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**[Cover]**

Document to be filed:	Extraordinary Report
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	May 7, 2025
Company name (Japanese):	日本たばこ産業株式会社 ( <i>Nihon Tabako Sangyo Kabushiki-Kaisha</i> )
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Masamichi Terabatake, President, Chief Executive Officer and Representative Director
Location of head office:	1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan
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Place where the document is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

## 1. Reason for filing

At the Board of Directors meeting held on May 7, 2025, Japan Tobacco Inc. (JT) decided 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"). Therefore, this document is filed pursuant to Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 7 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

## 2. Content of report

### (1) Matters concerning the counterparty company of Absorption-type split

- i) Company name, Head office, Name of representative, Paid-in Capital, Amount of net assets, total assets and Description of business

Company name	Shionogi & Co., Ltd.
Head office	1-8, Doshomachi 3-chome, Chuo-ku, Osaka
Name of Representative	Isao Teshirogi, Ph.D., Representative Director, President and CEO
Amount of Capital	JPY 21,279 million (as of December 31, 2024)
Amount of Net Assets	JPY 749,494 million (As of March 31, 2024)
Amount of Total Assets	JPY 840,570 million (As of March 31, 2024)
Description of Business	Research, development, manufacturing and distribution of pharmaceuticals, etc.

- ii) Net sales, Operating profit, Ordinary profit and Net profit for each fiscal year ended in the last three years  
(Millions of Yen)

As of / fiscal year ended	Mar 31, 2022	Mar 31, 2023	Mar 31, 2024
Net sales	285,948	369,499	345,761
Operating profit	95,969	133,274	108,978
Ordinary profit	100,892	134,998	258,621
Net profit	90,264	107,367	253,060

- iii) Name of major shareholders and percentage of shares held by major shareholders in the total number of issued shares

(as of September 30, 2024)

Name of major shareholders	Percentage of shares held by major shareholders in the total number of issued shares
The Master Trust Bank of Japan, Ltd. (Trust account)	18.55%
Custody Bank of Japan, Ltd. (Trust account)	8.50%
SUMITOMO LIFE INSURANCE COMPANY	6.49%
SMBC Trust Bank Ltd. (as a trustee for retirement benefit of Sumitomo Mitsui Banking Corporation)	3.30%
NIPPON LIFE INSURANCE COMPANY	2.93%

- iv) Capital, personnel and business relationships with a filing company

Capital relationship	Not applicable.
Personnel Relationship	Not applicable.
Business Relationship	Not applicable.

### (2) Purpose of the Absorption-type split

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 PHARMACEUTICAL CO., LTD. ("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 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.

JT has also reached an agreement with Shionogi regarding a series of transactions related to the tender offer (“Tender Offer”) for the common stock of Torii, our consolidated subsidiary, which is scheduled to commence on May 8, 2025.

(3) Method of the Absorption-type split, Details of the allocation, and other details of the Absorption-type split agreement

i) 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.

ii) Details of the allocation

Upon the absorption-type demerger, Shionogi will receive JPY 5,397 million (plus an amount to be adjusted as provided in the absorption-type demerger agreement) as consideration for the rights and obligations to be succeeded by Shionogi.

iii) Other details of the Absorption-type split agreement

A) Schedule of the Absorption-type Split

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

(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.

(Note 2) The execution of the Absorption-type Split agreement is conditional upon the successful completion of the Tender Offer.

B) Business content of the division to be split off or succeeded

The business to be succeeded through this absorption-type company split is our pharmaceutical business.

C) 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. In addition, JT has not issued any bonds with stock acquisition rights.

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

There will be no increase or decrease in the capital of JT or Shionogi, as a result of the Absorption-type Split.

E) Rights and obligations to be succeeded to by the successor company

Shionogi will succeed all assets, liabilities, contracts and other rights and obligations held by JT in relation to the Business upon the Absorption-type Split, except as otherwise specified in the absorption-type split agreement.

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. (“JT AMERICA”), 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, a subsidiary of JT, separately from the Absorption-type Split.

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

F) Prospect of fulfillment of obligations

We believe that there will be no problems with the prospects for fulfillment of obligations borne by Shionogi even after the effective date of this absorption-type company split.

G) Other details of the Absorption-type Split agreement

Subject to the successful completion of the Tender Offer, JT plans to execute the Absorption-type Split agreement in September 2025, and the details will be disclosed separately once finalized.

(4) Matters related to the calculation

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

(5) Company name, Head office, Name of representative, Paid-in Capital, Amount of net assets, total assets and Description of business of the successor company after the absorption-type split

Company name	Shionogi & Co., Ltd.
Head office	1-8, Doshomachi 3-chome, Chuo-ku, Osaka
Name of Representative	Isao Teshirogi, Ph.D., Representative Director, President and CEO
Amount of Capital	JPY 21,279 million
Amount of Net Assets	to be decided
Amount of Total Assets	to be decided
Description of Business	Research, development, manufacturing and distribution of pharmaceuticals, etc.