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FOR IMMEDIATE RELEASE

JTI and the European Commission Sign a Cooperation Agreement to Combat the Illegal Trade of Cigarettes

Tokyo, December 14, 2007 – Japan Tobacco Inc. (JT) (TSE: 2914) announced today that JT International (JTI), its international tobacco subsidiary, has signed a cooperation agreement with the European Commission (EC)¹ and 26 Member States of the EU to combat the contraband and counterfeit of cigarettes in the European Union.

The JT Group cooperates with government authorities around the globe in its efforts to combat the illegal trade of cigarette products. This problem is detrimental to the brand value of our products and it penalizes legitimate retailers and our customers, while depriving governments of revenues. JT believes that today's forward-looking agreement represents a significant milestone in the JT Group's endeavours to tackle this societal issue while protecting the brand equity of the company's products.

The agreement provides for clear processes around seizures and close cooperation between relevant parties including JTI, the EC and the law enforcement authorities of the Member States. JTI will maintain and expand its current internal compliance programmes such as "Know Your Customer (KYC)²" policy and "Tracking and Tracing (T&T)³" system.

While there are currently no legal proceedings by the EC or the Member States pending against JT, JTI or any other JT Group companies, in keeping with the spirit of cooperation, any future civil lawsuits brought by participating parties against the JT Group, arising out of alleged past conduct related to the manufacture, sale, distribution or storage of cigarettes, are excluded.

¹ The European Commission is the executive branch of the European Union.

² KYC is a policy to ensure that JTI only sells products to customers who have integrity and can substantially demonstrate their commitment and ability to fully comply with all local laws as well as its internal stringent standards.

³ T&T aims to label master cases and cartons of JTI cigarettes in a manner which will easily allow government officials to readily obtain key information relating to the manufacture, storage and sales of JTI products.



The agreement calls for JTI to pay US\$400 million over 15 years which can be used by the EC and participating Member States in additional support for anti-contraband and anti-counterfeit initiatives. For the first five years, the company will pay US\$50 million annually; US\$15 million will be paid in each of the following ten years.

While these payments will be booked each year as operating expenses, JT's consolidated financial forecasts for the fiscal year ending March 31, 2008, announced on October 31, did not reflect the payment for the current fiscal year.

[Participating EU Member States]

Austria, Belgium, Bulgaria, Cyprus, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden

Documents pertaining to the agreement and other related materials are available on the JTI website (www.jti.com).

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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 Winston, Camel, Mild Seven and Benson & Hedges. 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.