

Medium Term Management Plan “JT-11”

(FY 3/2010 – FY 3/2012)



Caution concerning forward-looking statements

Forward-Looking and Cautionary Statements

This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and state other forward-looking information.

These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) health concerns related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on sales, marketing and use of tobacco products, governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) the impact of any acquisitions or similar transactions;
- (8) local and global economic conditions; and
- (9) fluctuations in foreign exchange rates and the costs of raw materials.



Consolidated Financial Results for FY 3/2009

Sales and EBITDA rose to new record highs as a result of top-line growth by the international tobacco business and the full inclusion of Gallaher

(Unit: JPY BN)

	FY 3/2008	FY 3/2009	Change
Net Sales including tax	6,409.7	6,832.3	422.5 (+6.6%)
Net Sales excluding tax*	2,068.3	2,295.1	226.7 (+11.0%)
EBITDA	602.0	646.2	44.1 (+7.3%)
Operating Income	430.5	363.8	-66.7 (-15.5%)
Recurring Profit	362.6	307.5	-55.0 (-15.2%)
Net Income	238.7	123.4	-115.3 (-48.3%)

【Reference: Figures for major profit items before goodwill amortization】

Operating Income	434.4	469.3	34.8 (+8.0%)
Recurring Profit	366.5	413.0	46.5 (+12.7%)
Net Income	242.5	228.9	-13.6 (-5.6%)

*Net sales excluding tax does not account for sales of imported tobacco in the domestic tobacco and revenue from the distribution business in the international tobacco.

3



Full-term Forecasts for FY 3/2010

Forecasts for FY 3/2010, which form the basis of “JT-11”

(Unit: JPY BN)

	FY 3/2009 results	FY 3/2010 forecasts	Change
Net Sales including tax	6,832.3	6,000.0	-832.3 (-12.2%)
Adjusted Net Sales excluding tax*	2,243.6	1,985.0	-258.6 (-11.5%)
EBITDA	646.2	475.0	-171.2 (-26.5%)
Domestic Tobacco	272.2	246.0	-26.2 (-9.7%)
International Tobacco	337.9	209.0	-128.9 (-38.2%)
Pharmaceutical	4.8	-12.5	-17.3 -
Foods	17.0	18.0	0.9 (+5.7%)
Operating Income	363.8	244.0	-119.8 (-32.9%)
Recurring Profit	307.5	227.0	-80.5 (-26.2%)
Net Income	123.4	100.0	-23.4 (-19.0%)

*Adjusted Net sales excluding tax does not account for imported tobacco, domestic duty free, the China Division and others in the domestic tobacco business, in addition to the distribution, private label, contract manufacturing and other peripheral businesses in the international tobacco business.

4



“A company committed to global growth that provides consumers diversified value uniquely available from JT”

◆ **Domestic tobacco business**

Overwhelm the competition in the home country market as “the core source of profits.”

◆ **International tobacco business**

Attain a sustainable leadership position in profitability and or market-share within a growing number of markets, and continue to be “the driving force for profit growth.”

◆ **Pharmaceutical business**

Pursuing high-value added business by developing world-class innovative drugs

◆ **Foods business**

Increasing profits by achieving sustainable growth based on the combined strength of group companies with world-class competitiveness



The business environment will become more and more difficult at an increasing speed

Position of “JT-11”

“JT-11” covers a period during which the JT Group will secure strong business momentum through investment for the future and continuous improvement in business operations in anticipation of possible changes in the business environment

Continue to enhance personnel strength and performance capability

“A company committed to global growth that provides consumers diversified value uniquely available from JT”



“JT-11” Company-Wide Business Segment Objectives

【Company-Wide Objective】

Through growth momentum across the Group’s businesses, achieve a CAGR of 5% for consolidated EBITDA, based on the forecasted figure for FY 3/2010

【Objectives by Business Segment】

JT aim to achieve the following objectives

Domestic Tobacco business

Maintain the EBITDA forecasted for FY 3/2010

International Tobacco business

Continue to achieve EBITDA CAGR of at least 10% at constant rates of exchange, based on the forecasted figure for FY 3/2010 as base

Pharmaceutical business

Increase and advance compounds in late phase of clinical trials and enhance R&D pipeline

Foods business

Generate an additional JPY 10 billion in EBITDA based on the forecasted figure for FY 3/2010



“JT-11” Allocation of Resources

◆ Business investment

- Capital expenditures, R&D investment and investment for the enhancement of the brand equity
- Acquisition of external resources

◆ Return of profits to shareholders

Aim to ensure a competitive level of return of profits to shareholders in the capital market with due consideration of the implementation status of the medium- to long-term growth strategies and forecasts for consolidated financial results

- **Dividends:** Strive to increase dividend payments in a steady and sustainable manner, aiming for a consolidated dividend payout ratio of 30% (excluding the impact of goodwill amortization) in the medium term
- **Stock repurchases:** Expand the scope of management options

◆ Reduce interest-bearing debts while securing liquidity



“JT-11” Domestic Tobacco Business – Strategic Framework

Serve as a stable profit base for the JT Group amid a decline in overall demand due to the increasingly difficult social environment surrounding smoking and tightening of various regulations

- ◆ **Develop strong brand portfolio**
 - Active implementation of various measures to enhance the brand equity
- ◆ **Secure superior market position**
 - Securing superior market position through increased product presence in over-the-counter sales channels, primarily convenience stores
- ◆ **Improve product quality and added value to maximize consumer satisfaction**
 - Continue to pursue improvement in quality and enhance the shipment assurance system
- ◆ **Optimize operating structure to ensure adaptability, efficiency and competitiveness in the changing business environment**
 - Establish a competitive business structure
 - The Morioka factory and the Yonago factory will be closed at the end of March, 2010
 - The Odawara factory will be closed at the end of March, 2011

Maintain the EBITDA forecasted for FY 3/2010

9



“JT-11” International Tobacco Business – Strategic Framework

Continue role as the profit growth engine of the JT Group, in an increasingly difficult operating environment

- ◆ **Sustain quality top-line growth**
 - Build and nurture outstanding brands
 - Maintain primary focus on GFBs
 - Drive GFB volume and margin improvement
- ◆ **Broaden earnings base for growth**
 - Increase the profitability of key markets
 - Invest, with disciplined return on investment, in markets with future earnings potential
- ◆ **Strengthen the business fundamentals**
 - Continue to enhance productivity
 - Sharpen focus on responsibility and credibility
 - Develop people as a cornerstone of growth

Continue to achieve EBITDA CAGR of at least 10% at constant rates of exchange, based on the forecasted figure for FY 3/2010

10



“JT-11” Pharmaceutical Business – Strategic Framework

Working toward building world-class R&D capabilities and increased market presence through the development of innovative drugs

- ◆ **Enhance clinical development capabilities, particularly for compounds in late-stage clinical trials**
 - Adapt to the need for more advanced development
- ◆ **Further strengthen R&D pipeline**
 - Focus on four areas: glucose and lipid metabolism, immune disorders and inflammation, virus research and bone metabolism
- ◆ **Enhance licensing activities and strengthen relationships with partners**
 - Continue to explore opportunities for out-licensing
 - Engaging in in-licensing activity with emphasis on early market launch

Increase and advance compounds in late phase of clinical trials
and enhance R&D pipeline

11



“JT-11” Foods Business – Strategic Framework


Focus on three areas, beverages, processed foods and seasonings, move toward the world’s highest level of safety control, and further strengthen the business foundation for significant future growth

- ◆ **Beverages business**
 - Further enhance the company’s flagship coffee brand “Roots”
 - Strengthen operating base through improved efficiency
- ◆ **Processed foods business and seasoning business (The Katokichi Group)**
 - Generate integration synergies
 - Concentrate on core business fields
 - Establish unified corporate identity
 - A new corporate name will be introduced during FY 3/2010
- ◆ **Implementation of food safety controls at the highest level**
 - “Actions for reducing risks”
 - “Improving consumer response”
 - “Creating stronger organization and operating base”

Generate an additional JPY 10 billion in EBITDA based on the forecasted
figure for FY 3/2010

12



JT Group Mission	<p>“The mission of the JT Group is to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals.”</p> <p>➤New communication word</p> 
JT Group WAY	<p>“In achieving this, we are committed to fulfilling the expectations of our consumers and behaving responsibly, striving for quality in everything we do, through continuous improvement, and leveraging diversity across the JT Group.”</p>

“A company committed to global growth that provides consumers diversified value uniquely available from JT”

