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FOR IMMEDIATE RELEASE

JT Announces Results of Tender Offer for Shares of Katokichi and Changes in Subsidiaries

Tokyo, December 27, 2007 --- Japan Tobacco Inc. (JT or “Tender Offeror”) (TSE: 2914) announced today the results of the tender offer (“Tender Offer”) for the shares of Katokichi Co., Ltd. (“Target Company”) (TSE: 2873) which commenced on November 28, 2007 and concluded on December 26, 2007. The Tender Offer was announced on November 22, 2007 pursuant to the approval of the Board of Directors of JT. In addition, as a result of the Tender Offer, the Target Company is slated to become a consolidated subsidiary of JT. The results of the Tender Offer and outline of the changes in subsidiaries of JT are as follows:

I. Results of the Tender Offer

1. Outline of the Tender Offer

- (1) Name and location of head office of Tender Offeror
Japan Tobacco Inc.
2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan
- (2) Name of Target Company
Katokichi Co., Ltd
- (3) Class of shares purchased
Common stock
- (4) Number of share certificates to be purchased in the Tender Offer

Number scheduled to be purchased represented by shares	Minimum number scheduled to be purchased represented by shares	Maximum number scheduled to be purchased represented by shares
153,789,431 shares	99,777,000 shares	-

(Note 1) If the total number of shares tendered in response to the Tender Offer is less than the “minimum number of share certificates scheduled to be purchased represented by shares” (99,777,000 shares, hereinafter referred to as the “Scheduled Minimum Number”), the Tender Offeror will purchase none of the tendered shares. If the total number of tendered shares is at or more than the Scheduled Minimum Number, the Tender Offeror will purchase all tendered shares.

(Note 2) The maximum number of shares (hereinafter referred to as the “Scheduled Number of Shares”) that the Tender Offeror will acquire through the Tender Offer is 153,789,431 as



specified as “the number of share certificates scheduled to be purchased represented by shares.” The number has been calculated by subtracting the number of shares owned by the Tender Offeror as of the date on which the official documents relating to the Tender Offer is submitted (8,250,000 shares) and the number of treasury shares owned by the Target Company as of March 31, 2007 (2,133,556 shares) as specified in the financial statement the Target Company submitted on June 29, 2007, for its 52nd fiscal year, from the number of outstanding shares as of March 31, 2007 (164,172,987 shares) as specified in the financial statement.

(Note 3) Odd-lot shares as well are subject to the Tender Offer.

(Note 4) The Tender Offeror has no plan to acquire the treasury shares owned by the Target Company through the Tender Offer.

(5) Period of the Tender Offer

Wednesday, November 28, 2007 through Wednesday, December 26, 2007
(20 business days)

(6) Purchase price of the Tender Offer

710 yen per share of common stock

2. Results of Tender Offer

(1) Condition of tendered shares and other securities

Class of shares	Number scheduled to be purchased represented by shares	Minimum number scheduled to be purchased represented by shares	Number tendered represented by shares	Number purchased represented by shares
Share certificates	153,789,431	99,777,000	143,864,718	143,864,718
Certificates of stock acquisition rights	-	-	-	-
Bond certificates with stock acquisition rights	-	-	-	-
Trust beneficiary certificates for share certificates	-	-	-	-
Depository receipt for share certificates	-	-	-	-
Total	153,789,431	99,777,000	143,864,718	143,864,718

(2) Success of the Tender Offer

Because the total number of shares tendered in response to the Tender Offer (143,864,718 shares) exceeded the Scheduled Minimum Number (99,777,000 shares), the Tender Offeror will purchase all tendered shares.



(3) Ownership percentage of share certificates after the Tender Offer

	Number of voting rights	Ownership percentage of share certificates
Number of voting rights represented by share certificates owned by the Tender Offeror before the Tender Offer	82,500	5.09%
Number of voting rights represented by share certificates owned by specially related parties after the Tender Offer	45	0.00%
Number of voting rights represented by share certificates owned by the Tender Offeror after the Tender Offer	1,521,147	93.88%
Total number of voting rights of shareholders of the Target Company	1,619,078	

(Note 1) The “total number of voting rights of shareholders of the Target Company” is the number of voting rights for all shareholders (one unit accounts for 100 shares) as of March 31, 2007, as specified in the financial statement submitted by the Target Company on June 29, 2007, for its 52nd fiscal year. Because odd-lot shares are subjected to the Tender Offer, however, the “number of voting rights for shareholders in the Target Company” is calculated as 1,620,394 by adding 1,316 voting rights for odd-lot shares (the number of voting rights for 131,631 shares as calculated by subtracting 56 odd-lot treasury shares, which are owned by the Target Company and are not planned to be acquired by the Tender Offeror through the Tender Offer, from the number of odd-lot shares at 131,687 shares) to the number of voting rights for all shareholders as specified at 1,619,078 in the above-mentioned financial statement of the Target Company for computation of the “ownership percentage of share certificates.”

(Note 2) “Ownership percentage of share certificates” has been rounded to the nearest hundredth of a percent.

(4) Calculation for purchase pursuant to the *pro rata* method

Not applicable

(5) Fund required for the Tender Offer

¥102,143 million

(6) Method of settlement

(i) Name and address of head offices of securities companies and banks, etc. in charge of the settlement.

Nomura Securities Co., Ltd.

1-9-1 Nihonbashi, Chuo-ku, Tokyo

(ii) Commencement date of settlement

Tuesday, January 8, 2008



(iii) Method of settlement

A notice of purchase will be mailed to the addresses of the tendering shareholders (or the standing proxy in the case of a non-resident shareholder) promptly after the end of the Tender Offer period. Settlement of the purchase price will be made in cash. The Tender Offer agent will, in accordance with the tendering shareholder's instructions, remit the consideration for the share certificates promptly after the commencement date of settlement to the accounts designated by the tendering shareholders or pay the consideration at the agent's head office or branches in Japan.

3. Policies after the Tender Offer

As stated in JT's press release "Katokichi, JT and Nissin Agree to Integrate Frozen Foods Businesses," issued on November 22, 2007, JT agreed with the Target Company and Nissin Food Products Co., Ltd. ("Nissin") that the respective frozen foods divisions of JT and Nissin are to be transferred to the Target Company with the aim of integrating the frozen foods businesses of the three companies.

The integration allows JT and Nissin, as equal partners, to combine the companies' respective strengths within the Target Company, positioning it as a leading frozen foods company in Japan. With a variety of frozen food products in its portfolio, such as noodles, fries, snacks, meat products, Chinese dishes, desserts and cooked-rice products, the Target Company, following the integration, will strive toward positioning itself as a global player through future organic growth, new investments and alliances with other domestic food manufacturers, while consolidating its leading position in the Japanese frozen foods market.

An integration committee consisting of representatives from the three companies will be established in order to evaluate the best way to ensure the smooth implementation of the entire process and realize the optimum synergies at an early stage. The committee will develop a concrete plan including the possible reorganization and consolidation of businesses after the completion of business transfer.

Because JT has failed to acquire all shares of the Target Company, excluding those owned by JT and treasury shares owned by the Target Company by way of the Tender Offer, JT intends to make the Target Company a wholly-owned subsidiary through the procedures specified below:

JT will request that the Target Company hold a general meeting of shareholders, with the date of record on or after the commencement date for settlement of the Tender Offer, to consider an agenda including three proposals – the Target Company should (i) become a company with class shares as defined in the Companies Act by amendment of its Articles of Incorporation to authorize it to issue other class(es) of shares in addition to common stock; (ii) amend its Articles of Incorporation to attach a wholly call provision (*zenbu-shutoku-joko*) to all shares of common stock issued by the Target Company; and (iii) acquire all those shares of common stock and allocate another class of shares in exchange. JT will vote in favor of the above-mentioned proposals at the general meeting of shareholders.



If the above three procedures are implemented, all shares of common stock issued by the Target Company will have a wholly call provision and be acquired by the Target Company, and shareholders of the Target Company will receive different class of shares in exchange for the shares of common stock with the wholly call provision. However, shareholders to be allotted only a fractional number of such different class of shares will instead receive, in place of such fractional shares, the cash equivalent to what the Target Company would obtain through actual sale (or other relevant method) of such fractional shares in accordance with the procedures under the relevant laws and regulations. The amount of money shareholders would receive through the sale of such fractional shares will be calculated based on the Tender Offer price unless extraordinary circumstances exist. The class and number of Target Company shares to be allotted to shareholders in exchange for shares of common stock with the wholly call provision are still undetermined. However, the number of new Target Company shares to be allotted to shareholders who have not applied for the Tender Offer will be set at less than one share in order to allow JT to make the Target Company a wholly-owned subsidiary. When the Target Company's Articles of Incorporation are amended to allow the company to attach the wholly call provision to all shares of common stock as specified in proposal (ii) above, for the protection of minority shareholders' interests, shareholders shall have the rights to: (a) request the Target Company to purchase the shareholders' shares in accordance with provisions of Articles 116 and 117 of the Companies Act, and other relevant laws and regulations; and (b) file a petition to the court to determine the acquisition price by the Target Company in accordance with provisions of Article 172 of the Companies Act and other relevant laws and regulations in case that a resolution for the Target Company to acquire all shares with the wholly call provision is adopted at a general meeting of shareholders. The per-share purchase or acquisition price for (a) or (b) shall be determined ultimately by the court and therefore could differ from the Tender Offer price. If a shareholder makes a request or files a petition as stated in (a) and (b) above, he/she shall be responsible for evaluating and determining the procedures necessary for such a request or petition.

The Tender Offer is not designed to solicit shareholders of the Target Company to support the proposals at the above-mentioned general meeting of shareholders.

Depending on the amount of the Target Company shares held by shareholders other than JT or the interpretation of relevant laws and regulations by the authorities, different measures with the same end effect may be developed and implemented and/or it may take considerable time to convert the Target Company into a wholly-owned subsidiary of JT. In such cases, however, JT shall plan to ultimately make the Target Company a wholly-owned subsidiary by providing cash consideration to the Target Company shareholders other than JT. The amount of such consideration would be calculated based on the Tender Offer price unless extraordinary circumstances exist. If the procedures are revised, JT will publish specific procedures as soon as they are determined following consultation with the Target Company.

The Target Company's common stock is listed on the Tokyo Stock Exchange and the Osaka Securities Exchange ("Stock Exchanges") as of today. As a result of the Tender Offer, however, the Target Company's common stock may



be delisted through prescribed procedures under the Stock Exchanges' standards for delisting regarding liquidity or the like. Even in case that the delisting standards are not applicable, the Target Company's common stock will be delisted as the Target Company is planned to become JT's wholly-owned subsidiary in accordance with statutory procedures. Following delisting, no Target Company shares may be traded on the Stock Exchanges.

On the condition that the Target Company should become a wholly-owned subsidiary of JT, a share transfer agreement ("Transfer") between JT and Nissin will be signed, under which the Target Company shares representing 49 percent of the voting rights, will be transferred from JT to Nissin at a per-share price substantially the same as the Tender Offer price. Following the Transfer, JT would own 51 percent of voting rights of the Target Company and Nissin would hold 49 percent. Nissin, in conjunction with JT, will support the Target Company to enhance its business foundation, aiming to strengthen and expand its frozen foods business.

Nissin's core operations are the production and sales of instant foods (mainly pillow-type and cup-type instant noodles). Nissin has also expanded aggressively into the chilled and frozen food business related to its core operations, undertaking development and sales of chilled and frozen foods that center on noodles and are discerned as having higher added value. JT holds a high respect for Nissin's achievements and know-how in the industry, and believes Nissin to be the most suitable partner for improving the corporate value of the Target Company. JT has no capital relations with Nissin and Nissin holds no shares in the Target Company.

The Target Company today announced that it had designated January 12, 2008, as the date of record to determine which shareholders of the Target Company would have voting rights in the extraordinary general meeting of shareholders, planned to be held in the second half of February 2008.

4. Locations at which Copies of the Tender Offer Report are Available for Public Inspection

Japan Tobacco Inc.
2-1, Toranomon 2-chome Minato-ku, Tokyo

Tokyo Stock Exchange Group, Inc.
2-1 Kabutocho, Nihonbashi, Chuo-ku, Tokyo

Osaka Securities Exchange Co., Ltd.
8-16, Kitahama 1-chome, Chuo-ku, Osaka



II. Changes in Subsidiaries

As a result of the Tender Offer, the Target Company will become a subsidiary of JT effective on January 8, 2008.

1. Outline of Subsidiary (Target Company)

- (1) Company name: Katokichi Co., Ltd.
 (2) Representative: Tetsuji Kanamori, President and Representative Director
 (3) Head office: 5-18-37, Sakamoto-cho, Kannonji City, Kagawa, Japan
 (4) Established: September 1, 1956
 (5) Main business: Production and sale of frozen foods and frozen fishery products and their distribution operations; and other services including management of hotels and food service.
 (6) Fiscal year end: March 31
 (7) Number of employees: 4,586 (consolidated / as of March 31, 2007)
 (8) Main office: 5-18-37 Sakamoto-cho, Kannonji City, Kagawa, Japan
 (9) Paid-in capital: ¥34,002 million (as of March 31, 2007)
 (10) No. of shares issued: 164,172,987 (as of March 31, 2007)
 (11) Major shareholders and their respective stake (as of March 31, 2007)
- | | |
|---|--------|
| Japan Trustee Services Bank, Ltd. | 10.09% |
| The Master Trust Bank of Japan, Ltd. | 7.59% |
| Kato Yoshikazu Corporation | 6.76% |
| Japan Tobacco Inc. | 5.02% |
| The Shikoku Bank, Ltd. | 4.81% |
| Trust & Custody Service Bank, Ltd. | 3.17% |
| Kato Yoshikiyo | 2.92% |
| The National Mutual Insurance Federation of Agricultural Cooperatives | 2.60% |
| The Hyakujushi Bank, Ltd. | 2.08% |
| The Dai-ichi Mutual Life Insurance Company | 2.06% |

2. Performance Trends in Recent Fiscal Years

(Consolidated)

In millions of yen

	FY ended March 31, 2006	FY ended March 31, 2007
Net sales	318,506	348,675
Gross profit	47,493	49,393
Operating income	13,367	10,150
Recurring profit	14,597	10,939
Net income / Net loss	5,886	-9,874
Total assets	241,285	251,821
Net assets	99,546	94,799



(Non-consolidated)	In millions of yen	
	FY ended March 31, 2006	FY ended March 31, 2007
Net sales	221,416	220,047
Gross profit	29,500	28,850
Operating income	8,450	5,856
Recurring profit	9,927	7,584
Net income / Net loss	7,690	-17,910
Total assets	181,443	162,598
Net assets	109,077	86,994
Dividend per share (of which, interim dividend per share)	¥10 (¥5)	¥10 (¥5)

(Note) The above tables were developed pursuant to the financial statements submitted by the Target Company on June 27, 2006 and June 29, 2007.

3. Effective Date of Changes in JT Subsidiaries

Tuesday, January 8, 2008

III. Outlook after Consolidation

JT will announce the financial impact of the integration of businesses in the financial results for the fiscal year ending March 31, 2008, once the integration plan and procedures will be made available.

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Japan Tobacco Inc. is the world's third largest international manufacturer of tobacco products. The company manufactures internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥4.769 trillion in the fiscal year ended March 31, 2007.