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FOR IMMEDIATE RELEASE

Transfer of Shares in JT's Australian Subsidiary to be Annulled

Tokyo, September 30, 2008 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today that the transfer of shares in Hans Continental Smallgoods Pty. Ltd. to a special purpose vehicle formed by Anchorage Capital Partners Pty. Ltd., which was announced on August 7, 2008, was cancelled. Hans is JT's wholly-owned chilled foods subsidiary in Australia.

Since JT and the Anchorage special purpose vehicle concluded the share sale agreement on August 7, 2008, both companies proceeded with the preparations for the implementation of the share transfer. However, as conditions stipulated in the share sale agreement are not fulfilled, the transfer of shares has been cancelled following the annulment of the contract.

JT will continue to examine options for its chilled foods business in Australia through the operations of Hans group of companies, although no specific plans exist at this stage.

The impact on JT's consolidated financial results relating to this decision is expected to be minimal.

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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 ¥6.409 trillion in the fiscal year ended March 31, 2008.