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FOR IMMEDIATE RELEASE

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Notice Regarding Settlement of all Tobacco Claims against the JT Group's Canadian subsidiary, and Provision for Litigation Losses

On March 3, 2025, the JT Group issued a “Notice Regarding the Progress of Litigation against the Company's Canadian Subsidiary,” *1 and, on March 6, 2025, the Ontario Superior Court of Justice provided its decision to approve a comprehensive settlement plan covering all pending tobacco-related claims, including all smoking and health lawsuits in Canada brought against JT Group’s local subsidiary, JTI-Macdonald Corp. (JTI-MC) and its competitors and co-defendants, Imperial Tobacco Canada (ITC) and Rothmans, Benson & Hedges (RBH). As a result, the JT Group has recognized a provision for litigation losses*2 in the fiscal year ended December 31, 2024 as a subsequent event adjustment to the financial results published on February 13, 2025.

1. Background

On March 1, 2019, the Quebec Court of Appeal dismissed an appeal of two class action lawsuits related to smoking and health originally filed in 1998 against three Canadian tobacco companies, including JTI-MC*3, which were based on the tobacco companies’ activities between 1950 and 1998. On March 8, 2019, JTI-MC sought protection under the Companies' Creditors Arrangement Act*4 (CCAA), which was granted*5. As a result, all legal proceedings and enforcement of judgments in Canada to which JTI-MC was a party were stayed, and JTI-MC was able to preserve its assets and continue its business. ITC and RBH also sought and received protection under the CCAA in March 2019.

Subsequently, JTI-MC had been participating with ITC and RBH in a court-ordered mediation process with representatives of multiple claimants, including the Quebec class action plaintiffs and all provincial and territorial governments (the "Claimants"), under a court order of confidentiality, in an attempt to reach a final resolution of all pending litigation.

2. Summary of settlement

In October 2024, the Court-appointed Mediator and the CCAA Monitors publicly proposed plans under which the three companies would pay a total of 32.5 billion Canadian dollars in aggregate (approximately 3.56 trillion yen *6) to settle the litigation.

Following a Court hearing in January 2025 to consider approving the proposed settlement plans, JTI-MC reached an agreement with the other co-defendants on the terms of allocation of payments between them, which had been an important outstanding issue. The resulting proposed amendments were filed with the Ontario Superior Court on February 27, 2025.

The Court has approved and directed JTI-MC to enter into a CCAA Plan of Compromise and Arrangement (the Plan). Similar plans were also approved in relation to ITC and RBH. Under the approved plans the three companies will pay a total of 32.5 billion Canadian dollars in aggregate (approximately 3.56 trillion yen) over the course of the settlement period to the Claimants to settle all pending claims. Settlement payments by JTI-MC would be comprised of its cash on hand on closing of the Plan, complemented by annual payments representing a percentage of JTI-MC's annual net after-tax income ranging from 85%-70% (85% for years 1 to 5, 80% for years 6 to 10, 75% for years 11 to 15, and 70% from year 16 onwards) until the total amount reaches 32.5 billion Canadian dollars in aggregate across the three companies. Consequently, a discounted provision of 375.6 billion yen[*7] has been retrospectively recorded as an operating expense in the fiscal year ended December 31, 2024, as an estimate of the net present value of JTI-MC's total contribution to the settlement over the entire period.

The duration of the settlement will depend on future income generation of the three companies. Based on JT Group's internal estimates, it is expected this will take between 20 and 30 years.

This settlement will bring an end to all smoking and health lawsuits pending against JTI-MC, which all relate to its historic conduct from as long ago as 1950. In addition, any potential claims against JTI-MC and its executives for damages related to manufactured tobacco products based on past or current activity will be barred.

3. Consolidated earnings disclosure

In the fiscal year ended December 2024, the JT Group will retroactively record a provision for litigation losses of 375.6 billion yen (approximately 3.4 billion Canadian dollars) in operating expenses as an adjusting subsequent event after the reporting period. Consequently, the Group has revised its full year 2024 financial disclosure published on February 13, 2025. Please refer to the "(Revision) Partial revisions of "Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 <under IFRS>"" announced today.

As announced on March 3, there is no change to the planned dividend per share for the fiscal year 2024 of 194 yen, announced on February 13, 2025. Also, there are no plans to revise our earnings or dividend forecasts for fiscal 2025 at this moment.

※1 : https://www.jt.com/media/news/2025/pdf/20250303_E01.pdf

※2 : Please note that terms "loss on litigation in Canada" and "provision for loss on litigation in Canada" are used to explain the said provision in other materials such as the "(Revision) Partial revisions of "Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 <under IFRS>"", "(Revision) Partial revisions of "2024 Full Year Results & 2025 Forecasts (All Presentation)"" announced today and the securities report scheduled to be announced on March 26, 2025.

※3 : https://www.jt.com/media/news/2019/pdf/20190302_E1.pdf

※4 : The Companies' Creditors Arrangement Act (CCAA) is a Canadian federal law, which large companies incorporated or conducting business in Canada can apply for if they face an insolvency situation. The CCAA's intent is to enable such companies to continue their operations while they seek to develop and obtain the approval of compromises or arrangements with their creditors.

※5 : https://www.jt.com/media/news/2019/pdf/20190309_E01.pdf

※6 : The exchange rate in this release, except where stated otherwise is: CAD 1 = JPY 109.54 (TTM rate as the end of December,2024)

※7 : The discounted provision is an estimation of the net present value of JTI-MC's total contribution to the settlement over the entire period, using a discount rate of 6.09%.

※ : For details of the lawsuit in Canada, please refer to "39th Annual Securities Report, Part 5: Accounting, 1.Consolidated Financial Statements (1) Consolidated Financial Statements, 38. Contingencies (P.208-P.211)"
https://www.jti.co.jp/investors/others/12g3_2/pdf/20240322_E01.pdf

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Japan Tobacco Inc. (JT) is a global company headquartered in Tokyo, Japan. It is listed on the primary section of the Tokyo Stock Exchange (ticker: 2914.T). JT Group has approximately 53,000 employees and 62 factories worldwide, operating in three business segments: tobacco, pharmaceutical, and processed food. Within the tobacco business, the largest segment, products are sold in over 130 markets and its flagship brands include Winston, Camel, MEVIUS, and LD. The Group is committed to investing in Reduced-Risk Products and markets its heated tobacco products under its Ploom brand.
Consumers, shareholders, employees, and society are the four stakeholder groups (4S) at the heart of all of JT Group's activities. Inspired by its "Fulfilling Moment, Enriching Life" purpose, the Group aims to ensure sustainable and valuable contributions to its stakeholders over the long term. In addition to our three business segments, this goal is also supported by D-LAB, the JT Group's corporate R&D initiative, set up to search and create added-value business opportunities. For more information, visit https://www.jt.com/.

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