



**THE  
AMERICAN  
TOBACCO  
COMPANY**

OFFICE OF THE  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

July 25, 1986

Mr. W. J. Alley  
Vice Chairman  
American Brands, Inc.

Dear Bill:

My trip to Japan with Paul Clark was quite productive, and I was encouraged by the movement of CARLTON resulting from our strong marketing support.

The ABIC office was very helpful, with Chris Ritchie serving as interpreter and providing within hours accurate written reports on visits to the JTI, Haiso, and Nisshin.

The American Tobacco Company surpassed Rothmans in June to take fourth place for the month, due to strong introductory sales of CARLTON King size (16 million, Haiso to retailers), with 100's up to 5 million and 100 Menthol up to 6.5 million. CARLTON King sales are expected to be about 12 million in July, with less new distribution.

In June, imports were over 3% nationally but 6.2% in Tokyo (where CARLTON King was the #7 import with 3.8% of that segment).

It is difficult to project CARLTON sales because a significant portion of current value is trade pipelining and initial consumer trial. However, we definitely have many loyal smokers.

Plans were established for the balance of 1986, including a launch in Osaka for October. Initial 1987 plans were reviewed.

Hakuhodo will handle all elements of the Osaka launch, with Nisshin now confined to importation duties and servicing large Tokyo

SIX STAMFORD FORUM  
P.O. BOX 10380  
STAMFORD CONNECTICUT 06904-2380  
203 325 4900

*Cigts - Brs - Foreign - Japanese - Carlton - New*

stores, with a cut in their commission.

We interviewed other potential agents with further discussions planned.

At Hakuhodo's suggestion, I visited the President of the JTI and discussed whether they would be interested in distributing CARLTON (reply: not at this time...see attached minutes of meeting).

Other activities included:

- . consultation with Blakemore and Mitsuki regarding agreement with Nisshin.
- . courtesy call on The Tokyo Tobacco Haiso.
- . interviews with two potential employees (one reported that sales of Kent and Hong Kong Tobacco products to PRC are not far below past sales but below growth expectations. Shanghai and the North are more or less closed).

Possible new products for Japan include AMERICAN Lights king size charcoal filter (9-12 mg tar) as a price brand in Tokyo (230-240 Yen and CALRTON Deluxe king size (6 mg tar, possibly with a charcoal filter).

I am pleased with our progress in Japan. We are definitely creating something of value, but need to continue to manage prudently the investment spending and pursue plans for eventual breakeven operations, followed by a positive contribution to profits.

*TCH*

T. C. Hays  
President and  
Chief Executive Officer

Att.

cc: Mr. E. W. Whittemore  
Mr. V. B. Lougee, III

cc: Mr. H. W. Bahrenburg  
Mr. P. T. Clark  
Mr. M. Cooney - ABIC - Tokyo  
Mr. H. G. Kelso  
Mr. C. C. Kern, Jr.  
Mr. J. Ludes - Acushnet - New Bedford  
Mr. W. J. Moore  
Mr. C. H. Mullen  
Mr. R. S. Sprinkle, III ✓