Special Feature:
Acquisition of Gallaher Group PLC

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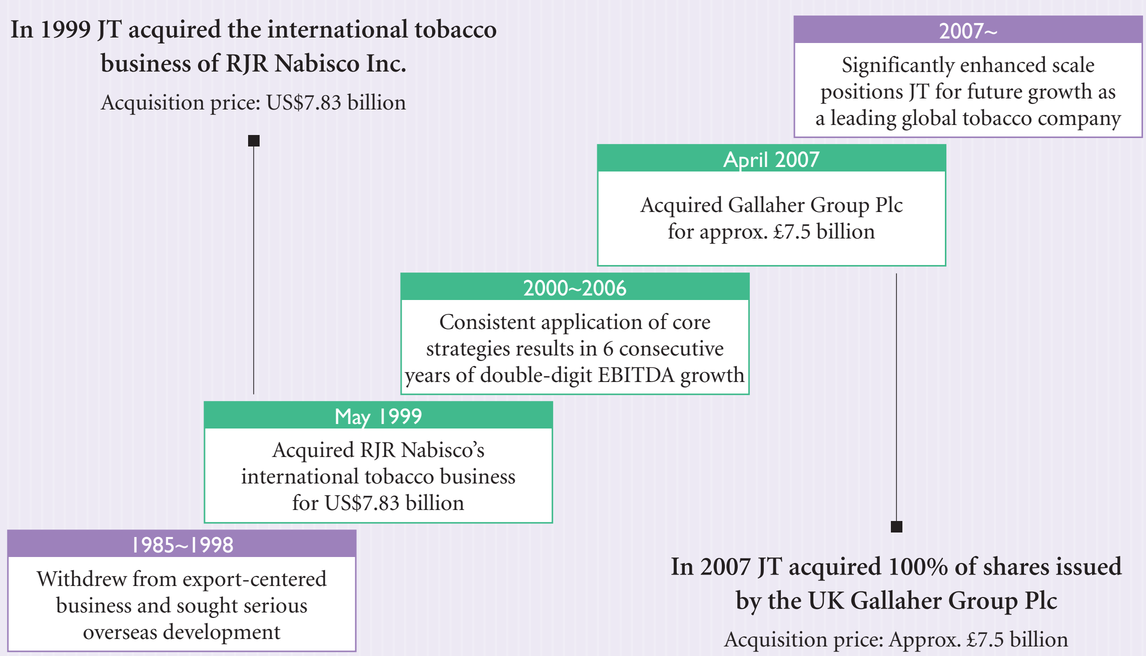
Following the announcement on December 15, 2006 of its offer for Gallaher Group PLC, JT successfully completed the acquisition on April 18, 2007. On the same day, Gallaher was de-listed from the London Stock Exchange, and became a subsidiary of JT. The acquisition price was approx. £7.5 billion (approx. ¥1,720 billion), and the total acquisition price including the assumption of net interest-bearing debt was approx. £9.44 billion (approx. ¥2,180 billion).

Growth Trajectory of the International Tobacco Business

The acquisition of Gallaher represents JT's largest business investment since the acquisition of RJR Nabisco's international tobacco business in 1999 and the subsequent formation of the present JT International ("JTI"). Since that time, JTI has achieved remarkable performance, and remains the engine of profit growth for the JT Group.



JT International's Business Strategy

One of the most important pillars of JTI's business strategy is its clear focus on its Global Flagship Brands (GFB).

As a result of this strategy, GFB sales volume has grown over 50% since 2000, driven by a mixture of mature and emerging markets, and by improvements in the equity of these brands.

Focus on Global Flagship Brands (Camel, Winston, Mild Seven, Salem)

• GFB sales volume has grown by more than 50% since 2000, reaching approximately 150 billion cigarettes annually and representing 62% of JTI's total sales volume.

An equally important pillar of JTI's business strategy is to expand its profit base by focusing on core markets. In 2000, JTI's business performance depended largely on three markets which generated EBITA (Earnings before Interest, Taxes, and Amortization) of over $50 million. As a result of JTI's focus on core markets, JTI now has six markets that generate EBITA of over $50 million.

Focus on 11 Core Markets to Expand the Profit Base

• A balanced regional mix driving continuous growth.
• Markets generating EBITA over US$50 million increased from three in 2000 to six in 2006.

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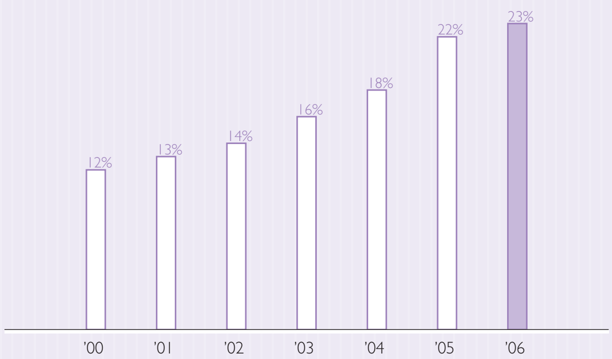
The consistent application of these strategies has enabled JTI to increase its EBITDA margin rate by 11% points over the past six years. Over the same period, JTI has increased its EBITDA by over 200% and has exceeded $1 billion earnings following six consecutive years of double-digit EBITDA growth.

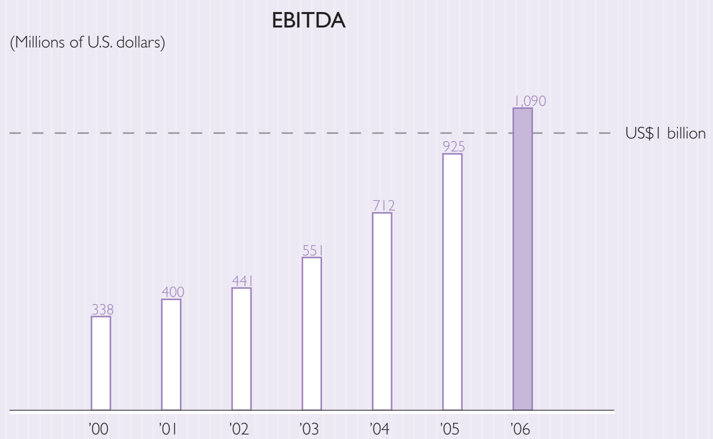
Consistent Application of Core Strategies Drives Improvements in EBITDA Margin

- Strengthen Global Flagship Brand equity
- Leverage & deploy brand portfolio
- Improve impact at point of sale
- Concentrate on core markets
- Reduce cost base while delivering quality products
- Aim for the highest standard of corporate responsibility
- Invest in talent



JT International has Delivered Consistent EBITDA Growth

- EBITDA has increased by over 200% since 2000.
- EBITDA has broken through the US$1 billion barrier following six successive years of double-digit growth.

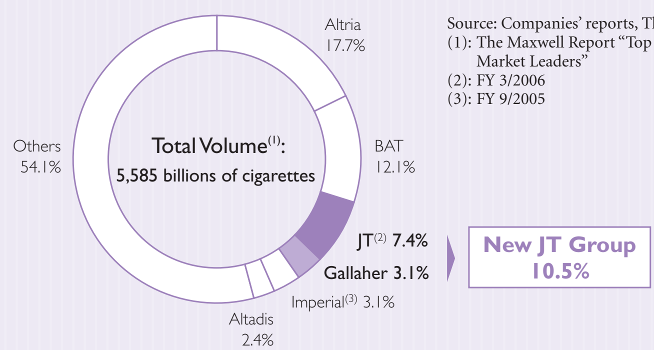


JTI has achieved the fastest organical growth in the tobacco industry by the consistent core strategies.

The Significance of the Gallaher Acquisition

In the global tobacco market, JT and Gallaher were the third and fifth largest companies, respectively. In 2005, the companies had a combined share of the global market of 10.5% (JT: 7.4% and Gallaher: 3.1%). Today, there are ten markets in which JT and Gallaher have a combined No.1 or No.2 share, and the complementary geographies of the two companies is an important factor in JT's decision to acquire Gallaher.

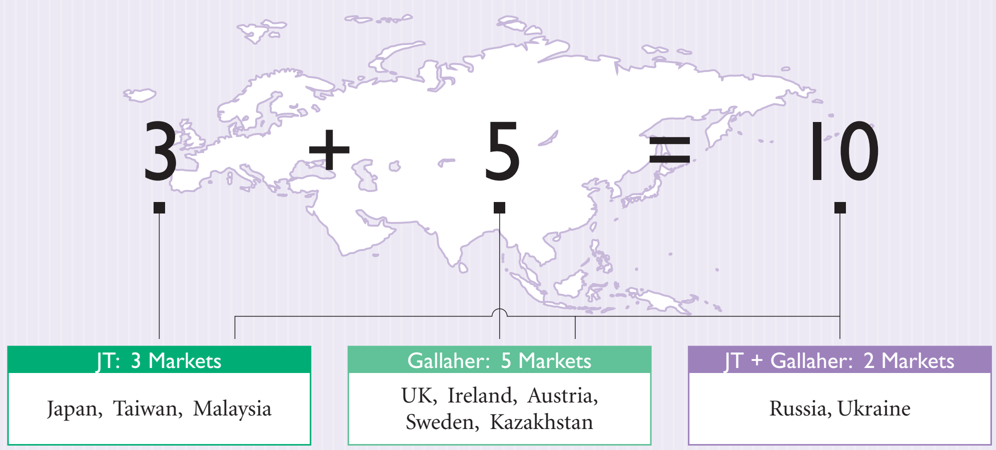
Major Tobacco Companies' Share (2005)



Source: Companies' reports, The Maxwell Report
(1): The Maxwell Report "Top World Cigarette Market Leaders"
(2): FY 3/2006
(3): FY 9/2005

Significance of the Acquisition – Complementary Geography

• Substantial increase in number of markets with No.1 or No.2 market share.



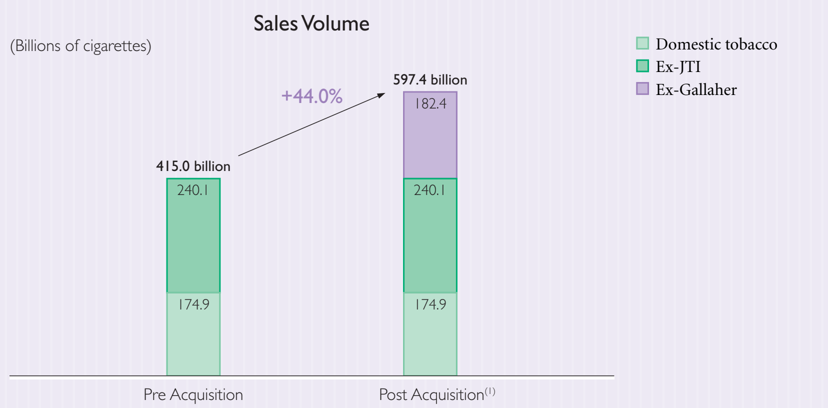
Another important factor is the complementary nature of the brand portfolios of the two companies. Gallaher owns a number of powerful brands including Benson & Hedges, Silk Cut, Sobranie, and LD. Furthermore, Gallaher owns powerful brands in the so-called "other tobacco products" field, which includes hand-rolled cigarettes, cigars, pipe tobacco, and snus. The acquisition of Gallaher will broaden the company's brand portfolio and will enable JT to respond to an even more diverse range of customers and consumers.

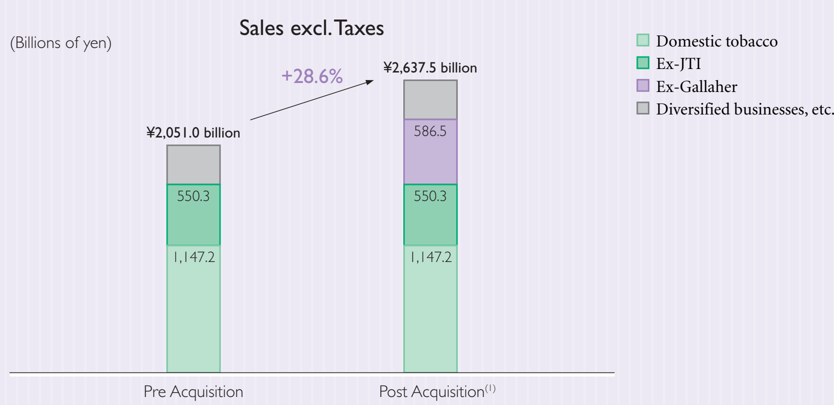
The acquisition of Gallaher further solidifies JT's position as the world's third largest tobacco company. In addition to its already strong business foundation in Asia, JT now has an expanded presence in Europe and the CIS region. The improved geographical balance and business opportunities created by this acquisition will provide JT with the foundation for continued, sustainable growth as one of the tobacco industry's leading companies.

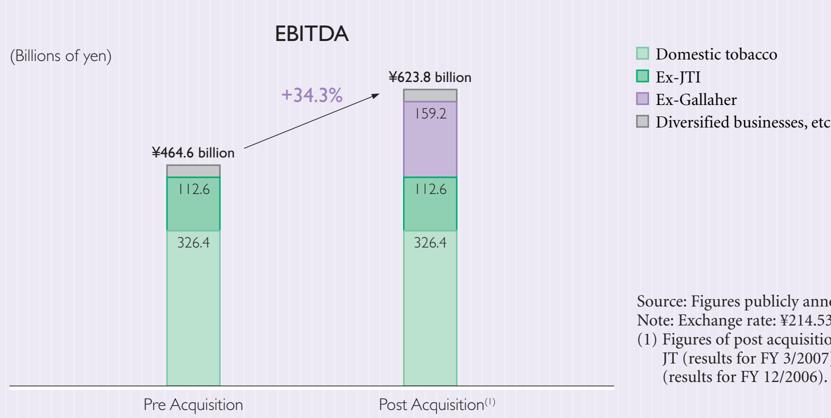
Potential Impact on Business Results

A simple combination of Gallaher's FY 2006 and JT's FY 3/2007 performance suggests a net sales increase of 28.6% from ¥2,051.0 billion before acquisition to ¥2,637.5 billion after acquisition. Likewise, EBITDA increases 34.3% from ¥464.6 billion before acquisition to ¥623.8 billion. While JT's profit structure has traditionally depended on its domestic tobacco business, the revenue share of its international tobacco business will improve substantially following the Gallaher acquisition. The international tobacco business thus joins the domestic tobacco business as an important pillar of revenues for the JT Group. The resulting improvement in business segment mix is an important factor in the future sustainability and growth of JT revenues.

Suggested Financial Profile after Acquisition





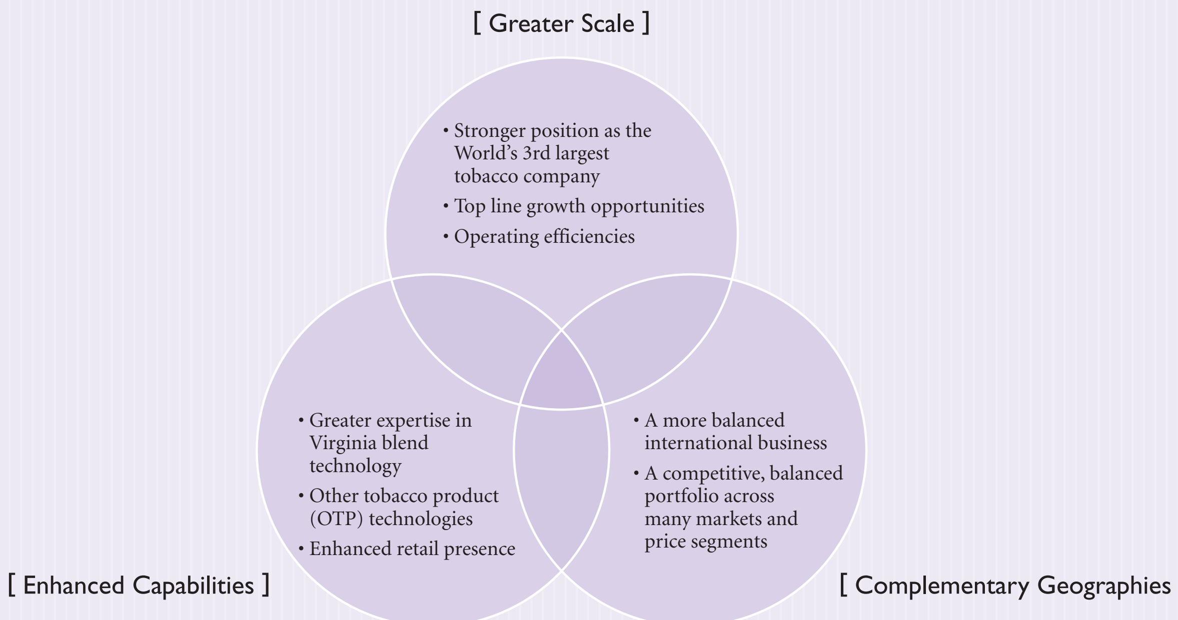


Source: Figures publicly announced by each company
Note: Exchange rate: ¥214.53 ¥/£ (2006 AR)
(1) Figures of post acquisition are the simple total of JT (results for FY 3/2007) and Gallaher (results for FY 12/2006).

Early Realization of Integration Effects

As a result of this acquisition, the integration of the complementary business geography and operations of both groups will expand JT's business scale, and will reinforce our technology and distribution infrastructure. In addition, integration of the businesses will enable us to realize important synergies which will improve our top line and reduce costs through improved business efficiency. Integration process has been establishing to ensure the prompt and optimal realization of these synergies.

Significance of the JT Group Acquisition



Business Integration Policy

- One management team, one company
- Sense of urgency
- Strictly minimize disruptions to existing business
- Maintain focus on consumers and customers
- Capture synergies in a disciplined and systematic manner