



Tokyo, November 29, 2018

FOR IMMEDIATE RELEASE

Torii has agreed with JT to terminate the license agreements by which JT grants Torii the exclusive rights to market the Six Anti-HIV Drugs in Japan.

Today, Torii Pharmaceutical Co., Ltd (Torii) (TSE:4551) has announced Torii and Japan Tobacco Inc. (JT) (TSE:2914) have agreed to terminate the license agreements by which JT grants Torii the exclusive rights to market the Six anti-HIV Drugs (Current HIV Drugs) in Japan and at today's board of directors of Torii, the resolution on the termination of the license agreements was adopted.

1. Rationale of the termination

JT and Gilead Sciences, Inc. (Gilead) have signed exclusive license agreements for the development and commercialization in Japan of "Viread® Tablets 300mg" "Emtriva® Capsules 200mg" "Truvada® Combination Tablets" in 2003, "Stribild® Combination Tablets" in 2010 and "Genvoya® Combination Tablets" "Descovy® Combination Tablets LT/HT" in 2011. JT and Torii signed exclusive license agreements, under which Torii has been marketing the Current HIV Drugs in Japan.

Gilead notified JT that Gilead has decided to manage the regulatory approval process and market a novel anti-HIV drug Biktarvy®, developed by Gilead in Japan, through Gilead Sciences K.K. (Gilead K.K.), which is the Japanese subsidiary of Gilead. In addition, Gilead has also offered JT to terminate the exclusive licenses for the Current HIV Drugs in Japan.

After JT and Torii announced "JT Signs a Letter of Intent to Initiate Discussion to Terminate Agreements on Exclusive Rights to Develop, Commercialize and Market of Six Anti-HIV Drugs in Japan" on August 27th, JT and Gilead have discussed the above agenda and Torii and JT also discussed the termination of the license agreements to market the Current HIV Drugs in Japan.

Torii examined HIV drug markets in Japan, referencing overseas sales in other markets, in which there has been rapid switch from other HIV drugs including the Current HIV Drugs due to increased competition and anticipated that Japan market will follow this trend, which means the sales of the Current HIV Drugs in Japan will decrease significantly. From this point, Torii considered that it is better to develop other growth

strategies by leveraging the consideration from JT rather than persisting with Current HIV Drugs in Japan.

Taking the above points into account, Torii concluded to terminate the license agreements from the following reasons.

- I. Torii will receive a reasonable consideration from JT by returning the license, compare to keeping the license and conduct the current operation.
- II. It is better for medical personnel that both the Current HIV Drugs and Biktarvy® are supplied by one business entity.

2. Overview of the termination

Upon completion of necessary procedures, JT will pay JPY 42.1 billion to Torii after Torii and JT terminate the license agreements.

Torii will co-operate with JT for transferring the Current HIV Drugs to Gilead K.K. to secure stable supply.

Until Gilead K.K. completely succeeds JT's marketing approval of the Current HIV Drugs in Japan, as a transitional measure, Torii is responsible for distribution and Gilead K.K. is responsible for providing information to medical institutions.

Torii will receive JPY 1.1 billion from JT for the above responsibility.

3. Assets related to the Current HIV Drugs

Torii recognizes the license of the Current HIV Drugs as the book value is JPY 1.5 billion.

4. Overview of JT

(1) Name	Japan Tobacco Inc.	
(2) Address	2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan	
(3) Representative	Masamichi Terabatake (Representative Director and President, Chief Executive Officer)	
(4) Business	Domestic Tobacco Business, International Tobacco Business, Pharmaceutical Business and Processed Food Business	
(5) Capital	JPY 100 billion	
(6) Foundation	April 1, 1985	
(7) Principal shareholders (As of September 30,2018)	The Minister of Finance	33.35%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	3.25%
	Japan Trustee Services Bank, Ltd. (Trust Account)	2.14%

	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)		1.62%	
	GIC Private Limited-C		1.47%	
	State Street Bank and Trust Company 505223		1.27%	
	Trust & Custody Services Bank, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re - entrusted by Mizuho Trust and Banking Co., Ltd.		1.18%	
	Japan Trustee Services Bank, Ltd. (Trust Account 5)		1.13%	
	SSBTC CLIENT OMNIBUS ACCOUNT		1.07%	
	JP MORGAN CHASE BANK 385632		1.03%	
(8) Relationship with Torii	Capital	JT owns 54.9% of Torii Pharmaceutical's voting rights		
	Personnel	88 employees of JT have been sent on loan to work as a Torii employee.		
	Business	Purchasing medical drugs Lending and borrowing of funds.		
	Related party	JT is Torii's parent company and belongs to Torii's related party.		
(9) Financial results (IFRS)	Year	Year ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2017
	Total Equity (Millions of Yen)	2,521,524	2,528,041	2,842,027
	Total Assets (Millions of Yen)	4,558,235	4,744,374	5,221,484
	Equity attributable to owners of the parent company per share (Yen)	1,369.06	1,371.39	1,541.94
	Revenue (Millions of Yen)	2,252,884	2,143,287	2,139,653

Operating profit (Millions of Yen)	565,229	593,329	561,101
Profit before income taxes (Millions of Yen)	565,113	578,237	538,532
Attributable to owners of the parent company (Millions of Yen)	485,691	421,695	392,409
Basic earnings per share (Yen)	270.54	235.47	219.10
Annual dividends per share (Yen)	118.00	130.00	140.00

5. Schedule

The termination of the license agreements will be in early 2019 on condition that JT and Gilead terminate the exclusive license.

6. Impact on Financial Performance

The effects of this termination of the license agreements on the business performance of Torii's in this fiscal year will be immaterial.

JPY 40.6 billion which is a balance between the consideration and the assets will be recorded as extraordinary profits in the fiscal year ending December 2019 (FY2019).

Torii's sales will decrease significantly because the sales of the Current HIV Drugs occupy 35% of Torii's total sales in FY2018.

Torii will disclose the forecasts including the above events for FY2019 as same as reporting financial results for this fiscal year.

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