

Special Feature:

Medium Term Management Plan

During the period of “JT PLAN-V,” the previous medium term management plan which covered the three-year period that ended March 31, 2006, we faced significant changes in the operating environment, including JT’s termination of the Marlboro license agreement and the increase of the tobacco excise tax in Japan. However, as a result of the Group-wide effort to improve top-line performance and implement cost structure reform, we achieved all the management targets set under “JT PLAN-V” and established a solid foundation for our transformation to a “Global Growth Company that Develops Diversified, Value Creating Businesses”.

Despite the record high profit achieved for the fiscal year ended March 31, 2006, the success of “JT PLAN-V” is merely one milestone on our constant voyage to grow the business in a dynamic operating environment. With the launch of our new medium term management plan, “JT2008,” which inherits and evolves the previous plan’s strategy to ensure sustainable growth for the coming years, JT is charting a new and exciting course for the company’s future and for its stakeholders.



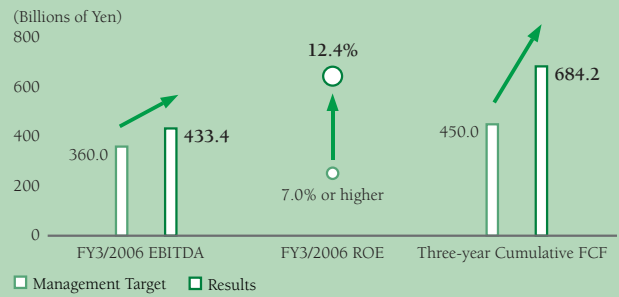
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“JT2008”

“JT PLAN-V” was developed in response to dramatic changes in the operating environment, including the increase in tobacco excise tax in July 2003 and the termination of the Marlboro license agreement. We acted with speed to implement measures across the company in response to these changes in the operating environment, and as a result, exceeded all management targets set forth under “JT PLAN-V.”

The level of achievement of companywide management targets

• Achieved All Management Targets

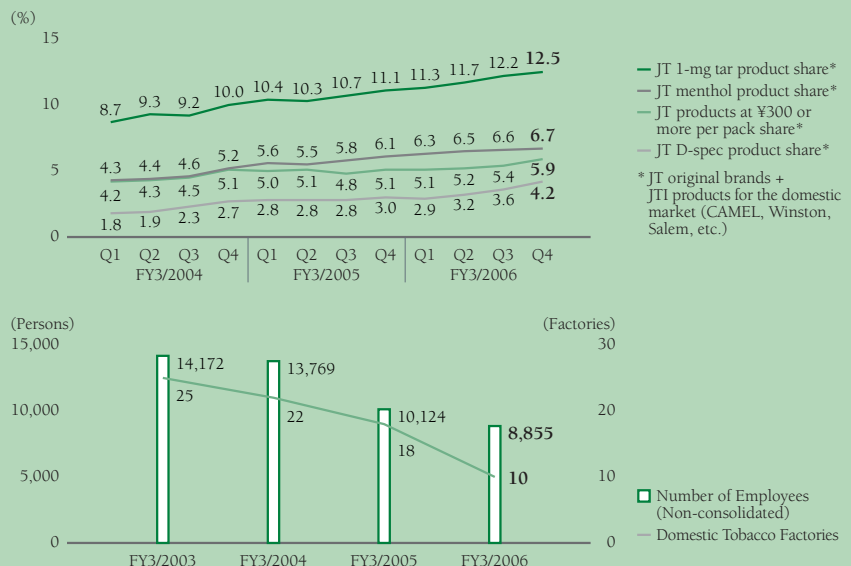


Overview of Previous Medium Term Management Plan “JT PLAN-V” (FY3/2004-FY3/2006)

Domestic Tobacco Business

In the domestic tobacco business, we implemented a sales growth strategy and the drastic cost structure reform of the business for profit growth. For top-line growth, we focused our efforts on growing segments and aggressively expanded our brand portfolio in order to enhance our competitiveness. Cost structure reform involved encouraging voluntary retirement and consolidating factories. As a result, we overcame various challenges in the operating environment, achieved profit growth during the period of “JT PLAN-V,” and established a strong business foundation for the future.

• Sales growth strategy and drastic cost structure reform for profit growth



International Tobacco Business

The international tobacco business experienced remarkable nominal and real growth as the driving force for profit growth for the JT Group. In the fiscal year ended March 2006, the final year of "JT PLAN-V," the international tobacco business generated about a quarter of the entire Group's total EBITDA. Our strategy to focus on GFB growth and core markets is yielding steady results.

• Organic growth by focusing on GFB's and core markets



Pharmaceutical Business and Foods Business

In the pharmaceutical business, the business target was to move three compounds with the potential to become world-class new drugs on to the clinical development stage. We steadily enhanced the pipeline, and move four compounds into clinical development during the period. (We had six compounds in the pipeline as of April 28, 2006.) We also pursued strategic licensing out to world-leading pharmaceutical companies during the period, and took concrete steps to realize business value at this early stages.

In the foods business, the business target was to achieve positive operating income. We not only achieved this target a year ahead of schedule, but also steadily increased the scale of profit, yielding better than expected results.

Pharmaceutical Business

• Move three compounds with potential to become new world-class drugs into clinical development

Clinical Developments (as of April 28, 2006)

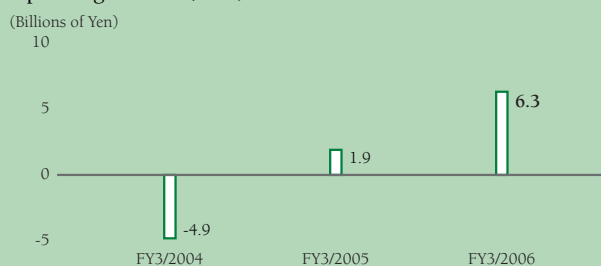
Code	Indication	Development Stage
JTT-705 (oral)	Dyslipidemia	Domestic: Phase I
JTT-130 (oral)	Hyperlipidemia	Domestic: Phase II Overseas: Phase I
JTK-303* (oral)	Anti-HIV	Domestic: Phase I
JTT-302* (oral)	Dyslipidemia	Overseas: Phase I
JTT-305* (oral)	Osteoporosis	Domestic: Phase I
JTT-551* (oral)	Type 2 diabetes mellitus	Domestic: Phase I

*Compounds entering clinical development during period

Foods Business

• Achieve positive operating income

Operating Income (Loss)



Corporate Image – Long term vision

Based on the solid results delivered under “JT PLAN-V,” we will continue our long-term vision under “JT2008” toward becoming a global growth company that develops diversified, value-creating businesses.

By business segment, the domestic tobacco business will continue to serve as the core source of profits, and the international tobacco business will continue as the driving force for profit growth in the long term. The pharmaceutical business will aim to contribute to profits progressively as a core business going forward, on the back of its advanced research and development capabilities. The foods business will seek to establish its global competitive advantage as a general foods manufacturer.

Summary of New Medium Term Management Plan “JT2008” (FY3/2007-FY3/2009)

Positioning of “JT2008”

As was the case when we formulated “JT PLAN-V,” our operating environment is becoming increasingly difficult. We believe we are about to face a crucial stage in the achievement of growth for the future. The achievement of “JT PLAN-V” was an important step towards becoming a global growth company that develops diversified, value-creating businesses, and toward building our desired corporate image. Under the new medium term management plan “JT2008,” we will continue the strategies we have promoted in the past, and will take them to a higher level.

“JT2008” is positioned to make forward looking investments during the three-year period, and will enhance the organizational strength, personnel and business foundations required to overcome challenges in the operating environment, and to achieve sustainable growth beyond “JT2008.”

Objectives of “JT2008”

The objective of “JT2008” is to achieve long-term sustainable growth while overcoming challenges in the operating environment.

The domestic tobacco business will aim to maintain the profit level achieved during “JT PLAN-V” through to the fiscal year ending March 2009, and to continue to be the core source of profits for the JT Group. The international tobacco business will aim to continue being the driving force for profit growth of the JT Group. The pharmaceutical business will aim to advance its clinical compounds to higher phases of clinical study and enhance the R&D pipeline, while the foods business will aim to further strengthen profitability.

Through these contributions to performance, we aim to deliver Group-wide EBITDA for the fiscal year ending March 2009 which exceeds the level achieved in the fiscal year ended March 2006 by approximately ¥20 billion.

Individual Business Strategies During “JT2008”

Domestic Tobacco Business

The domestic tobacco business will aim to maintain the EBITDA level achieved during “JT PLAN-V” by mitigating the effect of declining consumption, and thus continuing its role as the core source of profits for the JT Group.

We will be relentless in our efforts to steadily promote product, distribution and marketing strategies, as well as improve productivity. The operation of vending machines with adult identification functions is scheduled to start in the fiscal year ending March 2009. Needless to say, we will make efforts towards their efficient introduction and operation, and will endeavor to minimize the costs of introducing this new technology.

We will also pursue an environment in which smokers and non-smokers harmoniously coexist, and will fulfill our responsibilities as the leading company in the domestic market.

As “the Core Source of Profits”, Aim to Maintain the Profit Level Achieved during “JT PLAN-V”

→ Aim to maintain the EBITDA level achieved during “JT PLAN-V” by mitigating the effects of declining domestic consumption

«Growth Strategies»

Product Strategy

- Effectively launch new products within growing segments
- Improve the value of core brands (e.g. redesign Mild Seven family)
- Improve unit price by developing and launching value added products as exemplified by D-spec
- Enhance portfolio by leveraging brand equity

Channel Strategy

- Enhance activities in growing sales channels (e.g. Convenience stores)

Promotion Strategy

- Improve efficiency and effectiveness of communication based on One-to-One marketing
— Effective approach based on identification of accurate customer profiles

«Improve productivity»

- Introduce high-speed machines (more than 10,000 cigarettes per minute) for a flexible manufacturing framework adapted to changes in demand and supply

«Efficiently introduce and operate vending machines with adult identification functions»

«Pursue an environment in which smokers and non-smokers harmoniously exist»

International Tobacco Business

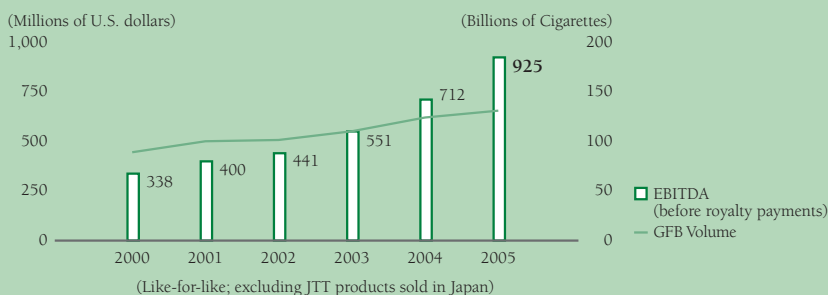
The international tobacco business will aim to achieve further earnings growth as the driving force for profit growth for the JT Group.

As “the Driving Force for Profit Growth”, Continue Leading the Industry in Organic Growth
→ Grow sustainable EBITDA in the mid-teens during the plan period.

«Generate top-line growth and broaden earnings base by executing consistent core strategies»

- Strengthen GFB equity
- Leverage and deploy brand portfolio
- Improve impact at point of sales
- Concentrate on core markets
- Pursue cost efficiencies while delivering quality products

EBITDA and GFB Volume



Pharmaceutical Business

The pharmaceutical business will build upon the strategies of “JT PLAN-V.” We will strive to further enhance our R&D pipelines by promoting drug discovery, while advancing our clinical compounds to higher phases of clinical study.

Aim to Advance Clinical Compounds to Higher Phases of Clinical Study and Enhance the R&D Pipeline

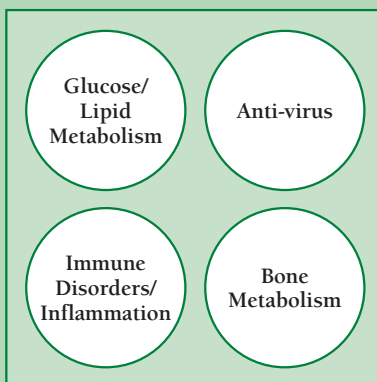
«Advance its clinical compounds to higher phases of clinical study»

«Further enhance R&D pipelines by promoting research in drug discovery»

«Explore opportunities for strategic licensing»

Level of R&D expenses during period: Expected to be around ¥70 billion due to upgrading of pipelines

Priority Research Fields



Foods Business

The foods business will aim to establish its foundations as a general foods manufacturer. Specifically, our target as a pillar business is to achieve a consolidated operating margin of 3.5% or higher for the fiscal year ending March 2009.

Establishing Foundations as a General Foods Maker

→ As a pillar business, aim to achieve a consolidated operating margin of 3.5% or higher for FY3/2009

«Basic Strategy»

- Establish competitive advantage
- Establish synergies as a general foods manufacturer
 - * Pursue M&A for further profitable growth

«Business Areas»

- Beverage Business: Realize improvement in business value by continuing and evolving the “JT PLAN-V” strategies
- Processed Foods Business: Establish a superior structure while maintaining the upward trend in revenue and profit (frozen processed foods, bakery, chilled processed foods, processed preserved foods)
- Seasonings Business: Enhance and expand the natural extract business fundamentals, while establishing a foundation as a bouillon/soup stock maker

Group-wide Challenges

As a Group-wide challenge, we will enhance our organizational strength and optimize the assets we own, with the aim of strengthening the corporation.

Strengthening the Corporation

«Enhance Personnel and Organizational Strength»

- Effectively operate and solidify the new personnel system (April 2006 onwards)
- Identify and train personnel who will be responsible for the future

«Optimize Assets Owned by JT»

- Idle real estate as of March 31, 2006 (JT non-consolidated)
Valuation of fixed assets: ¥84.9 billion (book value: ¥12.7 billion)

«Relentlessly Pursue and Exploit Cost-saving Opportunities»

Harmonious Coexistence with Society

- Pursue an environment in which smokers and non-smokers harmoniously coexist
- Make efforts to protect the global environment
- Enhance relationships with local communities