

**INTEROFFICE
MEMORANDUM****R. J. REYNOLDS/M. C. TOBACCO CO. LTD.**

DATE: December 9, 1988
TO: David Guilfoile / Randy Coupland
FROM: Fason A. Purnell
SUBJECT: New Assumptions and Summary Financials (WS-158)

Attached are new assumptions as requested. G&A was left unchanged from prior. Four P&L's plus consolidated are provided for Test Market, Kanto, Kansai, and Local. All G&A included in Test Market.

Good Luck and Best regards,

Fason 

FAP:kum

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TOBACCO DEVELOPMENT
(CONSOLIDATED)
P&L - Japan

(Dollars in Millions)

	1988 BUDGET	1988 LE	1989 PLAN	1990	1991	REVENUE COST ASSUMPTIONS 1994 *6
Volume (MM)	-	-	-	638	2,889	
Adjusted Gross Sales	-	-	-	45.2	204.8	
Net Sales	-	-	-	24.4	149.4 ⁽²⁾	
Variable Costs	-	-	-	24.1	109.1	
Contribution Margin	-	-	-	0.3	40.2	
Manufacturing Expenses	-	-	-	-	38.9	
Gross Margin	-	-	-	0.3	1.3	
Marketing	0.8	0.4	1.4	3.9	20.5 ^{18.2}	
MAPE	(0.8)	(0.4)	(1.4)	(3.6)	(19.2)	
G&A	0.3	0.7	3.0	3.6	3.7	
R&D	-	-	0.3	0.3	0.4	
Operating Income	(1.1)	(1.1)	(4.7)	(7.5)	(23.3)	
Other (Inc) Expense (1)	-	-	(1.4)	(2.5)	(7.9)	
Operating Earnings	(1.1)	(1.1)	(3.3)	(5.0)	(15.4)	
Cap. Interest Inc (Exp)	-	-	-	-	-	
Asset Charge Inc (Exp)	-	-	-	(0.6)	(2.9)	
IBT	(1.1)	(1.1)	(3.3)	(5.6)	(18.3)	(4.5)
Provision for Taxes	(0.4)	(0.5)	(1.8)	(3.0)	(10.0)	
Net Earnings	(0.7)	(0.6)	(1.5)	(2.6)	(8.3)	

(1) Minority Interest (Inc) Exp.

(2) Includes JTI Contribution

Note: Effective tax rate at 38% for 1989-1991.

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TOBACCO DEVELOPMENT
(TEST MARKET)
P&L - Japan

(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
Volume (MM)	-	-	-	613	984
Adjusted Gross Sales	-	-	-	43.4	69.7
Net Sales	-	-	-	23.4	37.6
Variable Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>23.1</u>	<u>37.2</u>
Contribution Margin	-	-	-	0.3	0.4
Manufacturing Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross Margin	-	-	-	0.3	0.4
Marketing	<u>0.8</u>	<u>0.4</u>	<u>1.4</u>	<u>3.9</u>	<u>6.3</u>
MAPE	(0.8)	(0.4)	(1.4)	(3.6)	(5.9)
G&A	0.3	0.7	3.0	3.6	3.7
R&D	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>
Operating Income	(1.1)	(1.1)	(4.7)	(7.5)	(10.0)
Other (Inc) Expense (1)	<u>-</u>	<u>-</u>	<u>(1.4)</u>	<u>(2.5)</u>	<u>(3.3)</u>
Operating Earnings	(1.1)	(1.1)	(3.3)	(5.0)	(6.7)
Cap. Interest Inc (Exp)	-	-	-	-	-
Asset Charge Inc (Exp)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.6)</u>	<u>(1.0)</u>
IBT	(1.1)	(1.1)	(3.3)	(5.6)	(7.7)
Provision for Taxes	<u>(0.4)</u>	<u>(0.5)</u>	<u>(1.8)</u>	<u>(3.0)</u>	<u>(4.2)</u>
Net Earnings	<u>(0.7)</u>	<u>(0.6)</u>	<u>(1.5)</u>	<u>(2.6)</u>	<u>(3.5)</u>

(1) Minority Interest (Inc) Exp.

Note: Effective tax rate at 38% for 1989-1991.

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TOBACCO DEVELOPMENT
(KANTO ROLL-OUT)
P&L - Japan

(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
Volume (MM)	-	-	-	25	1,130
Adjusted Gross Sales	-	-	-	1.8	80.1
Net Sales	-	-	-	0.9	43.1
Variable Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.9</u>	<u>42.7</u>
Contribution Margin	-	-	-	-	0.4
Manufacturing Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross Margin	-	-	-	-	0.4
Marketing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.1</u>
MAPE	-	-	-	-	(6.7)
G&A	-	-	-	-	-
R&D	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income	-	-	-	-	(6.7)
Other (Inc) Expense (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.4)</u>
Operating Earnings	-	-	-	-	(4.3)
Cap. Interest Inc (Exp)	-	-	-	-	-
Asset Charge Inc (Exp)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.1)</u>
IBT	-	-	-	-	(5.4)
Provision for Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.9)</u>
Net Earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.5)</u>

(1) Minority Interest (Inc) Exp.

Note: Effective tax rate at 38% for 1989-1991.

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TOBACCO DEVELOPMENT
(KANSAI ROLL-OUT)
P&L - Japan

(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
Volume (MM)	-	-	-	-	775
Adjusted Gross Sales	-	-	-	-	54.9
Net Sales	-	-	-	-	29.6
Variable Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29.3</u>
Contribution Margin	-	-	-	-	0.3
Manufacturing Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross Margin	-	-	-	-	0.3
Marketing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.1</u>
MAPE	-	-	-	-	(6.8)
G&A	-	-	-	-	-
R&D	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income	-	-	-	-	(6.8)
Other (Inc) Expense (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.3)</u>
Operating Earnings	-	-	-	-	(4.5)
Cap. Interest Inc (Exp)	-	-	-	-	-
Asset Charge Inc (Exp)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.8)</u>
IBT	-	-	-	-	(5.3)
Provision for Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.9)</u>
Net Earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.4)</u>

(1) Minority Interest (Inc) Exp.

Note: Effective tax rate at 38% for 1989-1991.

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TOBACCO DEVELOPMENT
(LOCAL MFG)
P&L - Japan

(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
Volume (MM)	-	-	-	-	-
Adjusted Gross Sales	-	-	-	-	-
Net Sales	-	-	-	-	39.1 ⁽²⁾
Variable Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Margin	-	-	-	-	39.1
Manufacturing Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38.9</u>
Gross Margin	-	-	-	-	0.2
Marketing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
MAPE	-	-	-	-	0.2
G&A	-	-	-	-	-
R&D	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income	-	-	-	-	0.2
Other (Inc) Expense (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>
Operating Earnings	-	-	-	-	0.1
Cap. Interest Inc (Exp)	-	-	-	-	-
Asset Charge Inc (Exp)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
IBT	-	-	-	-	0.1
Provision for Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>

(1) Minority Interest (Inc) Exp.

(2) Includes JTI Contribution

Note: Effective tax rate at 38% for 1989-1991.

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TOBACCO DEVELOPMENT
Balance Sheet - Japan
(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
Trade Receivables	-	-	-	2.9	16.9
Inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>8.3</u>	<u>37.7</u>
Current Assets	-	-	-	11.2	54.6
PP&E - Gross	-	0.1	0.2	0.3	0.3
Accum. Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.1</u>
PP&E - Net	-	0.1	0.2	0.2	0.2
Other Assets	<u>-</u>	<u>0.5</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total Assets	<u>-</u>	<u>0.6</u>	<u>0.9</u>	<u>12.1</u>	<u>55.5</u>
Other Payables	-	-	0.4	0.4	5.6
Other Liabilities (1)	-	-	(1.4)	(3.9)	(11.8)
Interco - Net	0.7	1.2	3.6	19.9	74.3
Retained Earnings	<u>(0.7)</u>	<u>(0.6)</u>	<u>(1.7)</u>	<u>(4.3)</u>	<u>(12.6)</u>
Total Liab./Equity	<u>-</u>	<u>0.6</u>	<u>0.9</u>	<u>12.1</u>	<u>55.5</u>

(1) Primarily minority interest

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TOBACCO DEVELOPMENT
Cash Flow - Japan
(Dollars in Millions)

	<u>1988 BUDGET</u>	<u>1988 LE</u>	<u>1989 PLAN</u>	<u>1990</u>	<u>1991</u>
<u>Cash Flow From Operations</u>					
Net Earnings	(0.7)	(0.6)	(1.5)	(2.6)	(8.3)
Change in Working					
Capital	-	-	0.4	(11.2)	(38.2)
Other	<u>-</u>	<u>(0.5)</u>	<u>(1.2)</u>	<u>(2.4)</u>	<u>(7.9)</u>
Net Cash from Oper.	<u>(0.7)</u>	<u>(1.1)</u>	<u>(2.3)</u>	<u>(16.2)</u>	<u>54.4</u>
 <u>Cash From Investing Activities</u>					
Capital Expenditures	-	(0.1)	(0.1)	(0.1)	-
 <u>Operating Management Cash Flow</u>	<u>(0.7)</u>	<u>(1.2)</u>	<u>(2.4)</u>	<u>(16.3)</u>	<u>(54.4)</u>
 Inc(Dec) Interco Acct.	<u>0.7</u>	<u>1.2</u>	<u>2.4</u>	<u>16.3</u>	<u>54.4</u>

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Japan
U.S. SHIPMENTS
 Units (Millions)
(range)

Japan

<u>Period</u>		<u>TEST</u>	<u>KANTO</u>	<u>KANSAI</u>	<u>TOTAL</u>
3	FEB 1990	18			18
4	MAR	10			10
5	APR	11			11
6	MAY	82			82
7	JUN	82			82
8	JUL	82			82
9	AUG	82			82
10	SEP	82			82
11	OCT	82			82
12	NOV	82	25		107
	1990 TOTAL	613	25		638
1	DEC 1990	82	25		107
2	JAN 1991	82	25		107
3	FEB	82	80		162
4	MAR	82	80		162
5	APR	82	80		162
6	MAY	82	120		202
7	JUN	82	120		202
8	JUL	82	120		202
9	AUG	82	120	155	357
10	SEP	82	120	155	357
11	OCT	82	120	155	357
12	NOV 1991	82	120	310	512
	1991 TOTAL	984	1,130	775	2,889

DEC
 JAN 82
 FEB

MAR
 APR

MAY
 JUNE

JULY

202 EACH MONTH

300 180

100 EA

50 EA

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JAPAN PROJECT1989 - 91 PLAN REVISIONSJOINT-VENTURE ASSUMPTIONSJOINT-VENTURE

- (I) RJR AND JTI FORM 51/49 % JV (RJR MAJORITY) IN SEPTEMBER, 1989.
- (II) JV IS LICENSED TRADEMARKS AND PATENTS BY RJRTC. JV IN TURN LICENSES JTI TO MANUFACTURE ON BEHALF OF JV.
- (III) JV PRIMARY FUNCTION IS THE MARKETING OF THE PRODUCT IN JAPAN, AND THE MANAGEMENT OF JTI MANUFACTURING AGREEMENTS.

PRODUCT COST/PRICING

- (I) PRODUCT COST ASSUMPTIONS ARE INCREASED BY \$10 PER M ACROSS THE PLAN PERIOD FOR U.S. SOURCED PRODUCT.
- (II) PRODUCT COST SUBSIDIES ARE ELIMINATED FROM THE SCHEDULES.
- (III) LOCAL MANUFACTURE COST ASSUMPTIONS AND RETAIL PRICING ASSUMPTIONS REMAIN UNCHANGED.

VOLUME

- (I) VOLUME (RETAIL SALES) ASSUMPTIONS UNCHANGED, BUT SHIFTED TO REFLECT 4/1/90 TEST MARKET LANCH.
- (II) START-UP OF LOCAL MANUFACTURING UNCHANGED

(C) 1991 RJR

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JAPAN PROJECT1989 - 91 PLAN REVISIONSOTHER G&A

	<u>OP</u>	<u>REVISED</u>
<u>OFFICE EXPENSE</u>		
OFFICE MOVE	4/1/89	9/1/89
<u>TRAVEL & ENTERTAINMENT</u>	- NO CHANGE -	
<u>LEGAL EXPENSE (\$000)</u>	200	300
89 ONLY; 90-91 UNCHANGED		
<u>PA/PR</u>	- NO CHANGE -	
<u>DEPRECIATION</u>	(SEE OFFICE EXPENSE)	
<u>MISC. EXPENSE</u>	- NO CHANGE -	

R&D EXPENSE

NO CHANGE; BUDGET REFLECTS SALARY/BENEFITS FOR R&D
MANAGER.

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JAPAN PROJECT**1989 - 91 PLAN REVISIONS****MARKETING EXPENDITURE**

(\$000)	<u>1989</u>	<u>1990</u>	<u>1991</u>
MEDIA	-	2,500	9,900
PRODUCTION	350	100	300
CONSUMER PROMOTION	-	200	4,000
TRADE PROMOTION	-	100	3,000
OTHER MARKETING	1,010	1,000	1,000
TOTAL MARKETING	<u>1,360</u>	<u>3,900</u>	<u>18,200</u>

NOTES

- (I) 1989 BUDGET REFLECTS DELAY IN TEST MARKET TO 1990. PRODUCTION, OTHER MARKETING COVERS RESEARCH, RESEARCH-RELATED PRODUCTION, AND AD AGENCY FEES.
- (II) 1990 BUDGET REFLECTS TEST MARKET LAUNCH, AND 10% PROJECTED MEDIA RATE INCREASE. OTHER MARKETING INCLUDES AD AGENCY FEES, TRACKING RESEARCH, ON-GOING PRODUCT DEVELOPMENT RESEARCH.
- (III) 1991 BUDGET REFLECTS KANTO ROLLOUT 1/1/91, KANSAI ROLLOUT 7/1/91, 10% MEDIA RATE INCREASE CARRY-OVER, REALLOCATION OF OTHER MARKETING BETWEEN TRADE PROMOTION AND RESEARCH.

JAPAN PROJECT1989 - 91 PLAN REVISIONS1989⁹ HEADCOUNT

	<u>OP</u>	<u>REVISED</u>
V.P. PLANNING DEVELOPMENT	4/1/89	1/1/89 ✓
" " SECRETARY	4/1/89	1/1/89 ✓
FINANCIAL DIRECTOR	9/19/88	1/1/89
FINANCIAL PLANNER	4/1/89	1/1/89 ✓
RESEARCH ASSISTANT	4/1/89	- X
BRAND MANAGER	4/1/89	9/1/89
SALES DIRECTOR (JTI)	4/1/89	9/1/89
SALES MANAGER (JTI)	4/1/89	9/1/89
EXECUTIVE (JTI)	4/1/89	9/1/89
SALES SECRETARY	4/1/89	9/1/89
OPERATIONS DIRECTOR	10/1/88	2/1/89
OPERATIONS/R&D SECRETARY	4/1/89	2/1/89
R&D MANAGER	4/1/89	4/1/89

NOTES

- (I) FINANCIAL MANAGER POSITION UP-GRADED TO DIRECTOR (EXPAT).
- (II) RESEARCH ASSISTANT DELAYED UNTIL 1/1/90.
- (III) NO CHANGE TO ASSUMPTIONS FOR 1990/1991.

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RJRTDQ/JV OPERATING EXPENSES

KEY ASSUMPTION

1. Personnel Cost**CONFIDENTIAL**
P&D

<u>Position</u>	<u>Level</u>	<u>Starts</u>	<u>End</u>	<u>Family</u>
Marketing Director*	E <i>Krster</i>	9/19/88	3/31/92	2
Market Research Mgr*	T <i>Susan</i>	9/19/88	3/31/91	1
Planning & Dev. Mgr.	<i>Jimmy</i> 11	9/19/88		
Finance Manager	<i>Masunaga (?)</i>	9/19/88		
2 Secretaries	<i>Minakata - Susan</i>	9/1/88		
Operations Director*	E	10/1/88		4
R&D Manager*	E	4/1/89		3
Financial Planner	F 10	4/1/89		
Brand Manager	C 10	4/1/89		
Brand Manager	C 10	4/1/89		
Sales Director/from JTI	(12+)	4/1/89		
Sales Manager/from JTI	(12+)	4/1/89		
Executive/from JTI	(12+)	4/1/89		
Secretary	G 6	4/1/89		
2 Secretaries	G 5	4/1/89		
V.P. Plan. & Dev.*	<i>ERMCT</i> ?	4/1/89		
Accountant	F 10	1/1/90		
Asst. Brand Manager	G 8	1/1/90		
2 Secretaries	E 5	1/1/90		
Asst. Brand Manager	G 8	1/1/91		
Operations Planning/from JTI	(11)	1/1/90		
Sales Planner/from JTI	(11)	1/1/90		
2 Clerical Assistants	C 7	1/1/91		

Note: * marks are Expatriates

calculation based on:

- US Fringe - 27% of Base
- COLA - 77% of Base
- Hypo Tax - 20% of Base
- Japan Tax - 60% of total income
- US\$1 - Yen 135

annual base up - Expatriates 5%
Local employees 6.5%

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2. Office Expense

Office move or expansion planned in 2nd quarter of 1989.

Furnitures based on lease.

Monthly Rent Yen 3.5MM (80 tsubo) till end of 1Q of 1989.

Monthly Rent Yen 4.0MM (100 tsubo) from 2Q 1989.

P-10 Interia work for 1988 = 6MM

Apr Interia work for 1989 = 30MM

3. Travel & Entertainment

Overseas trip in 1988 - 7 times Yen 0.7MM x 7 4.9MM

Overseas trip in 1989 - 12 times Yen 0.7MM x 12 8.4MM

Overseas trip in 1990 - 9 times Yen 0.7MM x 9 6.3MM

Big party in 1989 - 12MM

4. Misc. (PC and Wordprocessor)

3 PC in 1988 for DMC/MD/HRM Yen 2.7MM

3 PSPC in 1988 for secretaries Yen 3.0MM

1 PC in 1989 for OD Yen 1.0MM

2 PSPC in 1989 for secretaries Yen 2.0MM

3 PC in 1990 for Fin. Yen 4.0MM

Deposit for office ¥ 70MM in 1988

" 88
Additional ¥ 20 in 1989 Apr.

RJRTDC/JV OPERATING EXPENSES

	<u>RJRTDC</u>		<u>J.V.</u>				
	<u>1988</u>	<u>1989</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Personnel Cost \$MM	299.2	454.9	1,889	3,256	3,425	3,178	3,174
Office Expense	129.6	200.0	405.2	385.2	407.4	429.6	444.0
Travel/Entertainment	38.5	51.0	100.0	51.9	48.1	48.1	48.1
Misc. (PG/PSFC)	45.0	3.0	25.0	31.0	5.0	5.5	5.5

\$M 512.3 713.9 2,419.2 3,724.7 3,885.5 3,661.2 3,671.6

R&D (Personnel Cost) (271.9) (361.3) (379.0) (358.0) (412.0)
 Leasehold Improv. (46.2) (230.8)
 (Office Exp.)

Net R&D Exp. 466.1 713.9 1,916.5 3,362.8 3,406.5 3,266.2 3,258.6

PERSONNEL COST

¥MM ¥M

	RJRTDC		J.V.				
	1988	1989	1989	1990	1991	1992	1993
Marketing Director (9/19/88-3/31/92)							
: Salary \$75	15.6	26.0	53.0	83.0	87.0	30.0	
: Fringe - US/COLA	16.7	28.0	56.5	89.0	93.0	32.0	
: Tax EQ.	20.0	33.0	63.0	103.0	108.0	37.0	
: Housing/Utility	17.3	35.0	69.0	114.0	114.0	38.0	
: Relocation	-	-	-	-	-	27.5	
: Car	1.8	4.0	8.0	12.6	13.0	5.0	
: HL/Club/Misc.	0.5	3.5	6.9	11.0	11.0	0.9	
E TOTAL:	71.9	129.5	258.4	412.6	426.0	170.4	

Market Research Manager (9/19/88-3/31/91)							
: Salary \$60	10.0	21.0	42.0	66.0	23.0		
: Fringe - US/COLA	10.7	22.0	44.0	69.0	24.0		
: Tax EQ.	12.5	30.0	60.0	94.5	33.0		
: Housing/Utility	10.0	35.0	71.0	110.0	39.0		
: Relocation	25.0	-	-	-	26.0		
: Car	1.0	4.0	8.0	12.0	4.0		
: HL/Club/Misc.	11.6*	2.0	4.1	6.1	0.9		
E TOTAL:	80.8	114	229.1	357.6	149.9		
* Club Entrance Fee Yen 1.5MM							

Planning & Dev. Mgr (9/19/88-)							
: Salary ¥578M	1.2	2.4	4.9	7.7	8.2	8.7	9.2
: Bonus	0.5	1.0	2.0	3.2	3.4	3.6	3.8
: Fringe	0.4	0.7	1.5	2.3	2.4	2.6	2.8
TOTAL:	2.1	4.1	8.4	13.2	14.0	14.9	15.8
US\$:	17.0	20.3	62.2	97.8	103.7	110.4	117.0

Finance Manager (9/19/88-)							
: Salary ¥700	1.4	3.0	5.9	9.5	10.1	10.8	12.0
: Bonus	0.6	1.2	2.5	3.9	4.1	4.4	4.7
: Fringe	0.5	1.0	2.2	3.4	3.6	3.8	4.0
TOTAL:	2.5	5.2	10.6	16.8	17.8	19.0	20.7
US\$:	18.5	88.5	78.5	124.4	131.9	140.7	153.3

2 Secretaries (9/1/88-)							
: Salary ¥275x2	1.7	2.0	3.9	6.3	6.7	7.1	7.6
: Bonus	0.2	1.0	2.0	3.0	3.0	3.0	3.0

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PERSONNEL COST (cont'd)

	<u>RJRTDC</u>		<u>J.V.</u>				
	<u>1988</u>	<u>1989</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Operations Director (10/1/88-) 4 family							
: Salary \$70	11.6	24.0	50.0	78.0	87.0	66.0	90.0
: Fringe - US/COLA	12.5	25.0	51.0	80.0	84.0	88.0	92.5
: Tax Eq.	15.0	30.0	60.0	95.0	100.0	105.0	110.0
: Housing/Utilities	11.0	22.0	44.0	68.0	70.0	75.0	77.0
: Relocation	25.0	-	-	-	-	-	-
: Car	1.8	4.0	8.0	12.6	13.0	13.0	15.0
: HL/Club	11.6*	4.9	9.8	15.0	16.0	16.0	17.0
: Misc./School	1.0	7.3	14.7	22.0	23.0	23.0	24.0

TOTAL: \$

* club entrance fee 7.15 mm.

R&D Manager (4/1/89-) 3 family							
: Salary \$60	-	-	42.0	66.0	69.0	72.0	76.0
: Fringe - US/COLA	-	-	44.0	69.0	72.0	76.0	80.0
: Tax Eq.	-	-	52.0	82.0	86.0	90.0	95.0
: Housing/Utilities	-	-	71.0	110.0	116.0	120.0	125.0
: Relocation	-	-	25.0	-	-	-	-
: Car	-	-	8.0	12.0	12.0	13.0	13.0
: HL/Club	-	-	22.4*	11.3	12.0	12.0	12.0
: Misc./ School	-	-	7.5	11.0	12.0	12.0	12.0

TOTAL: \$

* club entrance fee 11.50 mm.

Financial Planner/Brand Manager/Research Asst.
(4/1/89-) level 10

: Salary	-	-	12.7	20.0	21.3	22.7	24.2
: Bonus	-	-	5.3	8.5	9.0	9.6	10.2
: Fringe	-	-	4.0	6.4	6.8	7.2	7.7

TOTAL:

US\$:

	23.0	34.9	37.1	39.5	42.1
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3 JTI Secondaries

(Sales Dir/Sales Mgr/Exec.)

US\$

26.0 41.3 44.2 47.1 50.1

192.6 307.4 327.4 348.9 371.1

3 Secretaries (inc. DMG's)

(4/1/89-)

: Salary	-	-	5.3	8.5	9.1	9.7	10.3
: Bonus	-	-	2.3	3.7	3.9	4.2	4.5
: Fringe	-	-	1.7	2.7	2.9	3.1	3.3

TOTAL:

9.3 14.9 15.9 17.0 18.1

(2)

PERSONNEL COST (cont'd)

	<u>RJR/TDC</u>		<u>J.V.</u>		<u>1992</u>	<u>1993</u>
	<u>1988</u>	<u>1989</u>	<u>1989</u>	<u>1990</u>		
DWG						
(4/1/89-)						
: Salary	-	-	53.4	85.0	89.3	98.5
: Fringe - US/COLA	-	-	56.1	89.4	93.9	103.5
: Tax Dq.	-	-	65.7	104.5	109.7	121.0
: Housing/Utilities	-	-	76.6	116.0	116.0	116.0
: Relocation	-	-	-	-	-	-
: Car	-	-	8.6	13.5	13.5	14.0
: HL/Club	-	-	7.3	11.0	11.0	12.0
: Misc.	-	-	-	-	-	-
			267.7	414.4	433.4	465.0
F	TOTAL: \$					
Accountant/2 Asst. EM/2 Sec.						
(1/1/1990- and 1 Asst EM 1/1/1991-)						
: Salary	-	-	-	16.7	22.0	23.4
: Bonus	-	-	-	7.1	9.4	10.0
: Fringe	-	-	-	5.3	7.1	7.6
TOTAL:				19.1	38.5	41.0
US\$:				141.5	285.2	303.7
F/M						
2 JTY Secondees						
(1/1/1990-)						
				26.2	28.6	30.5
US\$				199.3	211.9	225.9
2 Clerical Assistants						
: Salary	-	-	-	-	7.4	7.9
: Bonus	-	-	-	-	3.1	3.3
: Fringe	-	-	-	-	2.3	2.5
TOTAL:					12.8	13.7
US\$					94.8	101.5

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HEADCOUNT FORECAST

BY FUNCTION

1988 L.E. 1989 Plan 1990 Plan 1991 Plan

Salaried:

Administration:

Executive	2	5	5	5
Legal				
Financial	1	2	3	5
Personnel	-	-	-	-
Admin. Facilities	-	-	-	-
Info. Services	-	-	-	-
Other Admin.	2	5	7	7

Total Admin.	5	12	15	17
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Other Salaried:

. Planning & Develop.	1	1	1	1
. Marketing	1	3	4	5
. Sales		1	2	2
. Operation		1	2	2

Total Salaried	7	18	24	27
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Non-Salaried:

Direct Labor Headcount

Total Headcount*	7	18	24	27
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BY TYPE:

Project Team	6	-	-	-
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Technical Development	1	1	1	1
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R&D	-	1	1	1
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All Other	-	16	22	25
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Total Headcount*	7	18	24	27
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Totals must agree