



FOR IMMEDIATE RELEASE

Tokyo, March 3, 2025

Notice regarding the progress of litigation against JT Group's Canadian subsidiary

On February 27, JTI-Macdonald Corp. (JTI-MC) and its competitors and co-defendants, Imperial Tobacco Canada (ITC) and Rothmans, Benson & Hedges (RBH) filed materials with the Ontario Superior Court of Justice in joint support of plans to reach a settlement of all pending tobacco-related claims in Canada, subject to proposed amendments being approved by the Court.

1. Background

On March 1, 2019, the Quebec Court of Appeal dismissed an appeal of two class action lawsuits related to smoking and health against three Canadian tobacco companies, including JTI-MC^{*1}. On March 8, 2019, JTI-MC applied to the Ontario Superior Court for protection under the Companies' Creditors Arrangement Act^{*2} (CCAA), which was approved^{*3}. 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. JTI-MC's competitors and co-defendants, ITC and RBH also sought and received protection under the CCAA in March 2019.

Subsequently, JTI-MC has 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, in an attempt to reach a final resolution of all pending litigation.

2. Summary of Developments

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^{*4}) 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^{*5}. The resulting proposed amendments were filed with the Ontario Superior Court on February 27.

As a result, the Company intends to record a provision for litigation losses related to the payment of the settlement amount as an operating expense in fiscal year 2024, for an adjusting subsequent event. The amount of the provision related to the Canadian settlement is estimated to be under 400 billion yen. We will provide updated financials as soon as the final amount of the provision is determined.

The proposed settlement remains subject to Court approval. Irrespective of the final provision, there is no change to the planned dividend per share for the fiscal year 2024 of 194 yen, announced on February 13, 2025.

<Reference>

- *1 : https://www.jt.com/media/news/2019/pdf/20190302_E1.pdf
- *2 : 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.
- *3 : https://www.jt.com/media/news/2019/pdf/20190309_E01.pdf
- *4 : The exchange rate in this release is as follows:
CAD 1 = JPY 109.54 (TTM rate as of the end of December, 2024)
- *5 : Settlement payments by JTI-MC would be comprised of its cash on hand on closing of the Plan, then annual payments of the majority 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.
- * : For details of the lawsuits in Canada, please refer to "39th Annual Securities Report, Part 5: Accounting Status, 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, 38. Contingencies (P.208-P.211)". https://www.jti.co.jp/investors/others/12q3_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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