



FOR IMMEDIATE RELEASE

Tokyo, May 7, 2025

**Notice regarding the transfer of JT Group's Pharmaceutical Business
through a company simplified absorption-type split**

Japan Tobacco Inc. (JT) (TSE:2914) announced it has entered into an agreement ("Agreement") with Shionogi & Co., Ltd. ("Shionogi") to transfer its Pharmaceutical Business ("Business") through a simplified absorption-type split ("Absorption-type Split"). In the Agreement, the Absorption-type Split is subject to (i) the completion of a tender offer ("Tender Offer") conducted by Shionogi for the common stock of TORII PHARMACEUTICAL CO., LTD. ("Torii"), a consolidated subsidiary of JT, resulting in the consolidation of shares ("Torii Shares") as per JT's press release "Notice of Change in Consolidated Subsidiary (Transfer of Subsidiary Shares)" disclosed today, and (ii) obtaining the clearances and permits required under Japanese domestic and foreign competition laws and other applicable regulations.

1-1. Decision to transfer the Business

JT entered the Business in 1987 and since then has pursued consistent research and development aimed at creating first-in-class small molecule drugs, while maintaining stable investments in R&D. In 1998, JT acquired a majority stake in Torii, consolidating it as a group company. Over the years, together with Torii, JT built an integrated value chain for the Business, in which JT conducts R&D while Torii handles manufacturing, sales and promotion activities. By maximizing synergies, the Business has been providing trusted prescription drugs to numerous patients globally, and complementing JT Group's sustainable profit growth over the mid- to long-term.

Unfortunately, in recent years, the environment surrounding the Business has been changing. In particular, the hurdle for discovering revolutionary original drugs to meet Unmet Medical Needs i.e., the medical needs for diseases that currently lack treatment, has become higher. Additionally, international competition has intensified, driven by significant investments from large global pharmaceutical companies. Furthermore, joint R&D activities of the Business with external partners have been gradually limited due to constraints related to the presence of tobacco products at JT.

JT firmly believes that the drug discovery capabilities and expertise that JT has cultivated in the Business remain a significant opportunity to provide valuable benefits to patients and society in the future. However, under the current structure and considering the highlighted environmental changes, it appears JT is not best placed to continue growing the Business mid- to long-term. As a result, to ensure capabilities and benefits for patients continue to be developed, JT has determined that the best option for the Business employees, patients, healthcare professionals and society is to transfer the Business to a dedicated pharmaceutical company that values both the Business and Torii, with a focus on new drug discovery.

1-2. Details on the selection of Shionogi and the Absorption-type Split

In light of this decision, JT has agreed to transfer the Business and Torii Shares to Shionogi. Through the Absorption-type Split and the transfer of Torii Shares to Shionogi, the high drug

discovery capabilities that JT Group has cultivated over the years will be preserved, and patients will continue to access trusted prescription drugs. As JT disclosed today in its press release "Notice of Change in Consolidated Subsidiary (Transfer of Subsidiary Shares)", JT has also entered into an agreement with Shionogi regarding a series of transactions related to the Tender Offer for Torii Shares.

JT believes that Shionogi is well-suited to take over the Business and optimize its drug discovery and people capabilities. Shionogi is a global pharmaceutical company, founded in 1878, that provides prescription drugs and has common strengths with the Business, such as the creation of original drugs based on small molecules, a unique pipeline of compounds, and a focus on diseases with high Unmet Medical Needs. In addition, Shionogi is committed to its long-standing R&D investment policy, and the portfolios of both entities are mutually complementary with little overlap between the compound pipelines.

Importantly, the Agreement secures that all the employees of the Business, who will be transferred following the Absorption-type Split, will be maintained under working conditions that are substantially equivalent to their current working conditions.

Following the completion of the transfer, the JT business portfolio will consist of two segments in the future: the tobacco business and the processed food business, roles of which will not be impacted by this transfer. JT will continue to position its tobacco business as the core driver, and its processed food business as a complementary driver of JT's profit growth. JT will strive to achieve the JT Group Purpose and deliver sustainable profit growth over the mid-to long-term.

JT would like to express its sincere gratitude to the patients and medical professionals supporting our group's prescription drugs since the start of the Business. Until the effective date of the Absorption-type Split, the Business will continue to supply its drugs responsibly as usual, and thereafter, the supply is expected to continue as before under Shionogi, who will take over the Business.

2. Summary of the Absorption-type Split

(1) Schedule of the Absorption-type Split

Date of resolution of the Board of Directors regarding the execution of the Agreement	May 7, 2025
Date of execution of the Agreement	May 7, 2025
Planned date of resolution of the Board of Directors regarding the conclusion of the absorption-type split contract	September, 2025
Planned date of execution of conclusion of absorption-type split contract	September, 2025
Planned effective date of the Absorption-type Split	December, 2025

(Note 1) The Absorption-type Split falls under a simplified absorption-type split prescribed in Article 784, Paragraph 2 of the Companies Act for JT, and in Article 796, Paragraph 2 of the Companies Act for Shionogi. Therefore, neither company plans to hold a general meeting of shareholders to approve the conclusion of the Absorption-type Split.

(2) Method of the Absorption-type Split

This is an Absorption-type Split in which JT will be the splitting company and Shionogi will be the successor company.

(3) Details of the allocation relating to the Absorption-type Split

Upon the Absorption-type Split, JT will receive JPY 5,397 million (plus an amount to be adjusted

as provided in the Absorption-type Split contract) as consideration for the rights and obligations to be taken over by Shionogi.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights due to the Absorption-type Split

There will be no change in the treatment of stock acquisition rights that have already been issued by JT due to the Absorption-type Split. JT has not issued any bonds with stock acquisition rights.

(5) Increase or decrease in capital due to the Absorption-type Split

There will be no increase or decrease in the capital of JT and Shionogi due to the Absorption-type Split.

(6) Rights and obligations to be succeeded to by the successor company

JT will transfer to Shionogi all assets, liabilities, contracts and other rights and obligations in relation to the Business upon the Absorption-type Split, except as otherwise specified in the Absorption-type Split contract.

With regard to Akros Pharma Inc. ("Akros"), a consolidated subsidiary of JT which operates a business related to the Business, all shares of Akros held by JT AMERICA INC., a consolidated subsidiary of JT, are planned to be transferred to Shionogi's U.S. subsidiary at the transfer price of USD 24 million (approximately JPY 3.6 billion*) via JT AMERICA INC. separately from the Absorption-type Split.

* The exchange rate is as follows: USD 1 = JPY 151.55 (Average rate for the last 6 months)

(7) Prospect of fulfillment of obligations

JT believes that there will be no concerns in the prospects for Shionogi to fulfill its obligations after the effective date of the Absorption-type Split.

3. Basis for the content of the allocation for the Absorption-type Split

(1) Basis and reason for the allocation

The amount of consideration to be received by JT in the Absorption-type Split was calculated based on the market value of the assets and liabilities to be inherited, as well as the business value of the past and future performance trends and the future growth potential. It was determined in consultation with Shionogi.

(2) Matters related to the calculation

JT has not obtained a calculation report from an appraiser for the Absorption-type Split.

(3) Prospects and reasons for delisting

Not applicable.

(4) Measures to ensure fairness

Not applicable.

JT has appointed Mori Hamada & Matsumoto as its legal advisor for the Absorption-type Split and has received legal advice regarding the procedures, decision-making methods and decision-making processes, etc., related to the Absorption-type Split. Mori Hamada & Matsumoto is not a related party of JT or Shionogi and has no significant interests to disclose regarding the Absorption-type Split.

(5) Measures to avoid conflicts of interest

Not applicable.

4. Outline of the companies involved in the Absorption-type Split

	JT (the splitting company)		Shionogi (the successor company)	
(1) Name	Japan Tobacco Inc.		Shionogi & Co., Ltd.	
(2) Location	4-1-1 Toranomom, Minato-ku, Tokyo		1-8, Doshomachi 3-chome, Chuo-ku, Osaka	
(3) Name of Representative and Job Title	Masamichi Terabatake, President, Representative Director and CEO		Isao Teshirogi, Ph.D., Representative Director, President and CEO	
(4) Description of Business	Manufacture, sale and import of manufactured cigarettes, etc.		Research, development, purchase, manufacturing and distribution of ethical drugs, and services incidental to the above	
(5) Paid-in capital	JPY 100,000 million yen (As of March 31, 2025)		JPY 21,279 million (As of December 31, 2024)	
(6) Date of establishment	April 1, 1985		June 5, 1919	
(7) Number of shares outstanding	2,000,000,000 shares (As of March 31, 2025)		889,632,195 shares (As of December 31, 2024)	
(8) Accounting Period	December 31		March 31	
(9) Number of Employees	(Consolidated) 53,593 (As of December 31, 2024)		(Consolidated) 4,959 (As of March 31, 2024)	
(10) Main Clients	The Japan Tobacconist Retailers		ViiV Healthcare Ltd. SUZUKEN CO., LTD.	
(11) Main Banks	-		Sumitomo Mitsui Banking Corporation	
(12) Major Shareholders and ownership ratio (JT: as of December 31, 2024) (Note 1) (Shionogi: as of September 30, 2024) (Note 2)	Minister of Finance	37.56%	The Master Trust Bank of Japan, Ltd. (Trust account)	18.55%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	10.24%	Custody Bank of Japan, Ltd. (Trust account)	8.50%
	Custody Bank of Japan, LTD. (Trust Account)	3.56%	SUMITOMO LIFE INSURANCE COMPANY	6.49%
	SMBC Nikko Securities Inc.	1.85%	SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	3.30%
	STATE STREET BANK WEST CLIENT - TREATY 505234	1.45%	NIPPON LIFE INSURANCE COMPANY	2.93%
	Barclays Securities Japan Limited BNYM	0.84%	BANK OF CHINA (HONG KONG) LIMITED-PING AN LIFE INSURANCE COMPANY OF CHINA, LIMITED	2.21%
	JAPAN SECURITIES FINANCE CO., LTD.	0.68%	STATE STREET BANK WEST CLIENT - TREATY 505234	2.15%
	JT Group Employees' Shareholding Association	0.64%	JP Morgan Securities Japan Co., Ltd.	1.60%

	BNYM AS AGT/CLTS NON TREATY JASDEC	0.60%	STATE STREET BANK AND TRUST COMPANY 505001	1.36%
	JPMorgan Securities Japan Co., Ltd.	0.59%	STATE STREET BANK AND TRUST COMPANY 505103	1.17%

(13)	Relationship between the companies			
	Capital relationship	Not applicable.		
	Personnel Relationship	Not applicable.		
	Business Relationship	Not applicable.		
	Related Parties Status	Not applicable.		

(14)	Consolidated operating results and financial positions for the last three years (Note 3)					
As of / fiscal year ended (Millions of yen)	JT (Consolidated)			Shionogi (Consolidated)		
	Dec.31. 2022	Dec.31. 2023	Dec.31. 2024	Mar.31. 2022	Mar.31. 2023	Mar.31. 2024
Total equity	3,616,761	3,912,491	3,848,727	993,285	1,121,878	1,252,562
Total assets	6,548,078	7,282,097	8,370,732	1,150,601	1,311,800	1,416,918
Equity attributable to owners of the parent company per share (yen)	1,994.78	2,157.46	2,121.33	3,236.21	3,737.76	4,356.65
Revenue	2,657,832	2,841,077	3,149,759	335,138	426,684	435,081
Operating profit	653,575	672,410	323,461	110,312	149,003	153,310
Attributable to owners of the parent company	442,716	482,288	179,240	114,185	184,965	162,030
Basic earnings per share (yen)	249.45	271.69	100.95	378.75	621.31	558.51
Dividends per share (yen)	188	194	194	115	135	160

(Note 1) The information in "(12) Major Shareholders and ownership ratio (JT: as of December 31, 2024)" is taken from the 40th Annual Securities Report submitted by JT on March 26, 2025.

(Note 2) The information in "(12) Major Shareholders and ownership ratio (Shionogi: as of September 30, 2024)" is taken from the 160th Semi-annual Report submitted by Shionogi on November 8, 2024.

(Note 3) JT and Shionogi prepare consolidated financial statements in accordance with International Financial Reporting Standards.

5. Outline of the business division to be split off

(1) Business content of the division to be split off or transferred

The business to be transferred through the Absorption-type Split is JT's Pharmaceutical Business.

(2) Operating results of the business division to be split off or transferred (Fiscal year ended December 2024)

Net sales	JPY 44,942 million
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(3) Assets and liabilities to be split or inherited, and book value

Assets (Millions of yen)	Liabilities (Millions of yen)
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Current assets	8,588	Current liabilities	5,448
Fixed assets	37,832	Fixed liabilities	9,875
Total	46,420	Total	15,323

(Note) The above is calculated based on December 31, 2024. The amount of assets and liabilities to be actually split will be the amount above, taking into account any increase or decrease up to the effective date.

6. Status of the Companies after the Absorption-type Split

(1) Name	Japan Tobacco Inc.	Shionogi & Co.
(2) Location	4-1-1 Toranomom, Minato-ku, Tokyo	1-8, Doshomachi 3-chome, Chuo-ku, Osaka
(3) Name of Representative and Job Title	Masamichi Terabatake, Representative Director and President Chief Executive Officer	Isao Teshirogi, Ph.D., Representative Director, President and CEO
(4) Description of Business	Manufacture, sale and import of manufactured cigarettes, etc.	Research, development, purchase, manufacturing and distribution of ethical drugs, and services incidental to the above
(5) Paid-in capital	100,000 million yen	21,279 million yen
(6) Accounting Period	December 31	March 31
(7) Net assets	Not confirmed.	Not confirmed.
(8) Total assets	Not confirmed.	Not confirmed.

7. Summary of Accounting Procedures

Not applicable.

8. Future Outlook

As a result of the Absorption-type Split, the profit attributable to owners of the parent company for the fiscal year ending December 31, 2025 ("FY2025 profit") is expected to decrease by approximately 18 billion Yen.

In addition, as a result of the transfer of Torii Shares mentioned in the press release disclosed by JT today, FY2025 profit is expected to increase by approximately 13 billion Yen. In total, FY2025 profit is expected to decrease by approximately 6 billion Yen.

As the details regarding the full impact of these transactions are still under review, the consolidated earnings forecast for the fiscal year ending December 31, 2025 remains unchanged on the disclosure date of the first quarter 2025 financial results.

If all transactions progress as planned, the Business, including Torii, is expected to be classified as a discontinued operation from the third quarter of fiscal year ending December 31, 2025, and 6 billion Yen will be recorded under discontinued operations. The planned dividend for fiscal year 2025 will not be impacted by these transactions, as the dividend will be determined based on a payout ratio calculated on the basis of continuing operations.

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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