

## Litigation

Some of JT's subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco or exposure to tobacco smoke. In addition, JT and/or some of its subsidiaries are also defendants in cases other than the smoking and health-related cases.

In the past, numerous large-scale smoking and health-related cases have been brought against tobacco product manufacturers in the U.S. While the number of such lawsuits has declined in recent years, we recognize that the litigation risk remains in the U.S. due to the availability of juries which are sometimes sympathetic to plaintiffs, punitive damages and contingency fees. Companies within the Vector Group Ltd., which were acquired in 2024, are defendants in multiple smoking and health-related cases in the U.S.

Please see the "Contingent Liabilities" note in our Consolidated Financial Statements' "Contingencies" for major lawsuits to which some of JT's subsidiaries are named as defendants.

The JT Group is unable to predict the outcome of currently pending or future lawsuits. A decision unfavorable to companies within the JT Group and payment of a substantial amount of monetary compensation could materially affect the JT Group's financial performance. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, strengthen public regulations and prompt the filing of similar lawsuits against companies within the JT Group, forcing it to bear litigation costs and materially affecting its business performance. Apart from smoking and health-related cases, the

JT Group also may become the defendant in further litigation. Should any problems arise as to the quality of the Group's products, this may lead to claims. Such litigation cases could negatively affect the Group's business performance or the manufacture, sale and import and export of its products, should the outcome of any such claims prove unfavorable.

### Canadian litigation

JT's local subsidiary, JTI-Macdonald Corp. (hereinafter referred to as "JTI-Mac"), has agreed to pay settlement amounts in connection with a comprehensive settlement of lawsuits related to smoking and health against JTI-Mac and JT's indemnitees. Payments commenced in 2025. JTI-Mac was a party to 10 health care cost recovery cases brought by the Canadian provinces and 8 class actions where plaintiffs were seeking damages for harm allegedly caused by smoking of cigarettes. Following a decision of the Quebec Court of Appeal related to two class actions, JTI-Mac and its competitors and co-defendants, Rothmans, Benson & Hedges Inc. and Imperial Tobacco Canada Limited (hereinafter collectively with JTI-Mac referred to as the "Tobacco Companies"), had been operating under the protection of the Companies' Creditors Arrangement Act ("CCAA") and participating in a Court-ordered mediation process with representatives of all claimant groups, including the Quebec class action plaintiffs.

Ultimately, CCAA Plans of Compromise and Arrangement (hereinafter referred to as the "Plans"), under which the Tobacco Companies would pay a total of CAD 32.5 billion (approximately 3.56 trillion yen) in aggregate to settle the litigation were approved by the Ontario Superior

Court on March 6, 2025, and implemented on August 29, 2025. Under the terms of its Plan, JTI-Mac made its upfront contribution of CAD 1.7 billion (approximately 180 billion yen).

For the future annual payments under JTI-Mac's Plan, a certain percentage of JTI-Mac's annual net income after tax (85% for years 1-5, 80% for years 6-10, 75% for years 11-15, and 70% from year 16 onwards) will be paid. These annual payments will continue until the total settlement amount (CAD 32.5 billion) is paid in aggregate by the Tobacco Companies, which JT expects will take 30-40 years based on JT's estimates of each company's future earnings under certain assumptions. All of the 18 cases in Canada have been forever discharged, released, enjoined and barred as a result of the Plans. Procedural steps for these claims to be formally dismissed with prejudice from each relevant court are currently progressing.