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Semi-annual Securities Report
(“Hanki Hokokusho”)

From January 1, 2026
to June 30, 2026

Japan Tobacco Inc.

Contents

[Cover]

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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.
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A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

Term	Six months ended June 30, 2025	Six months ended June 30, 2026	41st term
Accounting period	From January 1, 2025 to June 30, 2025	From January 1, 2026 to June 30, 2026	From January 1, 2025 to December 31, 2025
Revenue (Millions of yen)	1,686,789	1,986,070	3,467,675
Profit before income taxes (Millions of yen)	457,755	605,999	739,786
Profit for the period (Millions of yen)	321,965	433,181	513,214
Profit attributable to owners of the parent company (Millions of yen)	319,905	431,829	510,175
Comprehensive income (loss) for the period (Millions of yen)	467,791	543,292	686,418
Total equity (Millions of yen)	4,141,838	4,423,050	4,115,389
Total assets (Millions of yen)	8,262,786	8,669,953	8,419,240
Basic earnings per share (Yen)	180.19	243.24	287.36
Diluted earnings per share (Yen)	180.17	243.22	287.33
Ratio of equity attributable to owners of the parent company to total assets (%)	49.13	50.68	48.54
Net cash flows from operating activities (Millions of yen)	167,451	331,329	514,056
Net cash flows from investing activities (Millions of yen)	(131,965)	(58,422)	(264,986)
Net cash flows from financing activities (Millions of yen)	(230,877)	(278,240)	(475,471)
Cash and cash equivalents at the end of the period (Millions of yen)	865,185	827,909	831,135

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.

4. Starting from the 41st term, the Group has classified the pharmaceutical business as discontinued operations, and presents reclassified figures for the 41st term and six months ended June 30, 2025 here. Accordingly, revenue and profit before income taxes for the 41st term, six months ended June 30, 2025 and 2026 are shown for continuing operations.

2. Business Description

During the six months ended June 30, 2026, there were no material changes in the business of the Group (the Company, 226 consolidated subsidiaries and 21 companies accounted for by the equity method) mentioned in the previous fiscal year’s Annual Securities Report nor changes in principal subsidiaries and affiliates.

II. Review of Operations

1. Business and Other Risks

During the six months ended June 30, 2026, 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 its financial results.

In addition, the Group has business locations and customers in the Middle East, and will continue to monitor the situation in the region. However, at present, it does not recognize a major impact on its business or 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, 2026.

(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) excluding amortization cost of acquired intangibles arising from business acquisitions, adjustment items (income and costs), and the Canada adjustment (Annual contribution)[Note 1]. 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

Constant FX is a financial benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the previous fiscal 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. Furthermore, the Canada adjustment (Annual contribution)[Note 1] is also excluded.

(Note: 1) The Canada adjustment (Annual contribution) is revenue and profit corresponding to each annual payment related to the settlement of the litigation concerning smoking and health against tobacco companies, including the Company's Canadian subsidiary, JTI-Macdonald Corp., as a defendant.

(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 Products, Infused Tobacco, E-Vapor, Modern Oral, and Traditional Oral.

Heated Products are products enjoyed by directly heating nicotine-containing sticks using a device. Infused Tobacco products enable users to enjoy tobacco vapor infused with the extracted taste and flavor by using a device that heats liquid to generate vapor, which then passes through a capsule containing tobacco granules.

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.

Modern Oral and Traditional Oral products enable users to enjoy various tastes and flavors usually by inserting small pouches directly in the mouth between the lip and the gum.

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

(1) Business Results

a. Consolidated results

(Billions of yen)

	Six months ended June 30, 2025	Six months ended June 30, 2026	Change
Revenue[Note 1]	1,686.8	1,986.1	17.7%
Adjusted operating profit[Notes 1, 2]	524.5	661.7	26.2%
Operating profit[Note 1]	500.1	644.9	29.0%
Profit attributable to owners of the parent company	319.9	431.8	35.0%

<Revenue>

Revenue increased by 17.7% from the same period of the previous year to ¥1,986.1 billion due to increases in the Tobacco Business and the Processed Food Business. Core revenue[Note 3] at constant FX increased by 10.2% from the same period of the previous year.

<Adjusted operating profit>

Adjusted operating profit increased by 26.2% from the same period of the previous year to ¥661.7 billion due to an increase in profit in the Tobacco Business and the Processed Food Business. Adjusted operating profit at constant FX increased by 19.4% from the same period of the previous year.

<Operating profit>

Operating profit increased by 29.0% from the same period of the previous year to ¥644.9 billion due to an increase in adjusted operating profit, as well as a decrease in amortization cost of acquired intangibles arising from past business acquisitions in adjustment items.

<Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 35.0% from the same period of the previous year to ¥431.8 billion, due to an increase in operating profit and lower financial costs, which more than offset an increase in income taxes. Profit attributable to owners of the parent company from continuing operations increased by 28.9% from ¥335.0 billion in the same period of the previous year.

(Note: 1) Starting in the fiscal year ended December 31, 2025, the Group has classified the pharmaceutical business as discontinued operations, and presents reclassified figures for the six months ended June 30, 2025. Accordingly, revenue, adjusted operating profit, and operating profit for the six months ended June 30, 2025 and 2026 are shown for continuing operations.

(Note: 2) Following the revision of the definition, the comparative figures for the same period of the previous year have been retrospectively adjusted to exclude the Canada adjustment (Annual contribution).

(Note: 3) Core revenue at constant FX is the sum of core revenue at constant FX from tobacco business and revenue from the Processed Food Business and other.

b. Segment results

[Tobacco Business]

(Billions of units, Billions of yen)

Tobacco Business	Six months ended June 30, 2025	Six months ended June 30, 2026	Change
Total volume	283.3	286.0	1.0%
• Combustibles volume(Note 1)	277.0	277.6	0.2%
• RRP volume(Note 2)	6.3	8.4	33.8%
- Heated Products volume	5.0	7.1	43.5%
RRP-related revenue(Note 2)	55.8	78.6	40.7%
Core revenue(Note 3)	1,534.8	1,828.4	19.1%
Adjusted operating profit(Note 3)	544.9	682.9	25.3%

<Total volume>(Note 4)

Total volume increased by 1.0% from the same period of the previous year to 286.0 billion units mainly due to growth in RRP volume driven by Ploom in Japan and sustained market share gains in the Combustibles category across various markets. Combustibles volume increased by 0.2% from the same period of the previous year, due to solid performance in Asia and EMA offsetting the impact of lower industry volume in several markets in Western Europe. RRP volume increased by 33.8% from the same period of the previous year due to growth in Heated Products volume (up 43.5% from the same period of the previous year).

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

<Core revenue and adjusted operating profit>(Note 5)

Core revenue increased by 19.1% from the same period of the previous year, due to favorable pricing effects in all clusters, the impact of positive variance in volume, and the favorable foreign exchange effects. Adjusted operating profit increased by 25.3% from the same period of the previous year, driven by growth in revenue and the favorable foreign exchange effects, which more than offset factors such as the increase in investments towards Ploom and inflation-led cost increases. RRP-related revenue increased by 40.7% from the same period of the previous year.

Core revenue at constant FX and adjusted operating profit at constant FX increased by 10.6% and 18.8%, 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) Following the revision of the definition, the comparative figures for the same period of the previous year have been retrospectively adjusted to exclude the Canada adjustment (Annual contribution).

(Note: 4) Market share was estimated by the Company.

(Note: 5) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes the entire Asian region, including Japan, the Philippines, and Taiwan, Western Europe includes the Western European region, including Italy, Spain, and the U.K., EMA is a collective term for Africa, the Middle East, Eastern Europe, Americas, and all duty-free markets, including markets such as Romania, Russia, Turkey, and the U.S. 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, 2025	Six months ended June 30, 2026	Change
Revenue	76.7	79.2	3.2%
Adjusted operating profit	2.6	4.1	58.5%

<Revenue and adjusted operating profit>

Revenue increased by 3.2% from the same period of the previous year due to the price revision effect and volume growth of certain products in the frozen and ambient foods business, as well as sales growth of products for overseas markets in the seasonings business.

Adjusted operating profit increased by 58.5% from the same period of the previous year due to revenue growth, despite the soaring costs of raw materials.

(2) Financial Position and Cash Flow Position

a. Financial position

[Assets]

Total assets at the end of the six months ended June 30, 2026 increased by ¥250.7 billion from the end of the previous fiscal year to ¥8,670.0 billion. This was mainly due to increases in trade and other receivables and goodwill.

[Liabilities]

Total liabilities at the end of the six months ended June 30, 2026 decreased by ¥56.9 billion from the end of the previous fiscal year to ¥4,246.9 billion. This was mainly due to a decrease in trade and other payables.

[Equity]

Total equity at the end of the six months ended June 30, 2026 increased by ¥307.7 billion from the end of the previous fiscal year to ¥4,423.0 billion. This was mainly due to an increase in exchange differences on translation of foreign operations as well as an increase in retained earnings due to 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, 2026 decreased by ¥3.2 billion from the end of the previous fiscal year to ¥827.9 billion. Cash and cash equivalents at the end of the same period of the previous year were ¥865.2 billion.

[Net cash flows from operating activities]

Net cash flows provided by operating activities during the six months ended June 30, 2026 were ¥331.3 billion, compared with ¥167.5 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 payment of income taxes.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the six months ended June 30, 2026 were ¥58.4 billion, compared with ¥132.0 billion used in the same period of the previous year. This was mainly due to the purchase of property, plant and equipment.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the six months ended June 30, 2026 were ¥278.2 billion, compared with ¥230.9 billion used in the same period of the previous year. This was mainly due to the payment of cash dividends and the redemption of bonds.

(3) Management Policy, Management Strategy, Etc.

During the six months ended June 30, 2026, 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, 2026, 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, 2026 were ¥24.7 billion.

During the six months ended June 30, 2026, 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, 2025 and as of June 30, 2026 accounted for ¥1,478.4 billion and ¥1,439.1 billion, respectively, and long-term borrowings as loans from financial institutions (including the current portion) accounted for ¥120.9 billion and ¥120.7 billion, respectively.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥79.4 billion as of December 31, 2025 and ¥84.1 billion as of June 30, 2026. There was no commercial paper outstanding as of December 31, 2025, and as of June 30, 2026, the outstanding balance was ¥32.9 billion.

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, 2026, 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. Material Contracts, etc.

No items to report.

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, 2026)	Number of shares issued (Share; as of the date of filing: July 30, 2026)	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, 2026 to June 30, 2026	–	2,000,000	–	100,000	–	636,400

(5) Status of Major Shareholders

(As of June 30, 2026)

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	666,884,200	37.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan	181,430,100	10.22
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	63,028,400	3.55
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	33,521,780	1.89
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	20,387,099	1.15
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	16,071,333	0.90
Barclays Securities Japan limited	10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan	13,504,700	0.76
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	13,459,700	0.76
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2-2, Otemachi 2-chome, Chiyoda-ku, Tokyo, Japan	12,813,300	0.72
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	10,749,691	0.61
Total	–	1,031,850,303	58.10

Note: In addition to the above, the Company held 223,999,107 shares of ordinary shares as treasury shares.

(6) Status of Voting Rights

a. Number of shares issued

(As of June 30, 2026)

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 223,999,100	–	(Note 1)
Shares with full voting rights (Other)	Ordinary shares 1,772,189,000	17,721,890	(Notes 1, 2, 3)
Shares less than one unit	Ordinary shares 3,811,900	–	(Note 4)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,721,890	(Notes 2, 3)

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. The Company has adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company, and the number of "Shares with full voting rights (Other)" includes 561,100 shares of the Company held by the trust.

"Number of voting rights" includes 5,611 units of voting rights related to the Company's shares held by the trust.

4. Includes seven shares of treasury shares.

b. Treasury shares

(As of June 30, 2026)

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, Toranomon 4-chome, Minato-ku, Tokyo, Japan	223,999,100	–	223,999,100	11.20
Total	–	223,999,100	–	223,999,100	11.20

Note: The treasury shares of 115,927 shares were disposed of on June 29, 2026, based on the disposal 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 5, 2026.

In addition, the Company has adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company; however, the Company's shares held by the trust are not included in the numbers listed above.

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, 2026.

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, 2026 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, 2025	**As of June 30, 2026**
Assets		
Current assets		
Cash and cash equivalents (Note 6)	831,135	827,909
Trade and other receivables	640,681	753,747
Inventories	1,060,136	1,118,751
Other financial assets	195,816	205,435
Other current assets	977,640	942,389
Subtotal	3,705,408	3,848,232
Assets held for sale	5,689	4,885
Total current assets	3,711,097	3,853,117
Non-current assets		
Property, plant and equipment (Note 7)	979,800	994,977
Goodwill (Note 7)	2,923,096	2,986,714
Intangible assets (Note 7)	395,658	385,184
Investment property	3,068	3,139
Retirement benefit assets	29,946	31,083
Investments accounted for using the equity method	82,205	87,467
Other financial assets	131,600	159,234
Other non-current assets	4,240	3,964
Deferred tax assets	158,528	165,073
Total non-current assets	4,708,143	4,816,836
Total assets	8,419,240	8,669,953

(Millions of yen)

	As of December 31, 2025	**As of June 30, 2026**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	711,721	623,516
Bonds and borrowings	79,627	117,087
Income tax payables	36,546	77,316
Other financial liabilities	62,068	68,065
Provisions	32,783	19,776
Other current liabilities	1,004,331	979,079
Subtotal	1,927,076	1,884,837
Liabilities directly associated with assets held for sale	177	-
Total current liabilities	1,927,252	1,884,837
Non-current liabilities		
Bonds and borrowings	1,599,061	1,559,685
Other financial liabilities	205,628	210,106
Retirement benefit liabilities	253,225	249,967
Provisions	54,355	60,970
Other non-current liabilities	134,724	135,057
Deferred tax liabilities	129,606	146,281
Total non-current liabilities	2,376,599	2,362,066
Total liabilities	4,303,851	4,246,903
Equity		
Share capital	100,000	100,000
Capital surplus	737,064	737,472
Treasury shares	(489,744)	(490,165)
Other components of equity	526,058	633,046
Retained earnings	3,213,555	3,413,605
Equity attributable to owners of the parent company	4,086,933	4,393,958
Non-controlling interests	28,456	29,092
Total equity	4,115,389	4,423,050
Total liabilities and equity	8,419,240	8,669,953

(2) Condensed Interim Consolidated Statement of Income

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Continuing operations		
Revenue (Notes 5, 9)	1,686,789	1,986,070
Cost of sales	(715,439)	(816,081)
Gross profit	971,349	1,169,988
Other operating income (Note 10)	7,083	8,645
Share of profit in investments accounted for using the equity method	6,703	5,483
Selling, general and administrative expenses (Note 11)	(485,007)	(539,177)
Operating profit (Note 5)	500,129	644,940
Financial income (Note 12)	36,763	38,639
Financial costs (Note 12)	(79,136)	(77,580)
Profit before income taxes	457,755	605,999
Income taxes	(121,781)	(172,818)
Profit for the period from continuing operations	335,975	433,181
Discontinued operations		
Loss for the period from discontinued operations (Note 16)	(14,010)	-
Profit for the period	321,965	433,181
Attributable to		
Owners of the parent company	319,905	431,829
Non-controlling interests	2,060	1,352
Profit for the period	321,965	433,181
Interim earnings (loss) per share		
Basic (Yen)		
Continuing operations (Note 13)	188.67	243.24
Discontinued operations (Note 13)	(8.48)	-
Total basic earnings per share for the interim period (Note 13)	180.19	243.24
Diluted (Yen)		
Continuing operations (Note 13)	188.64	243.22
Discontinued operations (Note 13)	(8.48)	-
Total diluted earnings per share for the interim period (Note 13)	180.17	243.22

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

(Millions of yen)

	2025	**2026**
Continuing operations		
Operating profit	500,129	644,940
Amortization cost of acquired intangibles arising from business acquisitions	35,045	24,335
Canada adjustment (Annual contribution)	(11,222)	(8,189)
Adjustment items (income)	(435)	(2,290)
Adjustment items (costs)	975	2,926
Adjusted operating profit (Note 5)	524,493	661,721

(3) Condensed Interim Consolidated Statement of Comprehensive Income
Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Profit for the period	321,965	433,181
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	(85)	(262)
Remeasurements of defined benefit plans	185	-
Total of items that will not be reclassified to profit or loss	100	(262)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	150,415	102,089
Net gain (loss) on derivatives designated as cash flow hedges	(4,676)	8,925
Hedge costs	(14)	(642)
Total of items that may be reclassified subsequently to profit or loss	145,726	110,373
Other comprehensive income (loss), net of taxes	145,826	110,111
Comprehensive income (loss) for the period	467,791	543,292
Attributable to		
Owners of the parent company	466,041	542,088
Non-controlling interests	1,750	1,204
Comprehensive income (loss) for the period	467,791	543,292

(4) 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	Hedge costs
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 8)	-	-	-	-	-	-	-
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)
As of January 1, 2026	100,000	737,064	(489,744)	291	514,095	715	17
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	102,237	8,925	(642)
Comprehensive income (loss) for the period	-	-	-	-	102,237	8,925	(642)
Acquisition of treasury shares	-	-	(858)	-	-	-	-
Disposal of treasury shares	-	408	437	(146)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends (Note 8)	-	-	-	-	-	-	-
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)	-	-	-	-	-	(3,148)	-
Total transactions with the owners	-	408	(421)	(146)	-	(3,148)	-
As of June 30, 2026	100,000	737,472	(490,165)	145	616,331	6,492	(625)

(Millions of yen)

	Equity attributable to owners of the parent company						
	Other components of 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	Non-controlling interests	Total equity
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 8)	-	-	-	(172,232)	(172,232)	(1,620)	(173,852)
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
As of January 1, 2026	10,940	-	526,058	3,213,555	4,086,933	28,456	4,115,389
Profit for the period	-	-	-	431,829	431,829	1,352	433,181
Other comprehensive income (loss)	(261)	-	110,259	-	110,259	(148)	110,111
Comprehensive income (loss) for the period	(261)	-	110,259	431,829	542,088	1,204	543,292
Acquisition of treasury shares	-	-	-	-	(858)	-	(858)
Disposal of treasury shares	-	-	(146)	(584)	115	-	115
Share-based payments	-	-	-	616	616	-	616
Dividends (Note 8)	-	-	-	(230,800)	(230,800)	(1,110)	(231,911)
Changes in the scope of consolidation	-	-	-	-	-	(444)	(444)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(986)	(986)	986	-
Transfer from other components of equity to retained earnings	24	-	24	(24)	-	-	-
Other increase (decrease)	-	-	(3,148)	-	(3,148)	-	(3,148)
Total transactions with the owners	24	-	(3,270)	(231,780)	(235,063)	(568)	(235,631)
As of June 30, 2026	10,703	-	633,046	3,413,605	4,393,958	29,092	4,423,050

(5) Condensed Interim Consolidated Statement of Cash Flows
Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Cash flows from operating activities		
Profit before income taxes	457,755	605,999
Profit (loss) before income taxes from discontinued operations	(19,934)	-
Depreciation and amortization	97,452	90,391
Impairment losses	25,183	1,038
Interest and dividend income	(36,307)	(38,599)
Interest expense	37,899	39,659
Share of profit in investments accounted for using the equity method	(6,703)	(5,483)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	450	215
(Gains) losses on sale of investments in subsidiaries	-	(2,279)
(Increase) decrease in trade and other receivables	(60,647)	(100,562)
(Increase) decrease in inventories	(52,885)	(25,307)
Increase (decrease) in trade and other payables	(57,777)	(82,972)
Increase (decrease) in retirement benefit liabilities	(9,475)	(2,525)
(Increase) decrease in prepaid tobacco excise taxes	15,942	13,921
Increase (decrease) in tobacco excise tax payables	(122,440)	(38,793)
Increase (decrease) in consumption tax payables	10,810	44,905
Other	(47,798)	(35,725)
Subtotal	231,525	463,883
Interest and dividends received	75,867	42,407
Interest paid	(34,188)	(39,291)
Income taxes paid	(105,752)	(135,670)
Net cash flows from operating activities	167,451	331,329
Cash flows from investing activities		
Purchase of securities	(8,874)	(2,051)
Proceeds from sale and redemption of securities	46,272	281
Purchase of property, plant and equipment	(52,982)	(53,227)
Proceeds from sale of investment property	-	1,386
Purchase of intangible assets	(8,383)	(7,173)
Payments into time deposits	(138,520)	(241,958)
Proceeds from withdrawal of time deposits	120,115	246,301
Subsequent payments for past fiscal years' business combinations	(68,271)	-
Purchase of investments in associates	(22,873)	(1,065)
Other	1,550	(916)
Net cash flows from investing activities	(131,965)	(58,422)

(Millions of yen)

	2025	**2026**
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 8)	(172,192)	(230,725)
Dividends paid to non-controlling interests	(2,002)	(1,366)
Increase (decrease) in short-term borrowings and commercial paper	9,973	36,209
Proceeds from long-term borrowings	99,437	-
Repayments of long-term borrowings	(666,593)	(290)
Proceeds from issuance of bonds	515,001	-
Redemption of bonds	-	(67,532)
Repayments of lease liabilities	(12,916)	(13,679)
Acquisition of treasury shares	(1,579)	(858)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(5)	-
Other	0	0
Net cash flows from financing activities	(230,877)	(278,240)
Net increase (decrease) in cash and cash equivalents	(195,391)	(5,334)
Cash and cash equivalents at the beginning of the period	1,084,567	831,135
Effect of exchange rate changes on cash and cash equivalents	(3,153)	2,091
Changes in cash and cash equivalents resulting from transfer to assets held for sale	(20,837)	17
Cash and cash equivalents at the end of the period (Note 6)	865,185	827,909

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 six months ended June 30, 2026 of the Company and its subsidiaries (hereinafter referred to as the "Group") were approved on July 30, 2026 by Takehiko Tsutsui, 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, 2025.

(Changes in Method of Presentation)

For the prior year, continuing operations and discontinued operations have been presented separately, as a result of the classification of the pharmaceutical business as discontinued operations. To reflect the changes in method of presentation, the condensed interim consolidated statement of income and the condensed interim consolidated statement of cash flows for the six months ended June 30, 2025 have been accordingly changed.

The content is described in "16. Discontinued Operations."

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, 2025 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, 2026.

IFRS Accounting Standards		Description of new standards and amendments
IFRS 9 IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	Clarifying classification of the financial instruments with ESG-linked features Clarifying derecognition of a financial liability settled through electronic transfer
IFRS 9 IFRS 7	Amendments regarding the Contracts for Renewable Electricity	Providing requirements for accounting treatment and disclosure relating to power purchase agreements

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, 2025.

For recent situation in Russia and Ukraine, as well as in the Middle East, 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 and processed foods.
The reportable segments of the Group are composed of two segments: "Tobacco Business" and "Processed Food Business."

The "Tobacco Business" consists of the manufacture and sale of tobacco products in domestic areas and overseas.
The "Processed Food Business" consists of the manufacture and sale of frozen and ambient processed foods and seasonings.

In addition, the "Pharmaceutical Business" was classified as discontinued operations and excluded from reportable segments in the prior year.
The content is described in "16. Discontinued Operations."

(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, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	1,608,779	76,747	1,685,527	1,262	-	1,686,789
Intersegment revenue	0	14	14	1,306	(1,320)	-
Total revenue	1,608,780	76,761	1,685,541	2,568	(1,320)	1,686,789
Segment profit (loss)						
Adjusted operating profit (Note 1)	544,920	2,568	547,488	(22,993)	(3)	524,493

¥1,534,808 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	753,692	1,534,808
Adjusted operating profit (Note 1)	136,912	160,094	247,914	544,920

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, the United States of America, Romania, Russia, etc.

Six months ended June 30, 2026

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	1,905,593	79,237	1,984,830	1,240	-	1,986,070
Intersegment revenue	0	18	18	1,487	(1,505)	-
Total revenue	1,905,593	79,255	1,984,848	2,727	(1,505)	1,986,070
Segment profit (loss)						
Adjusted operating profit (Note 1)	682,902	4,070	686,971	(25,269)	18	661,721

¥1,828,405 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)	457,531	427,315	943,559	1,828,405
Adjusted operating profit (Note 1)	167,782	188,464	326,655	682,902

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, the United States of America, Romania, Russia, etc.

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

Six months ended June 30, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	544,920	2,568	547,488	(22,993)	(3)	524,493
Amortization cost of acquired intangibles arising from business acquisitions	(35,045)	-	(35,045)	-	-	(35,045)
Canada adjustment (Annual contribution) (Note 4)	11,222	-	11,222	-	-	11,222
Adjustment items (income) (Note 5)	4	424	428	7	-	435
Adjustment items (costs) (Note 6)	(152)	(10)	(162)	(814)	-	(975)
Operating profit (loss)	520,949	2,983	523,931	(23,800)	(3)	500,129
Financial income						36,763
Financial costs						(79,136)
Profit before income taxes						457,755

Six months ended June 30, 2026

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	682,902	4,070	686,971	(25,269)	18	661,721
Amortization cost of acquired intangibles arising from business acquisitions	(24,335)	-	(24,335)	-	-	(24,335)
Canada adjustment (Annual contribution) (Note 4)	8,189	-	8,189	-	-	8,189
Adjustment items (income) (Note 5)	11	2,279	2,290	-	-	2,290
Adjustment items (costs) (Note 6)	(852)	(1,983)	(2,835)	(91)	-	(2,926)
Operating profit (loss)	665,915	4,366	670,281	(25,360)	18	644,940
Financial income						38,639
Financial costs						(77,580)
Profit before income taxes						605,999

(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). The Canada adjustment (Annual contribution) is also excluded, effective from the three months ended March 31, 2026. In addition, the figure for the six months ended June 30, 2025, has been retrospectively adjusted to reflect the change.

(Note 2) "Other" includes business activities relating to real estate rental associated with the utilization of idle properties 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. The Canada adjustment (Annual contribution) is also excluded, effective from the three months ended March 31, 2026. In addition, the figure for the six months ended June 30, 2025, has been retrospectively adjusted to reflect the change.

(Note 4) The Canada adjustment (Annual contribution) is revenue and profit corresponding to each annual payment related to the settlement of the litigation concerning smoking and health against tobacco companies, including the Company's Canadian subsidiary, JTI-Macdonald Corp., as a defendant.

(Note 5) The breakdown of "Adjustment items (income)" is as follows:

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Restructuring incomes	7	2,279
Other	428	11
Adjustment items (income)	435	2,290

Restructuring incomes for the six months ended June 30, 2026 mainly related to gains on sale of investments in subsidiaries. The breakdown of restructuring incomes is described in "10. Other Operating Income.

(Note 6) The breakdown of "Adjustment items (costs)" is as follows:

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Restructuring costs	966	2,831
Other	10	94
Adjustment items (costs)	975	2,926

The breakdown of restructuring costs is described in "11. 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. “Cash and cash equivalents” as of June 30, 2026 include ¥166,162 million held by the Group’s Iranian subsidiaries.

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, 2026	979,800	2,923,096	395,658
Individual acquisition	59,313	-	7,174
Transfer to investment property	(78)	-	-
Transfer to assets held for sale	(808)	-	(121)
Depreciation or amortization	(59,397)	-	(30,953)
Impairment losses	(1,002)	-	(4)
Reversal of impairment losses	28	-	-
Sale or disposal	(1,621)	-	(14)
Exchange differences on translation of foreign operations	20,480	63,618	12,457
Other	(1,738)	-	987
As of June 30, 2026	994,977	2,986,714	385,184

8. Dividends

Dividends paid for each interim period are as follows:

Six months ended June 30, 2025

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

Six months ended June 30, 2026

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution) Annual Shareholders' Meeting (March 25, 2026)	Ordinary shares	230,854	130	December 31, 2025	March 26, 2026

The total amount of dividends declared at the Annual Shareholders' Meeting held on March 25, 2026 includes ¥54 million in dividends on the Company's ordinary shares held by the board benefit trust.

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

Six months ended June 30, 2025

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution) Board of Directors (July 31, 2025)	Ordinary shares	184,683	104	June 30, 2025	September 1, 2025

The total amount of dividends declared at the Board of Directors meeting held on July 31, 2025 includes ¥42 million in dividends on the Company's ordinary shares held by the board benefit trust.

Six months ended June 30, 2026

	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
(Resolution) Board of Directors (July 30, 2026)	Ordinary shares	241,536	136	June 30, 2026	September 1, 2026

The total amount of dividends declared at the Board of Directors meeting held on July 30, 2026 includes ¥76 million in dividends on the Company's ordinary shares held by the board benefit trust.

9. Revenue

The disaggregation of "Revenue" from continuing operations for each interim period is as follows. The amounts are presented after the elimination of intercompany transactions.

Six months ended June 30, 2025

(Millions of yen)

	Reportable Segments		Other	Consolidated
	Tobacco (Note 1)	Processed Food		
Core revenue from tobacco business	1,534,808	-	-	1,534,808
Other (Note 2)	73,971	76,747	1,262	151,980
Total	1,608,779	76,747	1,262	1,686,789

Six months ended June 30, 2026

(Millions of yen)

	Reportable Segments		Other	Consolidated
	Tobacco (Note 1)	Processed Food		
Core revenue from tobacco business	1,828,405	-	-	1,828,405
Other (Note 2)	77,188	79,237	1,240	157,665
Total	1,905,593	79,237	1,240	1,986,070

(Note 1) Revenues from RRP in core revenue from the "Tobacco Business" were ¥55,824 million and ¥78,571 million for the six months ended June 30, 2025 and 2026, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

(Note 2) The Canada adjustment (Annual contribution) is excluded from core revenue from tobacco business and included in other, effective from the three months ended March 31, 2026. In addition, the figure for the six months ended June 30, 2025, has been retrospectively adjusted to reflect the change. Canada adjustment (Annual contribution) in other was ¥17,733 million and ¥14,273 million for the six months ended June 30, 2025 and 2026, respectively. This reclassification relates solely to presentation within the note and does not affect total revenue in the consolidated statement of income.

10. Other Operating Income

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

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	510	267
Gain on sale of investments in subsidiaries (Note)	-	2,279
Other (Note)	6,573	6,099
Total	7,083	8,645

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

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Gain on sale of property, plant and equipment, intangible assets and investment property	-	0
Gain on sale of investments in subsidiaries	-	2,279
Other	7	-
Total	7	2,279

11. Selling, General and Administrative Expenses

The breakdown of "Selling, general and administrative expenses" from continuing operations for each interim period is as follows:

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Advertising expenses	22,843	25,641
Promotion expenses	69,003	83,675
Commission (Note)	37,336	39,557
Employee benefit expenses (Note)	204,017	232,998
Research and development expenses	21,139	24,743
Depreciation and amortization	57,468	49,431
Impairment losses on other than financial assets (Note)	838	1,038
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note)	1,180	708
Other (Note)	71,183	81,385
Total	485,007	539,177

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

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Employee benefit expenses	151	204
Impairment losses on other than financial assets	619	4
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	181	136
Other	15	2,487
Total	966	2,831

12. Financial Income and Financial Costs

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

Six months ended June 30, 2025 and 2026

(Millions of yen)

Financial Income	2025	**2026**
Dividend income	482	1,004
Interest income	35,500	37,596
Other	781	40
Total	36,763	38,639

Six months ended June 30, 2025 and 2026

(Millions of yen)

Financial Costs	2025	**2026**
Interest expenses (Note 1)	37,913	39,659
Foreign exchange losses (Note 2)	30,761	18,952
Employee benefit expenses (Note 3)	1,878	4,487
Loss on net monetary position	2,237	7,322
Other	6,349	7,159
Total	79,136	77,580

(Note 1) Valuation gain (loss) of interest rate derivatives is included in interest expenses.
(Note 2) Valuation gain (loss) of currency derivatives is included in foreign exchange losses.
(Note 3) The employee benefit expenses are the net amount of interest cost and interest income related to employee benefits.

13. 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, 2025 and 2026

(Millions of yen)

	2025	**2026**
Profit for the period attributable to owners of the parent company	319,905	431,829
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic earnings per share	319,905	431,829
Loss for the period from discontinued operations attributable to ordinary shareholders of the parent company	(15,055)	—
Profit for the period from continuing operations used for calculation of basic earnings per share	334,960	431,829

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

Six months ended June 30, 2025 and 2026

(Thousands of shares)

	2025	**2026**
Weighted-average number of shares during the period	1,775,416	1,775,345

(2) Basis of Calculating Diluted Interim Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

Six months ended June 30, 2025 and 2026

(Millions of yen)

	2025	**2026**
Profit for the period used for calculation of basic earnings per share	319,905	431,829
Adjustment	—	—
Profit for the period used for calculation of diluted earnings per share	319,905	431,829
Loss for the period from discontinued operations attributable to ordinary shareholders of the parent company	(15,055)	—
Profit for the period from continuing operations used for calculation of diluted earnings per share	334,960	431,829

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

Six months ended June 30, 2025 and 2026

(Thousands of shares)

	2025	**2026**
Weighted-average number of ordinary shares during the period	1,775,416	1,775,345
Increased number of ordinary shares under subscription rights to shares	195	148
Weighted-average number of diluted ordinary shares during the period	1,775,611	1,775,493

14. Financial Instruments

(Fair Value of Financial Instruments)

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

(Millions of yen)

	As of December 31, 2025		**As of June 30, 2026**	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings (Note)	120,883	117,812	120,679	117,830
Bonds	1,478,362	1,455,042	1,439,133	1,402,560
Settlement liabilities on litigation in Canada (Note)	156,511	154,897	161,267	166,295

(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 of settlement liabilities on litigation in Canada is calculated based on the present value which is obtained by discounting each amount of expected annual payment by the discount rate at the end of the period.

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, 2025

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	13,758	-	13,758
Equity securities	20,742	-	14,446	35,188
Notes and accounts receivable	-	24,680	-	24,680
Other	-	-	13,695	13,695
Total	20,742	38,438	28,141	87,321
Derivative liabilities	-	35,792	-	35,792
Total	-	35,792	-	35,792

As of June 30, 2026

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	21,838	-	21,838
Equity securities	20,340	-	16,434	36,774
Notes and accounts receivable	-	30,701	-	30,701
Other	-	-	13,857	13,857
Total	20,340	52,539	30,291	103,170
Derivative liabilities	-	38,342	-	38,342
Total	-	38,342	-	38,342

15. Commitments

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

(Millions of yen)

	As of December 31, 2025	**As of June 30, 2026**
Acquisition of property, plant and equipment	41,778	71,132

16. Discontinued Operations

The Group classifies continuing operations and discontinued operations based on operating segments. As a result, for a business not managed as an independent operating segment, it will not be classified as discontinued operations when sold or discontinued and its operating income (loss) and cash flows will be included in the operating income (loss) and cash flows of continuing operations.

The shares of Torii Pharmaceutical Co., Ltd. (Torii Pharmaceutical), a pharmaceutical subsidiary of the Group, held by the Company were transferred to Torii Pharmaceutical on September 1, 2025, and an absorption-type split contract regarding the transfer of the Company's pharmaceutical business to Shionogi & Co., Ltd. was concluded on September 25, 2025. Accordingly, the "Pharmaceutical Business" has been classified as discontinued operations in the prior fiscal year and presented separately from continuing operations.

Impairment losses of ¥24,346 million are included in loss for the period from discontinued operations in the condensed interim consolidated statement of income for the six months ended June 30, 2025.

17. Contingencies

As of June 30, 2026, there are no significant changes to the matters described in the consolidated financial statements for the year ended December 31, 2025.

18. Subsequent Events

No items to report

2. Others

(Dividends)

The Board of Directors, at a meeting held on July 30, 2026, declared the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥241,536 million

(b) Amount per share ¥136.00

(c) Effective date of requests for payment, and commencement date of payments September 1, 2026

(Note) Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of June 30, 2026. In addition, the total amount of interim dividends above includes ¥76 million in dividends on the Company's ordinary shares held by the board benefit trust.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

July 30, 2026

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 Io

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 subsidiaries (the "Group") included in the Accounting Section, namely, the condensed interim consolidated statement of financial position as of June 30, 2026, 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, 2026, 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.