Impairment losses on other than financial assets	736	24,964
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	162	181
Other	(520)	117
Total	85	25,413

14. Financial Income and Financial Costs

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

Six months ended June 30, 2024 and 2025

		(Millions of yen)
Financial Income	2024	2025
Dividend income	893	569
Interest income	29,445	35,739
Other	1,146	838
Total	31,485	37,145

Six months ended June 30, 2024 and 2025

		(Millions of yen)
Financial Costs	2024	2025
Interest expenses	16,607	37,899
Foreign exchange losses (Note 1)	24,486	30,695
Employee benefit expenses (Note 2)	2,747	1,860
Loss on net monetary position	16,616	2,237
Other	4,618	6,506
Total	65,074	79,196

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

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

15. Interim Earnings per Share

(1) Basis of Calculating Basic Interim Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Profit for the period attributable to owners of the parent company	305,172	319,905
Profit for the period not attributable to ordinary shareholders of the parent company	-	-
Profit for the period used for calculation of basic interim earnings per share	305,172	319,905

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

Six months ended June 30, 2024 and 2025

		(Thousands of shares)
	2024	2025
Weighted-average number of shares during the period	1,775,428	1,775,416

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Six months ended June 30, 2024 and 2025

		(Millions of yen)
	2024	2025
Profit for the period used for calculation of basic interim earnings per share	305,172	319,905
Adjustment	-	-
Profit for the period used for calculation of diluted interim earnings per share	305,172	319,905

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

Six months ended June 30, 2024 and 2025

		(Thousands of shares)
	2024	2025
Weighted-average number of ordinary shares during the period	1,775,428	1,775,416
Increased number of ordinary shares under subscription rights to shares	296	195
Weighted-average number of diluted ordinary shares during the period	1,775,724	1,775,611

16. Financial Instruments

(Fair Value of Financial Instruments)

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

	As of December 31, 2024		As of June 30, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	738,335	738,281	120,907	108,572
Bonds (Note)	928,136	876,125	1,437,414	1,407,683

(Note) Current portion is included.

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

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

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

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

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

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

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

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

As of December 31, 2024

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Derivative assets	-	18,900	-	18,900
Equity securities	24,709	-	17,783	42,492
Notes and accounts receivable	-	22,884	-	22,884
Other	852	2,814	28,136	31,802
Total	25,561	44,598	45,920	116,078
Derivative liabilities	-	45,103	-	45,103
Total	-	45,103	-	45,103

As of June 30, 2025

				(Millions of yen)
	Level 1	Level 2	Level 3	Total
Derivative assets	-	25,652	-	25,652
Equity securities	24,382	-	14,186	38,568
Notes and accounts receivable	-	7,623	-	7,623
Other	1,028	-	13,234	14,262
Total	25,409	33,275	27,420	86,104
Derivative liabilities	-	34,179	-	34,179
Total	-	34,179	-	34,179

17. Commitments

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

	As of December 31, 2024	(Millions of yen) As of June 30, 2025
Acquisition of property, plant and equipment	61,747	60,503

18. Contingencies

As of June 30, 2025, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2024.

19. Subsequent Events

No items to report

2. Others

(Dividends)

The Board of Directors, at a meeting held on July 31, 2025, declared the following interim dividends for the current fiscal year.

- | | | |
|---|------------------|-------------------|
| (a) Total amount of interim dividends | ¥184,641 million | |
| (b) Amount per share | ¥104.00 | |
| (c) Effective date of requests for payment, and commencement date of payments | | September 1, 2025 |

(Note) Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of June 30, 2025.

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

July 31, 2025

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,
Certified Public Accountant: Takeshi Ito

Designated Engagement Partner,
Certified Public Accountant: Akifumi Horie

Accountant's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of June 30, 2025, and the condensed interim consolidated statement of income and condensed interim consolidated statement of comprehensive income for the six-month period then ended, and the condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the six-month period then ended, and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2025, and its consolidated financial performance for the six-month period then ended and its consolidated cash flows for the six-month period then ended in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Accountant's Conclusion

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

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

Management is responsible for the preparation and fair presentation of the condensed interim consolidated financial statements in accordance with IAS 34, and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with Paragraph 4 of IAS 1 "Presentation of Financial Statements" and using the going concern basis of accounting.

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

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

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

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

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other interim review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude whether nothing has come to our attention, based on the evidence obtained, related to going concern that causes us to believe that the condensed interim consolidated financial statements are not fairly presented, in all material respects, in accordance with Paragraph 4 of IAS 1, if we conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountant's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the overall presentation and disclosures of the condensed interim consolidated financial statements are not in accordance with IAS 34, as well as the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business units within the Group as a basis for forming a conclusion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and review of the review of the condensed interim consolidated financial statements. We remain solely responsible for our conclusion.

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

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

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

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

Notes to the Readers of Independent Accountant's Review Report

This is an English translation of the independent accountant's review report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.