

Before 1985

JT is a joint stock corporation that was incorporated in April 1985 under the Commercial Code of Japan, pursuant to the Japan Tobacco Inc. Law, or the JT Law.

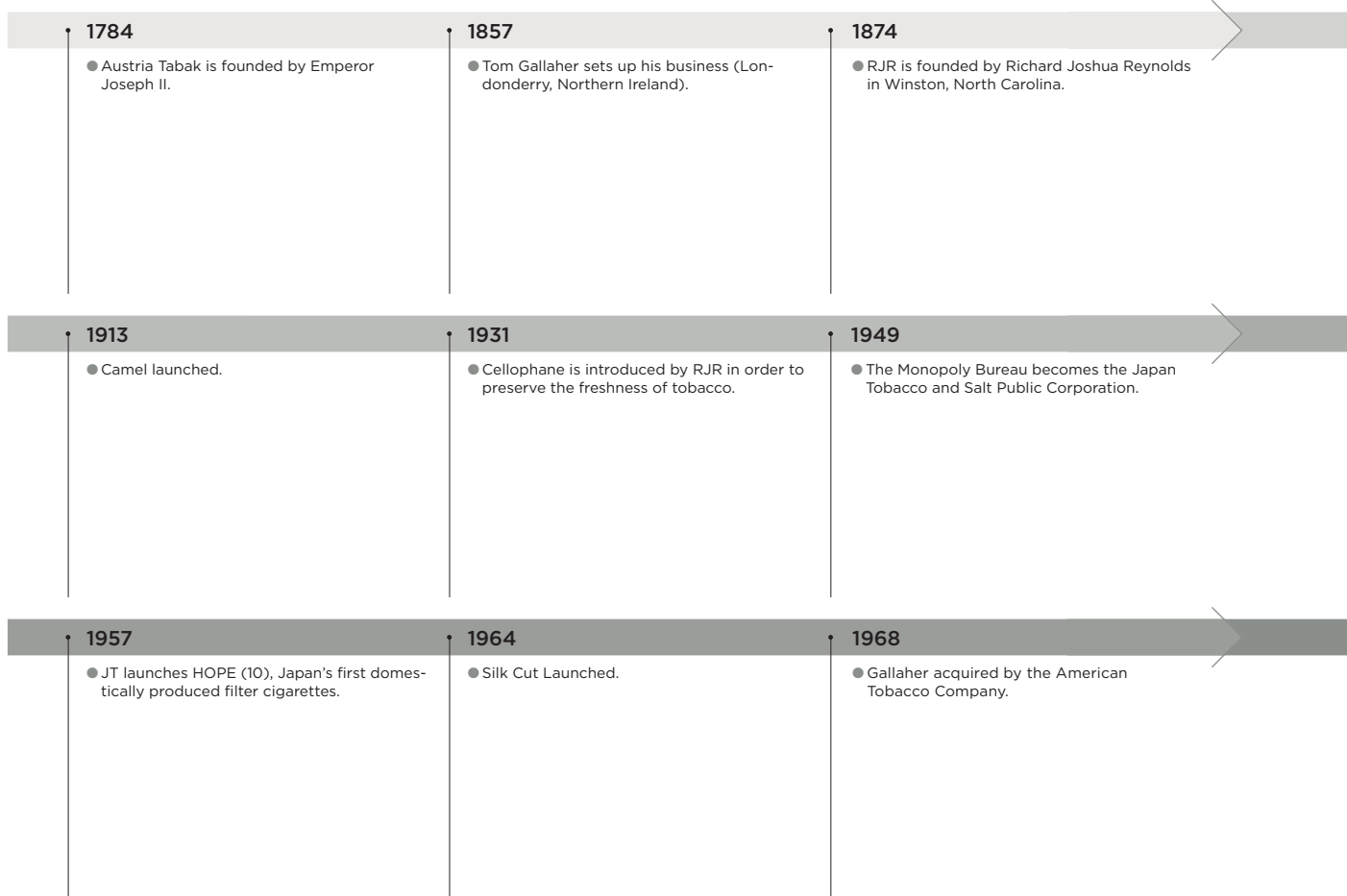
JT's history in Japan dates back to 1898, when the government formed a monopoly bureau to operate the exclusive sale of domestic leaf tobacco.

On the other hand, the JT Group's overseas history began with the founding of Austria Tabak in 1784. Roughly 70 years later, Tom Gallaher started out in business in Northern Ireland, laying the foundations for Gallaher Group. Meanwhile, R.J Reynolds Tobacco Co. (RJR), which would subsequently create the Camel and Winston brands, was established in 1874 in the U.S.

In this manner, the current JT Group can trace its origins to many different countries and regions like Austria, Northern Ireland, the U.S. and Japan. The JT Group has a long history and extensive experience in the tobacco business.

History in Japan from the early 20th century to 1984, when the Japan Tobacco Inc. Law was enacted.

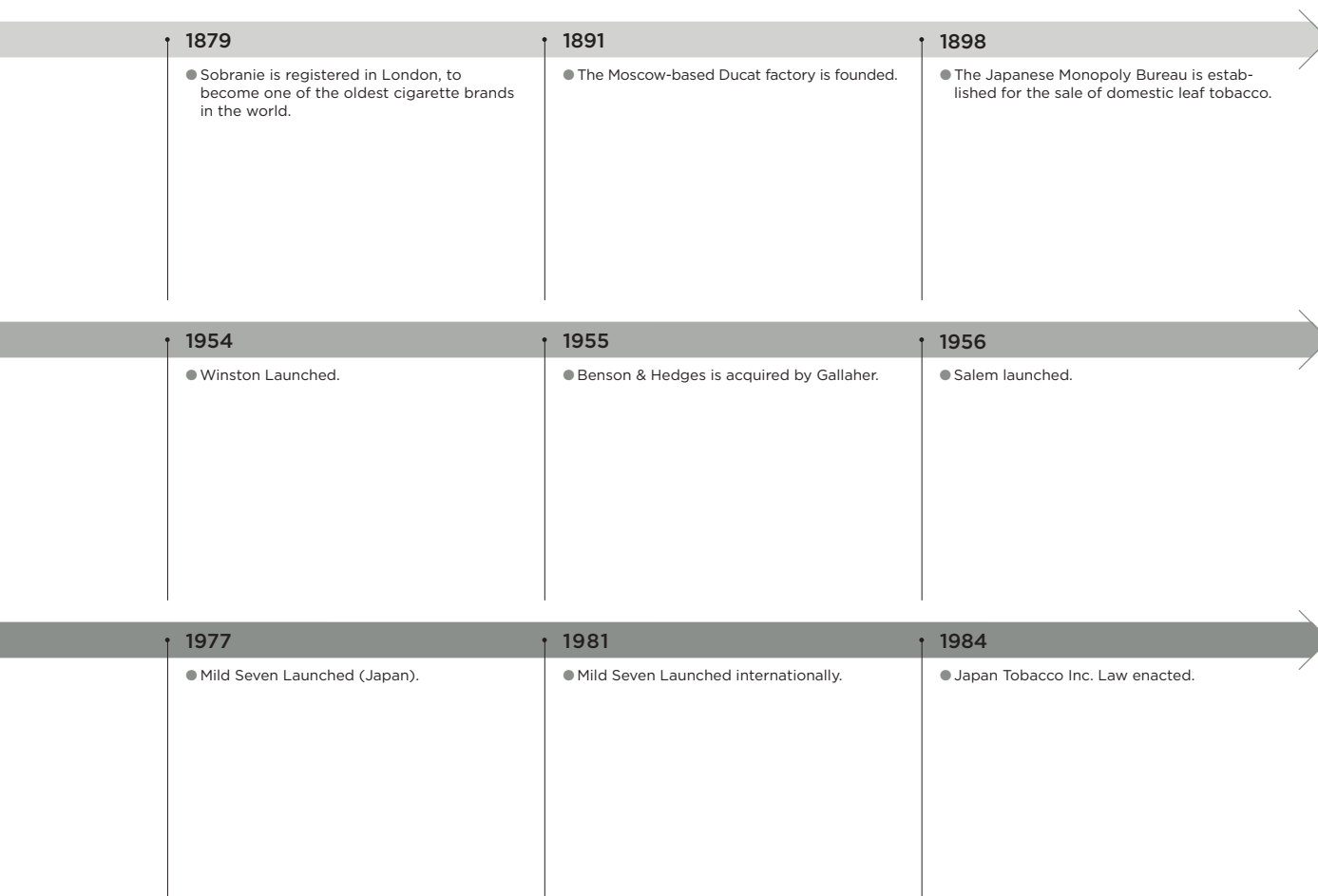
Our history in Japan dates back to 1898, when the government formed a monopoly bureau to undertake the exclusive sale of domestic leaf tobacco. In the early 1900s, the government extended this monopoly to all tobacco products in Japan and to the domestic salt business. On June 1, 1949, the bureau was established and duly named the Japan Tobacco and Salt Public Corporation, or JTS. This corporation helped to ensure the stable supply of tobacco and secure fiscal revenues for the government.



The growth in demand for cigarettes in Japan began to slow in the mid-1970s as the result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the domestic tobacco market was virtually opened to foreign tobacco suppliers, triggering competition between domestic and foreign tobacco products in Japan, and foreign countries stepped up pressure on Japan to take further market-opening measures that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of government-run public corporations, a government panel was established in March 1981 to conduct research on the public corporation system. In its third report (July 30, 1982), the panel proposed drastic reform of the monopoly system and the public corporation system. In response to this proposal, the government conducted a comprehensive review of these systems and drafted bills to:

- *Abolish the tobacco monopoly law in order to liberalize tobacco imports and establish a tobacco business law in order to make necessary adjustments related to the tobacco business.
- *Abolish the JTS law, reorganize JTS as a joint stock corporation so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Law, which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year. In April 1985, JT was founded as an entity that took over the whole of the business operations and assets of JTS.



In and after 1985

The corporate history of JT is as shown in the table below. As for the international tobacco business, the history before JT's acquisitions of RJR Nabisco's non-U.S. tobacco operations and Gallaher is included.

The operating environment for JT changed drastically in just two years after the foundation of the company, as represented by the yen's upsurge following the Plaza Accord in 1985, a tobacco tax hike in 1986 and the abolition of tariffs on imported cigarettes in 1987. Amid the yen's upsurge, a price increase for JT products due to the tobacco tax hike coupled with price cuts

for imported cigarettes attributable to the tariff abolition eliminated the price advantage of JT products over imported products, which had stood at around ¥60 to ¥80 when JT was founded in 1985. As a result, competition between JT and foreign tobacco makers intensified in the Japanese market, leading to a decline in JT's market share from 97.6% in fiscal 1985 to 90.2% in fiscal 1987. To cope with the rapid deterioration of the operating environment, JT carried out rationalization measures to enhance its cost-competitiveness and pursued diversification while implementing measures to strengthen its marketing capability in order

<p>1985</p> <p>April</p> <ul style="list-style-type: none"> ● Japan Tobacco Inc. established. (Japanese tobacco market opened to foreign tobacco manufacturers.) ● The Business Development Division established to promote new businesses. ● The Business Development Division is later reorganized into operational divisions engaged in the foods and pharmaceuticals businesses, finishing in July 1990. 	<p>1986</p> <p>March</p> <ul style="list-style-type: none"> ● Fukuoka and Tosu factories closed and Kita Kyushu factory built to modernize and rationalize tobacco production. ● Nine more tobacco factories closed by June 1996 to further rationalize production. 	<p>1987</p> <p>April</p> <ul style="list-style-type: none"> ● Import tariffs on imported cigarettes abolished.
<p>1993</p> <p>September</p> <ul style="list-style-type: none"> ● The Central Pharmaceutical Research Institute established to enhance in-house research capabilities. 	<p>1994</p> <p>October</p> <ul style="list-style-type: none"> ● Government releases first tranche of outstanding JT shares for initial public offering (394,276 shares offered at 1,438,000 yen apiece). ● JT stock listed on the first sections of stock exchanges in Tokyo, Osaka and Nagoya. <p>November</p> <ul style="list-style-type: none"> ● JT stock listed on stock exchanges in Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo. ● Acquisition of Yelets (Russia). 	<p>1995</p> <p>May</p> <ul style="list-style-type: none"> ● Head office moved back to Minato-ku from Shinagawa-ku following completion of new head office building. ● Peter I launched (Russia).
<p>1999</p> <p>May</p> <ul style="list-style-type: none"> ● JT acquires the non-U.S. tobacco business of RJR Nabisco Inc. <p>July</p> <ul style="list-style-type: none"> ● JT acquires the food business of Asahi Kasei Corporation, including Asahi Foods and seven other subsidiaries. <p>October</p> <ul style="list-style-type: none"> ● Under a business tie-up between JT and Torii Pharmaceutical Co., Ltd., the two companies' R&D operations related to medical pharmaceuticals are concentrated at JT, while their promotion operations are combined at Torii Pharmaceutical. ● LD launched (Russia). 	<p>2000</p> <p>December</p> <ul style="list-style-type: none"> ● Factory in Manchester, UK closed. ● Acquisition of Liggett-Ducat (Russia). 	<p>2001</p> <p>December</p> <ul style="list-style-type: none"> ● Factory in Warsaw, Poland closed. ● Acquisition of Austria Tabak.
<p>2005</p> <p>March</p> <ul style="list-style-type: none"> ● Ueda, Hakodate, Takasaki, Takamatsu, Tokushima, Usuki, Kagoshima and Miyakonojo factories closed as a rationalization measure to ensure long-term profitability for the domestic tobacco business. <p>April</p> <ul style="list-style-type: none"> ● JT terminates a licensing contract under which it had exclusive rights to produce and sell Marlboro brand products in Japan and use the Marlboro trademark in the country. <p>June</p> <ul style="list-style-type: none"> ● Acquisition of CRES Neva Ltd. (Russia). ● Glamour launched (Russia, Ukraine, Kazakhstan). 	<p>2006</p> <p>April</p> <ul style="list-style-type: none"> ● JT implements a five-for-one stock split in order to expand the investor base, effective April 1, 2006. <p>May</p> <ul style="list-style-type: none"> ● Acquisition of AD Duvanska Industrija Senta in Serbia. <p>June</p> <ul style="list-style-type: none"> ● Factory in Czech Republic closed. 	<p>2007</p> <p>April</p> <ul style="list-style-type: none"> ● JT acquires all outstanding shares of Gallaher Group Plc. <p>July</p> <ul style="list-style-type: none"> ● Factory in Menemen, Turkey closed. <p>October</p> <ul style="list-style-type: none"> ● One of Factory in Bucharest, Romania closed.

to maintain the domestic sales volume. In the 1990s, JT's competition with foreign rivals in the Japanese market heated up further. Furthermore, overall cigarette demand in Japan peaked out in the latter half of the 1990s due to a contraction of the adult population and growing concern about health problems associated with smoking. Amid the increasingly difficult operating environment for the domestic tobacco business, JT took additional rationalization steps, pursued consolidation of operations in its areas of business diversification and expanded the international tobacco business, thereby

strengthening its business foundation. JT significantly strengthened the international tobacco business by acquiring RJR Nabisco's non-U.S. tobacco operations in 1999 and Gallaher in 2007. With its international sales volume exceeding its domestic sales volume, the JT Group continues to grow as a global tobacco company. The international tobacco business is the engine of the JT Group's profit growth through the comprehensive brand portfolio which includes Winston, Camel and Mild Seven as well as Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

<p>1988</p> <p>October</p> <ul style="list-style-type: none"> ● "JT" communication name introduced. 	<p>1991</p> <p>July</p> <ul style="list-style-type: none"> ● Head office temporarily relocated from Minato-ku to Shinagawa-ku during construction of new head office building. 	<p>1992</p> <ul style="list-style-type: none"> ● Acquisition of Manchester Tobacco Company Ltd. ● Acquisition of AS-Petro (Russia).
<p>1996</p> <p>June</p> <ul style="list-style-type: none"> ● Government releases second tranche of outstanding JT shares (272,390 shares offered at 815,000 yen apiece). ● Acquisition of Tanzanian tobacco production facility. 	<p>1997</p> <p>April</p> <ul style="list-style-type: none"> ● JT ends its salt monopoly business in line with abolition of the salt monopoly system. ● The Tobacco Mutual Aid Pension scheme integrated into the Employees' Pension scheme. ● American Brands spins off Gallaher which becomes Gallaher Group Plc and is listed on the London and New York stock exchanges. 	<p>1998</p> <p>April</p> <ul style="list-style-type: none"> ● JT signs an agreement with Unimat Corporation (Currently, Japan Beverage Inc.) on a tie-up regarding soft drink business. ● JT later acquires a majority stake in Unimat. <p>December</p> <ul style="list-style-type: none"> ● JT acquires a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.
<p>2002</p> <p>March</p> <ul style="list-style-type: none"> ● Factory in Puerto Rico closed. 	<p>2003</p> <p>March</p> <ul style="list-style-type: none"> ● Sendai, Nagoya and Hashimoto factories closed as a rationalization measure to ensure long-term profitability for the domestic tobacco business. <p>October</p> <ul style="list-style-type: none"> ● JT repurchases 45,800 own shares to increase its management options. 	<p>2004</p> <p>March</p> <ul style="list-style-type: none"> ● Hiroshima, Fuchu, Matsuyama and Naha factories closed as a rationalization measure to ensure long-term profitability for the domestic tobacco business. <p>June</p> <ul style="list-style-type: none"> ● Government releases third tranche of outstanding JT shares (289,334 shares offered at 843,000 yen apiece), reducing its stake in JT to the minimum level allowed under law. <p>November–March 2005</p> <ul style="list-style-type: none"> ● JT repurchases 38,184 own shares to increase its management options.
<p>2008</p> <p>January</p> <ul style="list-style-type: none"> ● JT acquires a majority stake in Katokichi Co., Ltd. through a tender offer. <p>April</p> <ul style="list-style-type: none"> ● JT acquires a majority stake in Fuji Foods Corporation <p>July</p> <ul style="list-style-type: none"> ● JT concentrates its processed foods operations, including frozen foods operations and seasonings operations, at the Katokichi Group. <p>November</p> <ul style="list-style-type: none"> ● Factory in Singapore closed. 	<p>2009</p> <p>March</p> <ul style="list-style-type: none"> ● Kanazawa factory closed as a rationalization measure to ensure long-term profitability for the domestic tobacco business. <ul style="list-style-type: none"> ● JTI celebrates its 10th anniversary. 	<p>Note: ● Main topics of RJR Nabisco's non-U.S. operations before participating in the JT Group.</p> <ul style="list-style-type: none"> ● Main topics of Gallaher before participating in the JT Group.