FOR IMMEDIATE RELEASE

Tokyo, August 27, 2018

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

Japan Tobacco Inc. (JT) (TSE:2914) has announced today the conclusion of a non-binding letter of intent (LOI) for initiating a discussion with Gilead Sciences, Inc. (Gilead) to terminate the license agreements for six anti-HIV drugs (Current HIV Drugs). The Current HIV Drugs were developed by Gilead, and have been exclusively licensed to JT to develop and commercialize in Japan.
JT and Torii Pharmaceutical Co., Ltd (Torii) (TSE:4551) have also announced the conclusion of a non-binding LOI for initiating a discussion to terminate the license agreements by which JT grants Torii the exclusive rights to market the Current HIV Drugs in Japan.

1. Rationale of the LOI

JT and 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 handle marketing in Japan of a novel anti-HIV drug Biktarvy®, developed by Gilead, through Gilead’s Japanese subsidiary. In addition, Gilead has also offered JT to terminate the exclusive licenses for the Current HIV Drugs.JT and Gilead have now agreed to initiate the discussion as above and JT and Torii have also agreed to initiate the discussion for the termination of the exclusive rights to market the Current HIV Drugs in Japan.

2. Overview of the LOI

JT will discuss in good faith with Gilead and Torii, respectively, the terms and conditions including compensation of the termination of the license agreements.

3. Overview of Gilead

(1) Name	Gilead Sciences, Inc.	
(2) Address	333 Lakeside Drive Foster City, California 94404 USA	
(3) Representative	John F. Milligan (President and Chief Executive Officer)	
(4) Business	Research-based biopharmaceutical company that discovers, develops and commercializes innovative drugs mainly in areas of HIV, HCV and HBV.	
(5) Capital	USD 1 million (JPY 0.1 billion)	
(6) Foundation	June 22, 1987	
(7) Relationship with JT	Capital	None
	Personnel	None
	Business	License in/out on anti-HIV drugs and purchase of intermediate products.
(8) Financial results for the year ended 31 December, 2017		
Total net sales	USD 20,501 million （JPY 2,283.4 billion）	
Total assets	USD 70,283 million （JPY 7,828.1 billion）	
Net assets per share	USD 15.63 （JPY 1,741）	
Net sales	USD 26,107 million （JPY 2,907.8 billion）	
Operation income	USD 14,124 million （JPY 1,573.1 billion）	
Profit attributable to owners of parent	USD 4,628 million （JPY 515.5 billion）	
Net income per share	USD 3.54 （JPY 394）	
Dividend per share	USD 2.08 （JPY 232）	

*At exchange rate of 111.38, translated at Bloomberg average rate on July 2018.

4. Schedule

The schedule of the conclusion of the definitive agreements is subject to further negotiation and mutual agreement between the companies. JT and Torii will make a further announcement regarding this subject when appropriate.

5. Impact on Financial Performance

The effect of the LOI on the business performance of both JT and Torii is currently under examination. Upon the execution of the definitive agreements, JT and Torii will make a further announcement regarding this subject when appropriate.

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With close to 60,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS, and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets Ploom TECH, its tobacco vapor product, and various e-cigarette products under the Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit https://www.jt.com/.

Contact for Japan Tobacco Inc.:
Masahito Shirasu, General Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

Contact for Torii Pharmaceutical Co., Ltd.:
Corporate Planning Department
(Public Relations)
Torii Pharmaceutical Co., Ltd.
Tokyo: +81-3-3231-6814