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May 8, 2026

Consolidated Financial Results for the Three Months Ended March 31, 2026 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: <https://www.jt.com/>
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Chief Executive Officer
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Scheduled starting date of the dividend payments: –
Drawing up supplementary documents on financial results: Yes
Holding investors' meeting: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Three Months of the Fiscal Year Ending December 31, 2026 (from January 1, 2026 to March 31, 2026)

(1) Consolidated Operating Results (Cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2026	923,963	15.2	304,554	24.7	287,660	29.9	197,243	24.7
March 31, 2025	801,872	–	244,318	–	221,451	–	158,226	0.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
March 31, 2026	197,041	25.1	232,875	22.9	110.99	110.97
March 31, 2025	157,480	0.1	189,516	(44.1)	88.69	88.68

The Group classified the Pharmaceutical Business as discontinued operations starting in the fiscal year ended December 31, 2025. As a result, profits or losses from discontinued operations are presented separately from continuing operations in the Condensed Interim Consolidated Statement of Income. Therefore, revenue, operating profit, and profit before income taxes for the three months ended March 31, 2025 in the table represent the amounts for continuing operations, and percentages indicating year-on-year changes are not provided.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2026	8,351,210	4,114,889	4,085,402	48.9	2,301.32
December 31, 2025	8,419,240	4,115,389	4,086,933	48.5	2,301.99

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Year ended December 31, 2025	Yen —	Yen 104.00	Yen —	Yen 130.00	Yen 234.00
Year ending December 31, 2026	—				
Year ending December 31, 2026 (Forecast)		121.00	—	121.00	242.00

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

The dividends for the fiscal year ending December 31, 2026 are calculated using a payout ratio of 75.2%, based on profit for the year (¥571.0 billion) after adjustments for the impact of the settlement payments and other related effects arising from the settlement of litigation concerning smoking and health against tobacco companies, including the Company's Canadian subsidiary JTI-Macdonald, as a defendant.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending December 31, 2026 (January 1, 2026 to December 31, 2026)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Year ending December 31, 2026	3,697,000	6.6	921,000	6.2	570,000	11.7	Yen 321.06

Note: Revisions to the consolidated earnings forecasts most recently announced: None

The Group transferred its Pharmaceutical Business to Shionogi & Co., Ltd. and the sale of shares in Torii Pharmaceutical Co., Ltd. held by the Company in the fiscal year ended December 31, 2026. As a result, only profit and loss from continuing operations will be recorded for the fiscal year ending December 31, 2026. However, for forecasted profit attributable to owners of the parent company, the percentage in the table indicating year-on-year change is a comparison against the profit attributable to owners of the parent company including discontinued operations for the fiscal year ended December 31, 2025, and includes profit and loss related to the transfer of the Pharmaceutical Business and the sale of shares in Torii Pharmaceutical Co., Ltd. The year-on-year change percentage when comparing the profit attributable to owners of the parent company from continuing operations for the fiscal year ended December 31, 2025, with the forecasted profit attributable to owners of the parent company for the fiscal year ending December 31, 2026, is as follows:

- Profit attributable to owners of the parent company from continuing operations for the fiscal year ended December 31, 2025: ¥499,081 million
- Year-on-year change percentage: 14.2%

[Additional Information] Growth rate in adjusted operating profit at constant FX:

The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. The Group expects an annual average of high-single digit growth during the period of the “Business Plan 2026” (fiscal year ending December 31, 2026 to fiscal year ending December 31, 2028), which was announced on February 12, 2026.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant FX	
	Millions of yen	%
Three months ended March 31, 2026 (Cumulative)	309,622	20.5
Year ending December 31, 2026 (Forecast)	964,000	8.9

Note: Revisions to the consolidated earnings forecasts most recently announced: None

Starting from the first quarter of the current fiscal year, the definition of adjusted operating profit has been revised as operating profit (loss) less the amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs), with the additional deduction profits corresponding to each annual payment related to settlement of the litigation concerning smoking and health against tobacco companies, including the Company’s Canadian subsidiary JTI-Macdonald, as a defendant. The same adjustments have been applied to the previous fiscal year, and percentages indicating year-on-year or quarter-on-quarter changes in the tables are calculated based on the adjusted figures.

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. For details of these financial measures, please refer to “Proper use of earnings forecasts, and other special matters, (2).”

For detailed information on the consolidated financial results, please refer to the materials for investors’ meeting that were released on the Company’s website on May 8, 2026.

- The Company’s website: <https://www.jt.com/investors/>

Notes

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Changes in accounting policies and changes in accounting estimates
- a. Changes in accounting policies due to revisions in accounting standards under IFRS Accounting Standards: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
- For details, please refer to “3. Condensed Interim Consolidated Financial Statements, (5) Changes in Accounting Policies and Changes in Accounting Estimates.”

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

As of March 31, 2026	2,000,000,000 shares
As of December 31, 2025	2,000,000,000 shares
 - b. Number of treasury shares at the end of the period

As of March 31, 2026	224,758,335 shares
As of December 31, 2025	224,611,666 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2026	1,775,364,172 shares
Three months ended March 31, 2025	1,775,575,132 shares

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 treasury shares held by the trust is included in the number of treasury shares held at the end of the fiscal years listed above.

* Review of the Japanese-language originals of the attached interim consolidated financial statements by certified public accountants or an audit corporation: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

- (1) The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to “FORWARD-LOOKING STATEMENTS” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
- (2) The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group’s target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group’s performance.

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) excluding amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs), and profits corresponding to each annual payment related to the settlement of litigation concerning smoking and health against tobacco companies, including the Company’s Canadian subsidiary JTI-Macdonald, as a defendant (hereinafter called “Canada adjustment (Annual contribution)”). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant FX, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal. Adjusted operating profit at constant FX is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous year from core revenue from tobacco business or from adjusted operating profit for the current period in the Tobacco Business. Adjusted operating profit results at constant FX for the three months ended March 31, 2026 excludes the increase in profit caused by inflation in some markets calculated using certain methods.

The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 “Financial Reporting in Hyperinflationary Economies.”

Attached Materials

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[INDEPENDENT ACCOUNTANT'S REVIEW REPORT]

1. Overview of Business Results

The results are presented in “2026 First Quarter Results (CFO Presentation),” which was disclosed on TDnet and the Company’s website on May 8, 2026. Please refer to the following.

- 2026 First Quarter Results (CFO Presentation):

https://www.jt.com/investors/results/forecast/pdf/2026/First_Quarter/20260508_05.pdf

The details of financial position and cash flow position are as follows.

a. Financial position

[Assets]

Total assets at the end of the three months ended March 31, 2026 decreased by ¥68.0 billion from the end of the previous fiscal year to ¥8,351.2 billion. This was mainly due to a decrease in cash and cash equivalents.

[Liabilities]

Total liabilities at the end of the three months ended March 31, 2026 decreased by ¥67.5 billion from the end of the previous fiscal year to ¥4,236.3 billion. This was mainly due to a decrease in tobacco excise tax payables, despite an increase in interest-bearing debt.

[Equity]

Total equity at the end of the three months ended March 31, 2026 decreased by ¥0.5 billion from the end of the previous fiscal year to ¥4,114.9 billion. This was mainly because of a decrease in retained earnings due to the payment of dividends, despite an increase in exchange differences on translation of foreign operations.

b. Cash flow position

Cash and cash equivalents at the end of the three months ended March 31, 2026 decreased by ¥136.5 billion from the end of the previous fiscal year to ¥694.6 billion. Cash and cash equivalents at the end of the same period of the previous fiscal year were ¥809.4 billion.

[Net cash flows from operating activities]

Net cash flows provided by operating activities during the three months ended March 31, 2026 were ¥39.6 billion, compared with ¥6.6 billion used 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 tobacco excise tax.

[Net cash flows from investing activities]

Net cash flows used in investing activities during the three months ended March 31, 2026 were ¥12.5 billion, compared with ¥81.1 billion used in the same period of the previous year. This was mainly due to purchase of property, plant and equipment.

[Net cash flows from financing activities]

Net cash flows used in financing activities during the three months ended March 31, 2026 were ¥159.8 billion, compared with ¥180.1 billion used in the same period of the previous year. This was mainly due to the redemption of bonds and the payment of cash dividends, despite the issuance of commercial paper and an increase in short-term borrowings.

2. Matters Regarding Summary Information

Revisions to the Consolidated Earnings Forecasts Most Recently Announced

No items to report

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

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

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

Notes on the Russia-Ukraine War

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

Notes on the Situation in the Middle East

The Group has business locations and customers in the Middle East; however, we recognize that direct impacts on the Group’s business and operating activities are limited at present. A deterioration in the Middle East situation could develop into a risk for the overall global economy, including factors such as inflation and cost increases driven by high crude oil prices, and the disruption of global supply chains. We will continue to gather and analyze information regarding these issues and monitor them carefully.

As this moment, the Company is unable to reasonably estimate the outlook and the impact on its financial results. The Company will promptly make announcements regarding this matter if anything occurs that should be disclosed.

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and cash equivalents	831,135	694,622
Trade and other receivables	640,681	706,827
Inventories	1,060,136	1,089,424
Other financial assets	195,816	187,695
Other current assets	977,640	898,775
Subtotal	3,705,408	3,577,343
Assets held for sale	5,689	10,030
Total current assets	3,711,097	3,587,373
Non-current assets		
Property, plant and equipment	979,800	981,948
Goodwill	2,923,096	2,954,536
Intangible assets	395,658	393,430
Investment property	3,068	3,036
Retirement benefit assets	29,946	30,739
Investments accounted for using the equity method	82,205	83,051
Other financial assets	131,600	147,373
Other non-current assets	4,240	4,262
Deferred tax assets	158,528	165,462
Total non-current assets	4,708,143	4,763,837
Total assets	8,419,240	8,351,210

		(Millions of yen)
	As of December 31, 2025	As of March 31, 2026
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	711,721	671,320
Bonds and borrowings	79,627	224,176
Income tax payables	36,546	63,875
Other financial liabilities	62,068	63,579
Provisions	32,783	22,731
Other current liabilities	1,004,331	858,783
Subtotal	1,927,076	1,904,465
Liabilities directly associated with assets held for sale	177	2,198
Total current liabilities	1,927,252	1,906,663
Non-current liabilities		
Bonds and borrowings	1,599,061	1,553,454
Other financial liabilities	205,628	209,564
Retirement benefit liabilities	253,225	246,972
Provisions	54,355	57,174
Other non-current liabilities	134,724	119,257
Deferred tax liabilities	129,606	143,238
Total non-current liabilities	2,376,599	2,329,658
Total liabilities	4,303,851	4,236,321
Equity		
Share capital	100,000	100,000
Capital surplus	737,064	737,064
Treasury shares	(489,744)	(490,584)
Other components of equity	526,058	560,042
Retained earnings	3,213,555	3,178,880
Equity attributable to owners of the parent company	4,086,933	4,085,402
Non-controlling interests	28,456	29,487
Total equity	4,115,389	4,114,889
Total liabilities and equity	8,419,240	8,351,210

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

Condensed Interim Consolidated Statement of Income

Three months ended March 31, 2025 and 2026

		(Millions of yen)
	2025	2026
Continuing operations		
Revenue	801,872	923,963
Cost of sales	(339,477)	(379,003)
Gross profit	462,395	544,959
Other operating income	3,926	4,394
Share of profit in investments accounted for using the equity method	2,335	2,183
Selling, general and administrative expenses	(224,338)	(246,983)
Operating profit	244,318	304,554
Financial income	17,308	17,348
Financial costs	(40,175)	(34,241)
Profit before income taxes	221,451	287,660
Income taxes	(66,518)	(90,417)
Profit for the period from continuing operations	154,933	197,243
Discontinued operations		
Profit for the period from discontinued operations	3,293	-
Profit for the period	158,226	197,243
Attributable to:		
Owners of the parent company	157,480	197,041
Non-controlling interests	746	202
Profit for the period	158,226	197,243
Interim earnings per share		
Basic (Yen)		
Continuing operations	87.19	110.99
Discontinued operations	1.50	-
Total basic earnings per share for the interim period	88.69	110.99
Diluted (Yen)		
Continuing operations	87.18	110.97
Discontinued operations	1.50	-
Total diluted earnings per share for the interim period	88.68	110.97

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

(Millions of yen)

	2025	2026
Continuing operations		
Operating profit	244,318	304,554
Amortization cost of acquired intangibles arising from business acquisitions	17,488	12,094
Canada adjustment (Annual contribution)	(5,261)	(3,994)
Adjustment items (income)	(442)	(11)
Adjustment items (costs)	792	2,877
Adjusted operating profit	256,896	315,520

Condensed Interim Consolidated Statement of Comprehensive Income

Three months ended March 31, 2025 and 2026

(Millions of yen)

	2025	2026
Profit for the period	158,226	197,243
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(1,259)	358
Remeasurements of defined benefit plans	180	-
Total of items that will not be reclassified to profit or loss	(1,079)	358
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	35,339	29,259
Net gain (loss) on derivatives designated as cash flow hedges	(2,970)	6,297
Hedge costs	-	(283)
Total of items that may be reclassified subsequently to profit or loss	32,369	35,273
Other comprehensive income (loss), net of taxes	31,290	35,631
Comprehensive income (loss) for the period	189,516	232,875
Attributable to:		
Owners of the parent company	189,150	232,767
Non-controlling interests	366	107
Comprehensive income (loss) for the period	189,516	232,875

(3) Condensed Interim Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share Capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Hedge costs
As of January 1, 2025	100,000	736,697	(488,579)	364	364,809	4,026	12
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	35,683	(2,970)	-
Comprehensive income (loss) for the period	-	-	-	-	35,683	(2,970)	-
Acquisition of treasury shares	-	-	(620)	-	-	-	-
Disposal of treasury shares	-	(11)	80	(69)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
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)	-	-	-	-	-	750	-
Total transactions with the owners	-	(11)	(539)	(69)	-	750	-
As of March 31, 2025	<u>100,000</u>	<u>736,686</u>	<u>(489,119)</u>	<u>295</u>	<u>400,491</u>	<u>1,807</u>	<u>12</u>
As of January 1, 2026	100,000	737,064	(489,744)	291	514,095	715	17
Profit for the period	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	29,353	6,297	(283)
Comprehensive income (loss) for the period	-	-	-	-	29,353	6,297	(283)
Acquisition of treasury shares	-	-	(842)	-	-	-	-
Disposal of treasury shares	-	(0)	2	(1)	-	-	-
Share-based payments	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-
Other increase (decrease)	-	-	-	-	-	(1,788)	-
Total transactions with the owners	-	(0)	(840)	(1)	-	(1,788)	-
As of March 31, 2026	<u>100,000</u>	<u>737,064</u>	<u>(490,584)</u>	<u>289</u>	<u>543,448</u>	<u>5,224</u>	<u>(266)</u>

(Millions of yen)

Equity attributable to owners of the parent company							
	Other components of equity			Retained earnings	Total	Non-controlling interests	Total equity
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total				
As of January 1, 2025	12,388	-	381,599	3,036,905	3,766,623	82,104	3,848,727
Profit for the period	-	-	-	157,480	157,480	746	158,226
Other comprehensive income (loss)	(1,234)	191	31,670	-	31,670	(380)	31,290
Comprehensive income (loss) for the period	(1,234)	191	31,670	157,480	189,150	366	189,516
Acquisition of treasury shares	-	-	-	-	(620)	-	(620)
Disposal of treasury shares	-	-	(69)	-	0	-	0
Share-based payments	-	-	-	77	77	-	77
Dividends	-	-	-	(172,232)	(172,232)	(822)	(173,055)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(0)	(0)	(0)	(0)
Transfer from other components of equity to retained earnings	(4)	(191)	(195)	195	-	-	-
Other increase (decrease)	-	-	750	(0)	750	-	750
Total transactions with the owners	(4)	(191)	486	(171,960)	(172,025)	(823)	(172,848)
As of March 31, 2025	11,150	-	413,755	3,022,424	3,783,748	81,647	3,865,395
As of January 1, 2026	10,940	-	526,058	3,213,555	4,086,933	28,456	4,115,389
Profit for the period	-	-	-	197,041	197,041	202	197,243
Other comprehensive income (loss)	358	-	35,726	-	35,726	(95)	35,631
Comprehensive income (loss) for the period	358	-	35,726	197,041	232,767	107	232,875
Acquisition of treasury shares	-	-	-	-	(842)	-	(842)
Disposal of treasury shares	-	-	(1)	-	0	-	0
Share-based payments	-	-	-	119	119	-	119
Dividends	-	-	-	(230,800)	(230,800)	(64)	(230,864)
Changes in the ownership interest in a subsidiary without a loss of control	-	-	-	(987)	(987)	987	-
Transfer from other components of equity to retained earnings	48	-	48	(48)	-	-	-
Other increase (decrease)	-	-	(1,788)	-	(1,788)	-	(1,788)
Total transactions with the owners	48	-	(1,741)	(231,717)	(234,298)	924	(233,375)
As of March 31, 2026	11,347	-	560,042	3,178,880	4,085,402	29,487	4,114,889

(4) Condensed Interim Consolidated Statement of Cash Flows

Three months ended March 31, 2025 and 2026

		(Millions of yen)
	2025	2026
Cash flows from operating activities		
Profit before income taxes	221,451	287,660
Profit before income taxes from discontinued operations	4,618	-
Depreciation and amortization	48,858	44,445
Impairment losses	764	52
Interest and dividend income	(16,729)	(17,304)
Interest expense	19,818	19,963
Share of profit in investments accounted for using the equity method	(2,335)	(2,183)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(155)	173
(Increase) decrease in trade and other receivables	(3,244)	(68,186)
(Increase) decrease in inventories	(18,615)	(11,729)
Increase (decrease) in trade and other payables	(61,512)	(43,962)
Increase (decrease) in retirement benefit liabilities	(8,712)	(6,079)
(Increase) decrease in prepaid tobacco excise taxes	26,965	27,256
Increase (decrease) in tobacco excise tax payables	(144,895)	(101,433)
Increase (decrease) in consumption tax payables	(5,401)	5,424
Other	(55,746)	(42,091)
Subtotal	5,131	92,007
Interest and dividends received	44,369	22,110
Interest paid	(8,091)	(13,119)
Income taxes paid	(47,982)	(61,401)
Net cash flows from operating activities	(6,572)	39,597
Cash flows from investing activities		
Purchase of securities	(5,149)	(550)
Proceeds from sale and redemption of securities	40,809	75
Purchase of property, plant and equipment	(27,566)	(24,039)
Purchase of intangible assets	(3,180)	(3,070)
Payments into time deposits	(66,186)	(130,683)
Proceeds from withdrawal of time deposits	47,211	147,286
Subsequent payments for past fiscal years' business combinations	(68,271)	-
Other	1,241	(1,514)
Net cash flows from investing activities	(81,091)	(12,493)

		(Millions of yen)
	2025	2026
Cash flows from financing activities		
Dividends paid to owners of the parent company	(167,293)	(225,877)
Dividends paid to non-controlling interests	(1,266)	(406)
Increase (decrease) in short-term borrowings and commercial paper	(2,776)	141,912
Proceeds from long-term borrowings	99,437	-
Repayments of long-term borrowings	(101,223)	(107)
Redemption of bonds	-	(67,532)
Repayments of lease liabilities	(6,378)	(6,962)
Acquisition of treasury shares	(620)	(842)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(0)	-
Other	0	0
Net cash flows from financing activities	(180,119)	(159,815)
Net increase (decrease) in cash and cash equivalents	(267,782)	(132,711)
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	(7,421)	(1,096)
Changes in cash and cash equivalents resulting from transfer to assets held for sale	-	(2,706)
Cash and cash equivalents at the end of the period	809,364	694,622

(5) Changes in Accounting Policies and Changes in Accounting Estimates

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

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

(6) 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 three months ended March 31, 2025 have been accordingly changed.

(7) Segment Information

A. Outline of Reportable Segments

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

The Group is mainly engaged in the manufacture and sale of tobacco products 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.

B. Revenues and Performances of Reportable Segments

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

Three months ended March 31, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	764,807	36,468	801,275	597	-	801,872
Intersegment revenue	0	7	8	560	(567)	-
Total revenue	<u>764,807</u>	<u>36,476</u>	<u>801,283</u>	<u>1,156</u>	<u>(567)</u>	<u>801,872</u>
Segment profit (loss)						
Adjusted operating profit (Note 1)	<u>267,987</u>	<u>794</u>	<u>268,781</u>	<u>(11,900)</u>	<u>15</u>	<u>256,896</u>

¥730,188 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)	200,993	176,666	352,529	730,188
Adjusted operating profit (Note 1)	67,878	81,043	119,066	267,987

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.

Three months ended March 31, 2026

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	885,554	37,826	923,380	582	-	923,963
Intersegment revenue	0	9	9	620	(629)	-
Total revenue	<u>885,554</u>	<u>37,835</u>	<u>923,389</u>	<u>1,202</u>	<u>(629)</u>	<u>923,963</u>
Segment profit (loss)						
Adjusted operating profit (Note 1)	<u>325,414</u>	<u>1,739</u>	<u>327,154</u>	<u>(11,637)</u>	<u>3</u>	<u>315,520</u>

¥848,519 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)	<u>227,978</u>	<u>204,676</u>	<u>415,865</u>	<u>848,519</u>
Adjusted operating profit (Note 1)	<u>88,694</u>	<u>96,342</u>	<u>140,378</u>	<u>325,414</u>

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”

Three months ended March 31, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	267,987	794	268,781	(11,900)	15	256,896
Amortization cost of acquired intangibles arising from business acquisitions	(17,488)	-	(17,488)	-	-	(17,488)
Canada adjustment (Annual contribution) (Note 4)	5,261	-	5,261	-	-	5,261
Adjustment items (income) (Note 5)	4	435	438	3	-	442
Adjustment items (costs) (Note 6)	(134)	(7)	(141)	(651)	-	(792)
Operating profit (loss)	255,630	1,221	256,851	(12,548)	15	244,318
Financial income						17,308
Financial costs						(40,175)
Profit before income taxes						221,451

Three months ended March 31, 2026

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	325,414	1,739	327,154	(11,637)	3	315,520
Amortization cost of acquired intangibles arising from business acquisitions	(12,094)	-	(12,094)	-	-	(12,094)
Canada adjustment (Annual contribution) (Note 4)	3,994	-	3,994	-	-	3,994
Adjustment items (income) (Note 5)	11	0	11	-	-	11
Adjustment items (costs) (Note 6)	(751)	(2,094)	(2,845)	(32)	-	(2,877)
Operating profit (loss)	316,574	(354)	316,219	(11,669)	3	304,554
Financial income						17,348
Financial costs						(34,241)
Profit before income taxes						287,660

(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 three months ended March 31, 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 three months ended March 31, 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:

Three months ended March 31, 2025 and 2026

		(Millions of yen)
	2025	2026
Restructuring incomes	3	0
Other	438	11
Adjustment items (income)	442	11

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

Three months ended March 31, 2025 and 2026

		(Millions of yen)
	2025	2026
Restructuring costs	785	2,832
Other	7	45
Adjustment items (costs)	792	2,877

(8) Note on Premise of Going Concern

No items to report

(TRANSLATION)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

May 8, 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 Ito

Designated Engagement Partner,
Certified Public Accountant: Akifumi Horie

Accountant's Conclusion

We have reviewed the condensed interim consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Appendix to Consolidated Financial Results, namely, the condensed interim consolidated statement of financial position as of March 31, 2026, and the condensed interim consolidated statement of income, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the three-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 are not prepared, in all material respects, in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly 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 of the condensed interim consolidated financial statements in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, 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 the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements.

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 prepared, in all material respects, in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, 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 prepared in accordance with the Article 5-2 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements, omitting certain disclosures under the Article 5-5 of the Tokyo Stock Exchange's standard for preparation of quarterly financial statements.
- 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 interim 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 originally issued in Japanese for the conveniences of the reader.