

Special Feature

Medium-Term Management Plan “JT-11”

Aiming to become a company committed to global growth that provides consumers diversified value uniquely available from JT.

Despite those difficult circumstances such as global recession and the aging of the Japanese population, we are committed to our basic principles and maintaining the long-term vision of becoming “A company committed to global growth that provides consumers diversified value uniquely available from JT.”

JT Group Long-Term Vision

“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

Food business

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

We expect that the business environment surrounding us will become more and more difficult at an increasing speed. The theme of “JT-11” is to “secure strong business momentum through investment for the future and continuous improvement in business operations in anticipation of various changes in the business environment so that we can maintain sustainable growth in the long term.”

As a medium-term company-wide goal, we aim to achieve a compound annual growth rate of 5% for EBITDA through growth momentum, with the forecasts for the fiscal year ending March 2010 used as the basis.

The business environment will become increasingly more challenging

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”

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

Regarding the allocation of resources during the period of “JT-11,” we continue to make active business investment to enhance corporate value. And we will strive to increase dividend payment and to reduce interest-bearing debts.

“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

The domestic tobacco business aims to maintain the EBITDA forecasted for the fiscal year ending March 2010 as a stable profit base for the JT Group despite a decline in overall demand due to the increasingly difficult social environment surrounding smoking and the tightening of various regulations.

“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

The international tobacco business aims to achieve a compound annual average growth rate of at least 10% for EBITDA at constant rates of exchange, based on the forecasts for the fiscal year ending March 2010.

“JT-11” International Tobacco Business—Strategic Framework

Continue role as the profit growth engine of the JT Group, in an increasingly challenging 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

In the pharmaceutical business, we will continue to build a globally successful, R&D-driven business with unique features and strive to secure a market presence with original new drugs by increasing and advancing compounds in a late phase of clinical trial and enhancing the R&D pipeline.

“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, virus research, immune disorders and inflammation 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

In the food business, we will focus on three areas, beverages, processed foods and seasonings, promote efforts to achieve the highest level of safety control, and further strengthen the business foundation for significant future growth. Through these measures, we aim to generate an additional 10 billion yen in EBITDA in the fiscal year ending March 2012 compared with the fiscal year ending March 2010.

“JT-11” Food 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 food 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