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FOR IMMEDIATE RELEASE

Tokyo, May 31, 2019

Notice of the Announcement by a Subsidiary Company

Japan Tobacco Inc. (JT) (TSE: 2914) announces that Torii Pharmaceutical Co., Ltd. (Torii) (TSE:4551), our subsidiary company, made the following announcement yesterday.

This announcement will not have any material impact on the JT Group's consolidated performance.

(Attachment)

- Implementation of Organizational Reform

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With over 63,000 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 its tobacco vapor products under the Ploom brand 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/>.

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Tokyo, May 30, 2019

FOR IMMEDIATE RELEASE

Implementation of Organizational Reform

Today, TORII PHARMACEUTICAL CO., LTD. (Torii) (TSE:4551) has decided to implement the organizational reform as part of its business structural reform and a growth strategy set forth in the “Medium-Term Management Plan 2021”.

1. Reasons for implementing the organizational reform

Torii will carry out consolidation of branch offices and realignment of headquarters’ organizations from the following reasons:

(i) Business structural reform;

- making optimal organizations/functions suitable for its business scale

(ii) Growth strategy;

- making organizations/functions to further promote and reinforce maximization of products’ values and enhancement of in-licensing activities
- improving system properly and accurately responds to and satisfy social demands, such as the guidelines for sales information provision activities, and the changing medical needs.

In addition, Torii will dissolve a part of its organizations and unify their functions to Japan Tobacco Inc. (JT) (TSE:2914), in order to optimize the business execution on a group basis.

2. Outline of the organizational reform

(i) Unification of research and development function to JT

Torii will abolish the following organizations and unify their functions to JT:

- Research Laboratory (as of September 30, 2019)
- Clinical Development Department (as of December 31, 2019)

(ii) Establishment of “Portfolio & Product Strategy Department”

To create new drugs and maximize their values, Torii will seek to strengthen further the functions responsible for area strategy, product strategy in relation to products under development and lifecycle strategy in relation to products to be launched, and will newly establish “Portfolio & Product Strategy Department” in the Innovation Group as a dedicated organization consisting of experts with sophisticated knowledge and experiences.

(iii) Name change of R&D Group

Torii will change the name of “R&D Group” to “Innovation Group”, along with the unification of research and development function to JT. The new Group become an organization focused on taking initiatives for creation of new drugs and maximization of values of medical agents, including planning of product strategy for products to be developed, lifecycle/medical strategy for products to be launched, construction of medical/scientific evidence or acquisition of new in-licensed products.

(iv) Integration of headquarters' departments

Torii will integrate a part of organizations in the headquarters, in order to further enhance its efficiency and productivity along the changes in organizations, and also to maintain its credibility from stakeholders. The followings are the main changes.

- Integration of Compliance Advancement Department and Medical Compliance Department
(organization after integration: Compliance Advancement Department)
- Integration of Quality Assurance Department and Regulatory Affairs Department
(organization after integration: Regulatory Affairs & Quality Assurance Department)

(v) Consolidation of branch offices

Torii will consolidate 14 branch offices nationwide into 7 branch offices (location of branch offices: Sendai, Saitama, Tokyo, Nagoya, Osaka, Hiroshima and Fukuoka).

Even though the geographic coverage for each branch will expand, Torii will strive for faster decision-makings and strengthen functions of planning and operation of an area strategy, catering the needs for a local community healthcare.

*For new organizational chart as of October 1, 2019, please see Attachment.

3. Impact on Financial Performance

The effects of this organizational reform on the financial performance of Torii's in this fiscal year will be immaterial.

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