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FOR IMMEDIATE RELEASE

**JT Announces New Compensation Scheme for
Members of the Board and Auditors**

Tokyo April 27, 2007 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today that its Board of Directors has adopted a resolution to change its compensation scheme for the Members of the Board and the Auditors aiming to enhance the company's corporate value.

The new compensation scheme was proposed following the deliberation of JT's Compensation Advisory Panel, which was established on October 1, 2006 and is comprised of two external and three internal members. The new scheme reflects roles and scope of assigned duties of the Members of the Board and the Auditors. Under the new scheme, compensation for the Members of the Board will be more closely tied to the company's performance, as well as mid- to long-term corporate value enhancement.

The Members of the Board who are appointed as Executive Officers are responsible for executing the business plan, thus will receive monthly base salary and an annual bonus based on the performance of the company, as well as stock options in the form of stock acquisition rights as a stock-linked compensation plan tied to the company's mid- to long-term corporate value.

The Members of the Board who are not appointed as Executive Officers will have a different compensation structure since their role is related to the development and oversight of JT's entire corporate strategy to increase the company's shareholder value. They will receive monthly base salary and stock options under the same condition as Executive Officers.



The Auditors, whose main responsibility is auditing the company's governance, will receive only base salary and will not be granted performance based compensation similar to those for the Board Members.

In addition, the existing retirement benefit plan for the Members of the Board and Auditors will be terminated in accordance with the implementation of the new scheme.

These scheme changes will be subject to approval at the company's 22nd Annual General Meeting of Shareholders to be held on June 22, 2007.

Note: For further details of stock options scheme, please refer to the company's press release "Notice Concerning Stock Acquisition Rights for Stock Options" issued today.

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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 Camel, Winston, Mild Seven and Salem. 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.