

Welcome to the Delight World Vol.24

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A Message from Management

In the consolidated financial results for the nine months of the fiscal year ending March 31, 2009, net sales and EBITDA (operating income + depreciation and amortization) increased thanks to favorable growth in the international tobacco business as well as the addition of Gallaher and the Katokichi Group results to the consolidated performance. Meanwhile, operating income, ordinary income and net income decreased due in part to the start of amortization of goodwill in the international tobacco business following revisions to accounting standards.

As for our earnings forecasts for the fiscal year ending March 31, 2009, we expect a record high in sales as a result of factors such as the favorable growth in the international tobacco business and the consolidation of Gallaher and the Katokichi Group. In addition, despite possible negative impact due to the strong yen on sales from yen-related currency exchange rates when consolidating overseas subsidiaries engaged in the international tobacco business, we project that continued sales volume growth will offset the negative foreign exchange effects with EBITDA hitting a record high.

Under a deepening global financial crisis and massive fluctuations of stock prices and exchange rates, the deteriorating economy can not only be felt in the U.S. and Europe but also in Asia. The Japanese economy was also impacted by the global economic deterioration and it began a recessionary trend characterized by drastic drops in corporate earnings and rapid deterioration of the employment situation. Although historically tobacco products have shown relative resilience against economic effects, it is perhaps necessary to pay attention to the impact this economic downturn will have on consumption.

The share of the domestic tobacco business is continuing on an upward trend thanks in part to the launch of new products under our main brands and active promotional efforts geared towards retail stores. Our aim is to increase our market share for two consecutive years. Moreover, in the international tobacco business, because of our balanced portfolio that includes high-end and low-end products, we have the flexibility to meet changing consumer trends.

We humbly beseech all our valued shareholders to continue their strong support over the year ahead.

February 2009

Hiroshi Kimura, President & CEO

Report on the Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2009

Overview of the Consolidated Financial Results for the Nine Months of FY 03/2009

In the consolidated financial results for the nine months of the fiscal year ending March 31, 2009, we achieved growth in net sales and EBITDA (operating income + depreciation and amortization) while operating income, ordinary income and net income declined, as can be seen in Table 1.

Net sales excluding tax increased by ¥311.3 billion year on year to ¥2.2203 trillion. In the domestic tobacco business, the sales volume declined as a result of a decline in overall demand and in the international tobacco business, although there was a negative impact on sales from yen-related currency exchange rates when consolidating overseas subsidiaries, the sales volume increased. Also contributing to this figure were the first-time full-year operating results of Gallaher Group Ltd. (“Gallaher”) and the consolidation of the Katokichi Group. Operating income fell ¥37.1 billion year from last year to ¥329.6 billion, while EBITDA (operating income + depreciation and amortization) recorded an increase. Major factors were the start of amortization of goodwill for the international tobacco business accompanying changes in accounting standards and an increase in sales promotion expenses in the domestic tobacco business.

Ordinary income fell ¥58.0 billion year from last year to ¥269.0 billion. Major factors were foreign exchange losses in the end-of-term valuation of euro-denominated bonds of consolidated subsidiaries and an increase in interest expenses accompanying the consolidation of Gallaher.

Net income fell ¥88.8 billion year from last year to ¥131.4 billion. Major factors were business restructuring costs in the domestic and international tobacco businesses, the cost of demolishing abandoned company residential buildings and related losses, and a loss on business liquidation recorded in advance of a withdrawal from the chilled processed foods sector.

(Table 1) Consolidated financial results for the nine months of the fiscal year ending March 31, 2009
(Billions of yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Change
Net sales (tax included)	4,704.2	5,346.1	641.8
Net sales (tax excluded) *1	1,908.9	2,220.3	311.3
EBITDA *2	486.2	541.3	55.1
Operating income	366.7	329.6	(37.1)
Ordinary income	327.1	269.0	(58.0)
Net income	220.3	131.4	(88.8)

*1. Net sales (tax excluded) indicate net sales excluding tobacco excise taxes.

*2. EBITDA= Operating income + depreciation and amortization It indicates a profit on a cash flow basis.

Reference: Income excluding effect of amortization of goodwill

Operating income	368.0	410.1	42.0
Ordinary income	328.3	349.4	21.0
Net income	221.6	211.9	(9.6)

Review of Operations

Domestic tobacco business

The domestic tobacco business posted declines in both sales and profits due to a decrease in the sales volume and increased sales promotion expenses and other costs. The sales volume of JT products declined 4.5% due to the downward trend associated with structural factors as well as the temporary loss of purchase opportunities following the introduction of the “taspo^{*1}” card.

The market share of JT products in the third quarter rose 0.1 percentage point from the same period of the previous year to 65.0%, thus exceeding the level in the whole of fiscal 2007. The market share gain resulted primarily from efforts to increase the exposure of the Mild Seven Family and other JT products at retail stores, mainly convenience stores, whose importance as our sales outlets has grown since the introduction of the taspo card. Other favorable factors include the launch of new products, such as the Pianissimo Fram Menthol One and Salem Alaska Menthol, and improvement in the package design of Seven Stars Box products.

From now on, we will enhance the brand equity of our products, mainly flagship brands, through sales promotion of Seven Stars Black Impact, which was introduced in February, and a 40th anniversary campaign for Seven Stars scheduled for March. By steadily implementing these measures, we aim to increase our market share for the second straight year.

*1: “taspo,” which stands for “tobacco passport,” is the age verification card used for the purchasing of cigarettes from vending machines with the adult identification functions. “taspo” is only available to aged 20 and over.

<Photo>

“Pianissimo Fram Menthol One”

Size: Super king slim size filter

Filter type: Plain

Tar value: 1mg per cigarette

Nicotine value: 0.1mg per cigarette

Packaging: Round box containing 10 cigarettes

Price: ¥160

*Released across Japan in October 2008

<Photo>

“Salem Alaska Menthol”

Size: King-size filter

Filter type: Plain

Tar value: 5mg per cigarette

Nicotine value: 0.4mg per cigarette

Packaging: Hard pack containing 20 cigarettes

Price: ¥320

*Released across Japan in December 2008

Television Commercial

“Pick Up, and You’ll Love Your City Campaign” Now Showing

<Photo>

A documentary-style commercial spot that shows JT staff mingling with local residents under the banner “Pick Up, and You’ll Love Your City Campaign,” a cleaning activity sponsored by JT with the concept, “by picking up litter, people will learn to stop littering.” We expressed our present communication concept of “respect diversity and think coexistence” by constructing scenes with people of various ages and nationalities increasing their consciousness of manners and growing together through “cleaning activities.”

Seven Stars

New

Black for a strong taste

Seven Stars Black Impact

The new Seven Stars brand product “Seven Stars Black Impact” has been released across Japan in early February. “Seven Stars Black Impact” regular cigarettes contain 7mg of tar for a rich, Seven Stars taste that leaves a deep, strong impression, a well-known feature of the Seven Stars brand.

<Photo>

“Seven Stars Black Impact”

Size: King-size filter

Filter type: Charcoal

Tar value: 7mg per cigarette

Nicotine value: 0.7mg per cigarette

Packaging: Soft pack containing 20 cigarettes

Price: ¥300

Beginning of March, limited quantity

40th anniversary special packaging

“Seven Stars Special Edition” will be sold

The Company will sell two brands, “Seven Stars” and “Seven Stars Lights Menthol,” in limited quantity special packaging commemorating the 40th anniversary of Seven Stars. We deepened the value of Seven Stars’ unchanging design and gave it a vintage feel.

*The taste, aroma and tar value of the Special Edition is the same as the regular product.

*Because the Special Edition is a limited design product, quantities are limited. For this reason, it may not be available at all retail locations or it may run out at those that do have it available.

<Photo>

“Seven Stars”

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“Seven Stars Lights Menthol”

International tobacco business

The volume of our international tobacco business’s cigarette sales in the nine months increased 25.2% year on year, and among them, Global Flagship Brands (GFB) grew 27.1%. This was due to Winston’s steady sales growth in Russia, Ukraine, Turkey and Spain; Camel’s sales growth in Italy, Russia and Spain; and Mild Seven’s growth in Korea, Taiwan, Russia and Malaysia. As a result, both net sales and income substantially exceeded the result of the previous fiscal year.

Pharmaceutical business

In the pharmaceutical business, sales increased and we also achieved improvement on the profit front due to the receipt of initial lump-sum payments from Merck following the licensing of JTT-305, an anti-osteoporosis oral drug, and a milestone revenue related to the progress made in the development of JTT-705, a drug to treat dyslipidemia that has been licensed to Roche. As for research and development, we abandoned the development of JTT-552, a drug to treat hyperuricemia, and as a result, the number of drugs under clinical development is nine. Meanwhile, JTT-654, a drug to treat type 2 diabetes mellitus which had already been under development abroad, also entered the clinical development stage in Japan. We will continue our efforts to steadily move the drugs under development to more advanced phases and explore strategic opportunities for licensing out our products and obtaining licenses for other companies' drugs.

Pharmaceutical business: Clinical development (as of February 9, 2009)

Code	Stage	Indication	Characteristics	Rights
JTT-705 (oral)	Phase 2 (Japan)	Dyslipidemia	Decreases LDL and increases HDL by inhibition of CETP -CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL: High-density lipoprotein ("good cholesterol") -LDL: Low-density lipoprotein ("bad cholesterol")	Roche (Switzerland) obtains the rights to develop and commercialize the compound worldwide, with the exception of Japan. *Development stage by Roche: Phase 3
JTT-130 (oral)	Phase 2 (Japan) Phase 2 (Overseas)	Dyslipidemia	Treatment of dyslipidemia by reducing absorption of cholesterol and triglycerides via inhibition of MTP -MTP: Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase 1 (Japan)	HIV infection	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV -HIV: Human Immunodeficiency Virus	Gilead Sciences (U.S.) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan. *Development stage by Gilead Sciences: Phase 3
JTT-302 (oral)	Phase 2 (Overseas)	Dyslipidemia	Decreases LDL and increases HDL by inhibition of CETP -CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL: High-density lipoprotein ("good cholesterol") -LDL: Low-density lipoprotein, ("bad cholesterol")	
JTT-305 (oral)	Phase 2 (Japan)	Osteoporosis	Increases BMD and decreases new vertebral fractures by accelerating endogenous PTH secretion via antagonism of circulating Ca on CaSR in parathyroid cells -BMD: Bone Mineral Density -PTH: Parathyroid Hormone -CaSR: Calcium-Sensing Receptor	Merck (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-651 (oral)	Phase 1 (Japan)	Type 2 diabetes mellitus	Decreases blood glucose by suppression of glucose output from liver via inhibition of GP -GP: Glycogen Phosphorylase	
JTS-653 (oral)	Phase 1 (Japan)	Pain Overactive bladder	Improves pain and overactive bladder via antagonism of TRPV1 on sensory neurons -TRPV1: Transient Receptor Potential Vanilloid subtype 1	
JTT-654 (oral)	Phase 1 (Japan) Phase 1 (Overseas)	Type 2 diabetes mellitus	Improves type 2 diabetes through reducing excessive glucocorticoid action by inhibiting HSD-1 -HSD1 : 11beta-hydroxysteroid dehydrogenase type 1	
JTK-656 (oral)	Phase 1 (Overseas)	HIV infection	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV -HIV: Human Immunodeficiency Virus	

Foods business

Net sales for our foods business rose due to the consolidation of the Katokichi Group and other factors despite declines in sales from the processed food sector, as a result of the impact of the pesticide contamination cases, and from the beverages sector, on account of seasonal weather factors and intensification of competition, and despite, also, the impact of sluggish consumption accompanying the sudden economic recession that we are in. Concerning profits, however, the foods business had an operating loss because of increased costs, the soaring prices of raw materials and the impact of amortization of goodwill that accompanied the consolidation of the Katokichi Group.

Regarding the task of integration of the processed foods operations, we are gradually integrating product development, sales and other functions, and the processed foods sector will make a fresh start as a new organization in April as scheduled.

In addition, before the integration of sales operations is completed, the brands of the JT Group's frozen foods products for household consumption is gradually being integrated into the Katokichi brand, starting in March this year, and the package designs is being altered accordingly.

As for the safety control system, we are implementing a plan to establish a new inspection center in Haneda in order to strengthen the inspection and quality control functions as part of efforts toward better safety control.

Earnings Forecasts for FY 03/2009

Concerning the earnings forecast for net sales including tax, despite the fact that we have upwardly revised our forecasted sales volume of cigarettes in the domestic tobacco business by 1.0 billion cigarettes, we have downwardly revised our net sales forecast because consolidated subsidiaries related to the chilled processed foods shall no longer be part of the scope of consolidation after we withdrew from the chilled processed foods sector in the foods business, and we have forecasted a drop in sales accompanying a worsening of the impact of sluggish consumption. Concerning operating income and ordinary income, however, we have upwardly revised our operating income forecast due to growth of the GFB sales volume in the international tobacco business, among others, and upwardly revised the ordinary income forecast due to a fall in the foreign exchange losses. Forecasted net income has been downwardly revised after factoring in the recording of business restructuring costs and tax expenses arising from the reversal of deferred tax assets at consolidated subsidiaries, both of which were recorded in the third quarter.

(Table 2) Earnings forecasts for the fiscal year ending March 31, 2009

	Year ending March 31, 2009 previous forecasts released after Q2	Year ending March 31, 2009 revised forecasts	Change	(Billions of yen) Year ended March 31, 2008 results
Net sales (tax included)	6,870.0	6,830.0	(40.0)	6,409.7
EBITDA*	634.0	638.0	4.0	602.0
Operating income	348.0	355.0	7.0	430.5
Ordinary income	290.0	302.0	12.0	362.6
Net income	160.0	138.0	(22.0)	238.7

* EBITDA= Operating income + depreciation and amortization It indicates a profit on a cash flow basis.

Reference: Net income excluding effect of amortization of goodwill

Net income	264.0	243.0	(21.0)	242.5
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Caution concerning forward-looking statements

This material contains forward-looking statements about our industry, business, plans and objectives financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and state other forward-looking information. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward looking statement include, without limitation:

- (1) health concerns related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation on sales, marketing and use of tobacco products, governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) the impact of any acquisitions or similar transactions;
- (8) local and global economic conditions; and
- (9) fluctuations in foreign exchange rates and the costs of raw materials.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2008	As of December 31, 2008	Increase (Decrease)
Assets			
Current assets	1,234,695	1,360,204	125,508
Noncurrent assets	3,852,518	3,169,963	(682,554)
Property, plant and equipment	763,332	705,708	(57,623)
Buildings and structures	281,742	253,208	(28,533)
Machinery, equipment and vehicles	218,973	204,400	(14,573)
Land	157,380	153,949	(3,431)
Other	105,234	94,150	(11,084)
Intangible assets	2,759,407	2,181,657	(577,749)
Goodwill	2,106,887	1,668,892	(437,994) *1
Right of trademark	613,496	479,836	(133,659)
Other	39,023	32,927	(6,095)
Investments and other assets	329,778	282,596	(47,181)
Total assets	5,087,214	4,530,167	(557,046) *2
Liabilities			
Current liabilities	1,284,396	1,350,844	66,448
Noncurrent liabilities	1,648,188	1,325,054	(323,134)
Total liabilities	2,932,584	2,675,898	(256,686) *2
Net assets			
Shareholders' equity	2,106,311	1,994,876	(111,435) *1
Valuation and translation adjustments	(30,238)	(214,800)	(184,561) *3
Subscription rights to shares	185	325	140
Minority interests	78,370	73,867	(4,502)
Total net assets	2,154,629	1,854,269	(300,360)
Total liabilities and net assets	5,087,214	4,530,167	(557,046)

Note: Millions of yen with fractional amounts discarded.

*1: Decrease as a result of amortization of goodwill. The amount equivalent to the amortization of past fiscal years was adjusted at the beginning of the current fiscal year in accordance with a change in accounting standards. The beginning-of-term adjustment of amortization resulted in the adjustment of the retained earnings included in shareholders' equity.

*2: Effects of a strong yen have constricted the end-of-term valuation of the assets and liabilities of overseas subsidiaries.

*3: Effects of a strong yen resulted in the recording of a large negative figure for foreign currency translation adjustment included in valuation and translation adjustments.

Consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase (Decrease)
Net sales	4,704,275	5,346,145	641,870 *1
Cost of sales	3,821,389	4,332,945	511,556
Gross profit	882,886	1,013,200	130,313
Selling, general and administrative expenses	516,116	683,545	167,428
Operating income	366,769	329,654	(37,114) *2
Non-operating income	19,040	16,769	(2,271)
Non-operating expenses	58,709	77,398	18,689
Ordinary income	327,100	269,024	(58,075) *3
Extraordinary income	39,346	41,785	2,438
Extraordinary loss	23,841	70,392	46,551
Income before income taxes and minority interests	342,605	240,417	(102,187) *4
Income taxes	116,832	104,511	(12,320)
Minority interests in income	5,452	4,451	(1,001)
Net income	220,319	131,454	(88,865)

Note: Millions of yen with fractional amounts discarded.

*1: Despite drops in sales volume, etc. in the domestic tobacco business, revenue increased thanks to continued sales growth in the international tobacco business and the consolidation of Gallaher, which is part of the international tobacco business, and of the Katokichi Group, which is engaged in the foods business.

*2: Decrease in operating income due in part to the start of amortization of goodwill for the international tobacco business accompanying changes in accounting standards and an increase in sales promotion expenses in the domestic tobacco business.

*3: Decrease in ordinary income due in part to the occurrence of foreign exchange losses in the end-of-term valuation of euro-denominated bonds of consolidated subsidiaries and an increase in interest expenses accompanying the consolidation of Gallaher.

*4: Decrease in income before income taxes and minority interests due in part to the recording of business restructuring costs in the domestic and international tobacco businesses and a loss on business liquidation recorded in advance of the withdrawal from the chilled processed foods sector.

Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase (Decrease)
Net cash provided by (used in) operating activities	207,696	358,722	151,026
Net cash provided by (used in) investment activities	(1,581,192)	(31,636)	1,549,555 *1
Net cash provided by (used in) financing activities	420,257	(260,538)	(680,796) *2
Effect of exchange rate change on cash and cash equivalents	33,659	(23,511)	(57,170)
Net increase (decrease) in cash and cash equivalents	(919,578)	43,036	962,615
Cash and cash equivalents at beginning of period	1,179,522	215,008	(964,513)
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(953)	(953)
Cash and cash equivalents at end of period	259,943	257,091	(2,851)

Note: Millions of yen with fractional amounts discarded.

*1: Attributable mainly to the acquisition of Gallaher shares in the previous fiscal year.

*2: Attributable mainly to the partial repayment during the current fiscal year of a loan taken out from a financial institution for the purpose of funding the acquisition of Gallaher shares in the previous fiscal year.

Illustrious Smokers

<Photo>

Hakushu Kitahara

Poetry and life woven together in ceaseless violet smoke

“*Rain falls and falls, on the rocky shores of Jogashima, rain of a greenish gray*” are the beginning lines of “*Rain on Jogashima*,” a work by Kitahara written at the age of 28, his first poem written for music composed by Tadashi Yanada (1885-1959) and performed at the Geijutsuza Theater Music Festival in 1913.

The Geijutsuza Theater was a theatrical group founded in 1912 by actress Sumako Matsui (1886-1919), whose “*Song of Katyusha*” was a big hit in 1914, and Hogetsu Shimamura (1871-1918), a leader in the Japanese new-drama movement. Shinpei Nakayama (1887-1952) joined the group at the age of 25 and became a major composer with achievements such as “*Raccoons of Shoji Temple*.”

Even though “*Song of Katyusha*” was part of a dramatic play, its grand success greatly encouraged the Geijutsuza Theater and Kitahara was asked by Nakayama to write a number of song lyrics for its stage.

*Smoke to your heart's delight, smoke up to the heavens
Why not? This world is full of frustration
Smoke, smoke, only smoke
Everything is smoke*

...starts the four-versed poem “*Smoke to your heart's delight*,” which was sung in a Karyo Kawamura adaptation of Merimee's *Carmen* by an actress playing a tobacco factory worker. Kitahara also wrote a different version as follows.

*Enjoying a good smoke, when I glance to my side
My love is also smoking*

Kitahara, with his artistic temperament and turbulent emotions, was thrice married. He called his new home with Ayako, his second wife, “*Violet Smoke Cottage*,” and wrote the following about that time in *From Katsushika to Italy*.

My wife started the kitchen fire for supper. I ran through rows of eggplant and corn. Violet smoke! Violet smoke! That evening, I named our new home on the farm “violet smoke cottage.”

It was surely a name he liked, for he also named his own poetry group *Violet Smoke Cottage* and its literary magazine *Tobacco Blossom*.

It seems Kitahara used the term “violet smoke” in reference to smoke from the hearth and for tobacco smoke as well. According to Yoshio Yabuta (1902-1984), his pupil, Kitahara was an extremely heavy smoker who, apparently, would go through on especially heavy days more than ten packs of Shikishima cigarettes a day on average. He would smoke one only about a third before putting it out and lighting another almost without pausing and, when he was thinking, he had a habit of unconsciously biting on the end of it. His cigarette box filled with a mountain of Shikishimas would always surprise people (*A Critical Biography of Hakushu Kitahara*). Since a pack of Shikishimas contained twenty cigarettes, it's safe to say he smoked as much a 200 a day. Until his end in 1942, he lived life to its fullest, never pausing.

A portion of the text taken from “*Great Smoker—Smokers who moved history*” (*Shodensha*)
Photo courtesy of the Museum of Modern Japanese Literature

Hakushu Kitahara (1885-1942; born Ryukichi Kitahara)

1885 Born in Okinohata Village (now Yanagawa City), Yamato County, Fukuoka Prefecture

1909 Published his first collection of poems entitled *Jashumon* (Heretics)

1936 Formed the Tama Tanka Association and published the poetry magazine *Tama*

1939 Nominated for membership in the Japan Art Academy

Hakushu Kitahara, poet, lyricist and writer of nursery rhymes

Revered as “Poet Laureate” for his energetic creation of new-style poetry, free verse, short and long Japanese poetry, haiku, nursery rhymes, songs, prose and other poetic genres.

Many of his nursery rhymes are still sung today.

Feature: International Tobacco Business
Interview with the President and CEO of Japan Tobacco International (JTI)

Profit Driver of the JT Group

Pierre de Labouchere
President and Chief Executive Officer
Japan Tobacco International

Q: Give us an overall picture of Japan Tobacco International (JTI).

A: JTI is the international tobacco business of the JT Group. The company was created as a result of JT's acquisition of RJR Nabisco's non-U.S. tobacco business in 1999, for which JT paid around US\$7.8 billion (equivalent to approximately ¥940 billion at the exchange rate at that time). Since then, JTI has grown at a faster pace than any other tobacco company in the world, and its EBITDA (Operating income + depreciation and amortization) more than tripled over the seven-year period between 2000 and 2006. Moreover, JTI's EBITDA doubled in 2007 because of the acquisition of Gallaher, a British tobacco maker, which cost around £7.5 billion (equivalent to approximately ¥1,720 billion at the exchange rate at that time) as well as continued rapid organic growth. JTI's business integration with Gallaher is proceeding smoothly, making faster progress than initially expected. The year 2009 marks the 10th anniversary of JTI's founding. The corporate history of JTI in its current form is still relatively short, yet the roots of the company, with its solid base of experience in the tobacco business, date back to the 18th century (Note 1). JTI has operations in 120 countries and regions around the world, with a global workforce of around 23,000 employees. The 16 members of the Executive Committee at JTI's headquarters come from as many as 11 different countries. This is an indication that JTI is a truly international company that operates in diverse cultures.

Q: What are JTI's growth strategies?

A: JTI acts as the profit driver of the JT Group. JTI's unique strength is its ability to achieve remarkable organic growth, in addition to external growth based on acquisitions. This has been made possible by our basic principles of continuing improvement in daily operating and by four strategies: establishing and developing superior brands, enhancing productivity, promoting responsible corporate activities and, developing and acquiring human resources. Brands provide the driving force of our business, so we are striving to improve the quality of our products and our ability to execute business with the simple goal of providing better products than our competitors. We are also devoting our efforts to cost reduction and business process improvement so that we can maximize the return from our human, physical and financial resources. In addition, we believe that establishing excellent corporate governance and fulfilling corporate social responsibility is essential to a successful organization. We are trying to achieve the highest possible standard in all of our corporate activities. To tackle any future challenge successfully, we are striving to attract and develop the best talent. We believe that our past achievements are evidence to show that we have a pool of excellent human resources. These strategies continue to give our business performance a strong driving force.

<Photo: JTI headquarters (Geneve, Switzerland)>

Q: Tell us about your product strategy.

A: As global flagship brands (GFB), we have eight brands (Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour). Until now, we have been achieving strong growth by concentrating investments on the GFB. Also, we have been making investments from a long-term perspective, rather than focusing on the pursuit of short-term profits. We will promote quality improvement, including improvement in taste and flavor through the right blend of leaf tobacco and improvement in packages, use the feedback from customers to our product development, implement marketing measures suited to each of the various markets around the world, gain a strong presence in distribution and sales and maintain and enhance our brand value so that we can meet the needs of our customers. Through these efforts, we will try to achieve a consistently high level of standard in all of our business processes.

<Image: GFB logos>

Q: How is the business integration with Gallaher proceeding?

A: As for the business integration with Gallaher, we are making steady efforts to achieve sales growth and generate cost-reduction synergy effects. When we announced our business integration plan in the summer of 2007, we predicted that we would achieve synergy effects totaling as much as \$400 million dollars by 2010, including \$100 million gained through sales growth and \$300 million through cost reduction, because of an expansion of our business scale, the combination of complementary operations and the enhancement of technological infrastructure, and we are making progress as planned or even faster than our goal. The business integration is proceeding very smoothly, and the integration of corporate cultures is also proceeding faster than we expected.

Q: Has the global economic slowdown had any impact on JTI?

A: Tobacco is relatively resilient to recession. I would not say that we are not worried at all, but unlike the case of other products from which consumers have stayed away, we have not seen a decline in the demand for tobacco as far as the sales figures for 2008 are concerned. Nevertheless, there is a risk that the recession will deepen further and consumers will trade down to lower-priced products. However, now that we have obtained a variety of brands including the GFB, our product line-up covers a broad range of price segments. As a result, we can respond to any consumer trend.

Q: Tell us about the future direction of the international tobacco business.

A: The JT Group, with its Japanese and international tobacco businesses, is the world's third largest tobacco maker and it is now well placed to aim for a higher position. As the EBITDA of the international tobacco business is expected to surpass that of the domestic tobacco business in the fiscal year ending March 31, 2009, we are seeing JTI becoming more prominent in the JT Group. We will continue to be a profit driver of the JT Group by achieving a high level of sales growth through long-term investments in our brands and human resources.

(Note 1) In Austria, for example, JTI has inherited the business operations of Austria Tabak, which was founded in 1784.

Japan Tobacco International

International Tobacco Business Financial Results for 2008 (preliminary results)

February 10, 2009, we held the “International Tobacco Business Results Presentation” for institutional investors at the JT Art Hall Affinis presided by Pierre de Labouchere, JTI President and CEO, along with Yasushi Shingai, JTI Vice President, Vice-CEO and CFO, who together presented results for 2008. An overview of the Presentation is provided below, however, all information is based on preliminary results. (Presentation materials are available on the JT website at <http://www.jti.co.jp/JTI/IR/briefing.html>)

<Photo: “International Tobacco Business Results Presentation”>

Report on 2008 (January to December) preliminary results (comparable basis)

JTI has again recorded favorable results in 2008. The total sales volume amounted to 452.3 billion cigarettes, up 5.1% compared with the previous year. In addition, the sales volume of Global Flagship Brands (“GFB”) amounted to 245.5 billion cigarettes, up 13.3% year from last year. Net sales excluding tax and EBITDA (operating income + depreciation and amortization) grew by 17.4% and 22.0%, respectively, as a result of higher sales volumes, improvements in prices and product mix and positive effects from exchanges between the U.S. dollar and other currencies.

(Table 1) Summary results for 2008 (preliminary figures)

	2007	2008	Change
Total sales volume	430.2	452.3	5.1 %
GFB sales volume	216.6	245.5	13.3 %

(Billions of cigarettes)

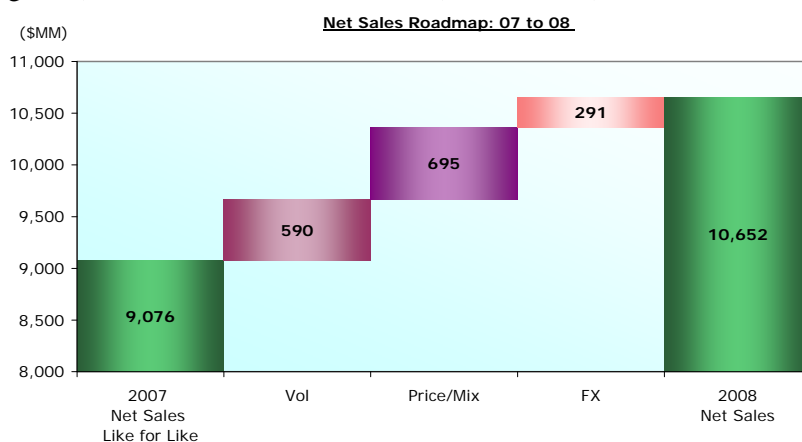
	2007	2008	Change
Net sales (tax excluded) *1	9,076	10,652	17.4 %
EBITDA *2	2,830	3,452	22.0 %

(Millions of US dollar)

*1. Net sales (tax excluded) exclude the distribution business.

*2. EBITDA= Operating income + depreciation and amortization It indicates a profit on a cash flow basis.

(Figure 1) Factors in net sales increase (tax excluded)



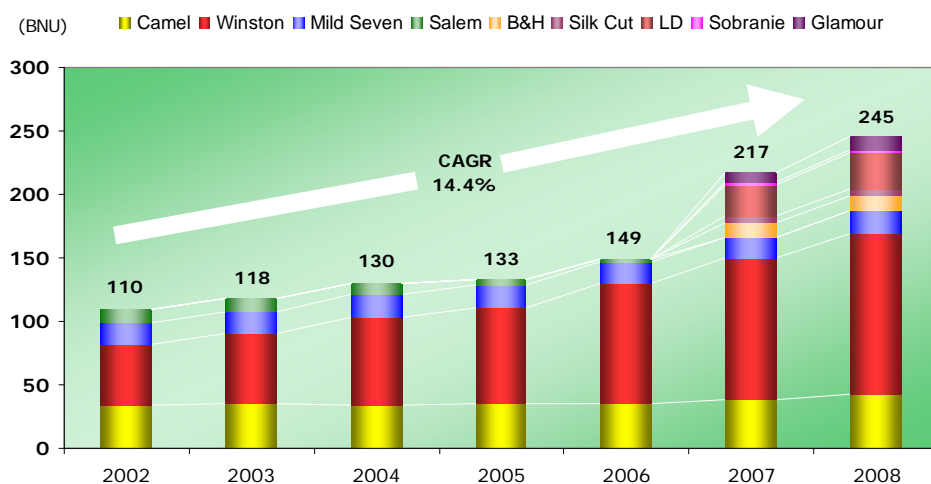
Note: Net sales exclude the distribution business.

Gallaher was integrated to the JT Group on April 18, 2007. In Figure 1, like for like figure, including pro-forma figure on the assumption that Gallaher was integrated in January 2007, is used for 2007 for comparison.

Strong GFB Growth

GFB, led by its strong top-line growth, represent 54% of JTI's total sales volume. GFB sales volume has been moving upward by an average of 14.4% annually since 2002. Six out of the eight GFB appearing in Figure 3 grew by double digits in 2008.

(Figure 2) Growth of GFB sales volume



(Figure 3) GFB Portfolio

		% of Total Vol.	YOY % gwth.
Prestige		1%	+18.7%
Premium		17%	+7.2%
Sub-Premium		30%	+15.5%
Mid / Value		6%	+20.7%

JTI has a well-balanced GFB portfolio.

“Winston” is a leading brand in the sub-premium segment contributing to the sales growth of JTI. Its advantageous market position allows both up-trading (a trend where a product shifts from a low price to a high price) and down-trading (a trend where a product shifts from a high price to a low price).

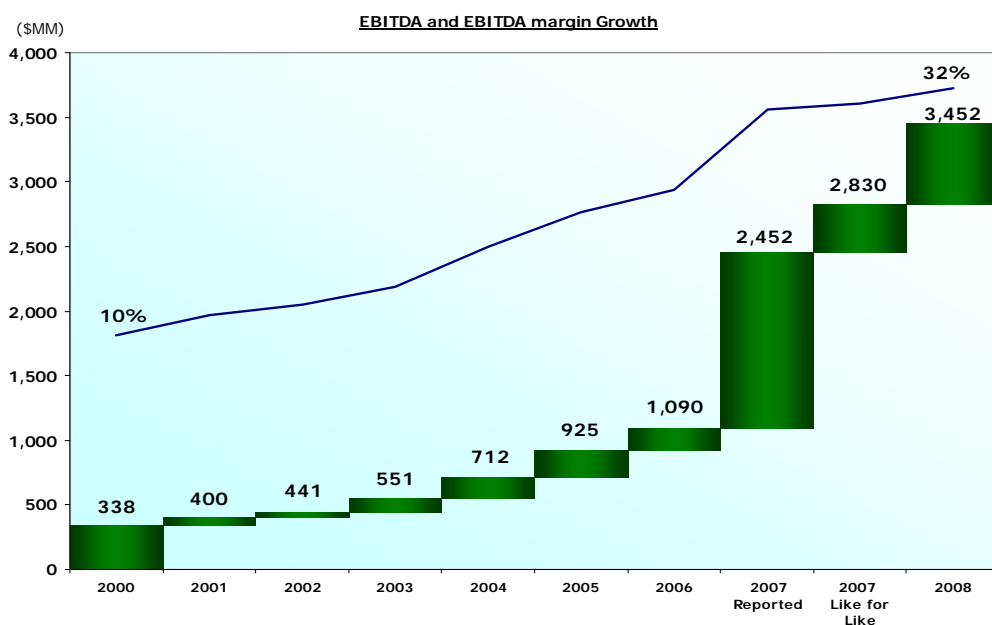
“Camel” is a growth engine in the premium segment. Despite the fact that a large proportion of sales is in Western Europe, where overall demand is decreasing, continuous investments in the brand have resulted in double-digit growth in 2008.

Realizing Continuous Profit Growth under a Top-Line Growth Strategy

JTI pushed its EBITDA up an average of 34% annually since 2000 realizing a record high of \$3.4 billion in 2008.

In 2008, the world witnessed a collapsed financial market and a rapidly deteriorating economy. The tobacco industry, which enjoys a strong resilience against economic downturns, was not completely immune to these circumstances. During the fourth quarter of 2008, we began to feel adverse effects from foreign currency exchange even though our business was almost unaffected by the financial crisis with strong growth as seen in our 22% EBITDA. Regarding 2009, we observe that the Russian ruble, British pound and other major currencies are weakening against the U.S. dollar and we expect that this trend will have a negative effect on JTI's profits. In addition, JTI's business faces the risk of a downtrend in consumer spending and an increase in the tobacco excise tax. However, we are convinced that the momentum of our sustainable growth backed by our strong GFB and market portfolio and synergies with Gallaher as well as the continual execution of our own strategy, which has supported our growth up to the present, will make a double-digit EBITDA possible in the future assuming foreign exchange rates remain the same. JTI is aiming to make this the driving force behind the mid- to long-term profit growth of the JT Group.

(Figure 4) EBITDA *1 and EBITDA margin *2



*1. EBITDA= Operating income + depreciation and amortization It indicates a profit on a cash flow basis.

*2. EBITDA margin= Ratio of EBITDA to net sales excluding tax and the distribution business

Japan Tobacco International

JTI Social Contribution Activities

JT Group is involved in variegated social contribution activities across the globe in hopes of contributing to the development of local communities in which it operates.

For JTI, which plays a central role in the international tobacco business of the JT Group, Corporate Philanthropy is an integral component of its commitment to the communities in which it operates. JTI Corporate Philanthropy policy and guidelines are aligned with the JT Group's Social Contribution Policy, and have been shared with employees throughout the company. JTI is actively involved in philanthropic activities in three areas in particular: social welfare (charity), arts and culture and disaster relief.

Social Welfare (Charity)

JTI promotes globally a program that aims to enhance support for the elderly and adult literacy rates, both important activities in the area of social welfare.

Arts and Culture

There are many international markets in which JTI does business that still have little or no knowledge of Japan's abundant arts and culture. JTI aims to change this as part of its social contribution activities.

Disaster Relief/JTI Foundation

In 2001, JTI established the JTI Foundation in order to support the underprivileged around the world, with a particular focus on providing relief aid for victims of earthquakes and other natural disasters, in cooperation with major relief organizations like the Red Cross as well as NGOs and government agencies.

Our Main Social Contribution Activities

Social Welfare (Charity)

In Netherlands, JTI joined with the Lezen & Schrijven (Reading & Writing) foundation, to help an estimated 1.5 million people whose literacy difficulties prevent them from participating fully in Dutch society. JTI has engaged in a sustainable partnership for three years since 2007 by contributing to the cost of publishing books for adults with low reading skills.

<Photo>

Books published for people with literacy difficulties

For the last four years, JTI has been sponsoring a shelter for victims of family violence in Serbia, supporting the only local NGO dedicated to tackling this distressingly common problem. JTI pays the cost of renting of a safe house at an undisclosed Belgrade location which has sheltered hundreds of women at risk from family violence, as well as victims of human trafficking.

<Photo>

One of our safe houses

JTI Milan is involved in a project known as "Il Custode" (the Guardian) that seeks to assist elderly. The project arranges home visits, provides transport and shopping help, and assists them in dealing with administrative and social services. So far, over 3,600 elderly Milanese have benefited.

<Photo>

Guardian Project

Arts and Culture

In early 2008, as part of its long-term commitment to the Mariinsky Theater, JTI acted as the sponsor for the celebration of the Theatre's 225th anniversary. The program of events that followed featured scenes from operas, ballets, and world premieres that had taken place throughout the Theatre's history. In 2008, the Mariinsky also marked its anniversary by staging performances across Russia and abroad.

<Photo>

JTI sponsored concert

In Athens, Greece, JTI sponsored an event where the rituals and traditions of kimono were showcased to an audience of invited guests from government, business and the art world.

<Photo>

Showing off Japan's traditions and kimonos

In France, JTI was a major sponsor of a Japanese exhibition "Traditional Satsuma Ware Exhibition in Paris" at the Sevres National Museum for Ceramic. This event was held by the Sevres National Museum for Ceramic, Kagoshima Prefecture, among others. Visitors learned about the 17th century origins of Satsuma ware during the "golden age" of the tea ceremonies and how its artistic influence spread to Europe and to France, in particular.

<Photo>

Traditional Satsuma Ware Exhibition in Paris

Volleyball

JT Thunders
JT Marvelous

Fighting for their first championship win in the league! 2008/9 V Premier League

<Photo>

The JT Thunders has been made even more powerful with the addition of Ernardo Gomez, a Venezuelan national team member. Looking to get even for their defeat to 6th place during last season's V Premier League, the team will fight tooth and nail utilizing its strong cohesiveness by young and midlevel players as well as veterans. They will give their all right up to the end as they fight to become No. 1 in the V Premier League.

Maximum Courage...
Raw emotion...
We will go on!

JT Thunders Official Website:
<http://www.jti.co.jp/JTI/volleyball/men/index.html>

The team members of the JT Marvelous, which regrettably finished 8th in last season's V Premier League, are working closely to develop a combination volleyball style headed by Team Leader Yoshie Takeshita, who participated in the Beijing Olympics, and new foreign player Tatiana Alves dos Santos from Brazil.
They will persistently fight with the goal of moving up in the League.

Radiant...
Thrilling...
We will go on!

JT Marvelous Official Website
<http://www.jti.co.jp/JTI/volleyball/women/index.html>

Volleyball School

The JT Thunders and JT Marvelous formed a volleyball school not only for elementary and middle schoolers but also high schoolers and mothers both to contribute to youth development through sports and to promote and develop sports in local communities.

<Photo>
<Photo>

2008/09 V Premier League Game Schedule

*Time shown in the column "Start time" indicates the start time of the first game.

*[1], [2] and [3] represent the first game, the second game and the third game, respectively.

JT Thunders

Month	Date	Venue	Start time	Opposition
REGULAR ROUND (March 1, 2009 and beyond)				
March	7 (Sat)	Hiroshima Green Arena (Hiroshima)	13:05 [2]	JT vs PANASONIC
	8 (Sun)	Hiroshima Green Arena (Hiroshima)	13:00 [2]	JT vs NEC
	14 (Sat)	Oita Prefectural General Gymnasium (Oita)	14:00 [1]	JT vs TORAY
	15 (Sun)	Hita Civic General Gymnasium (Oita)	13:00 [2]	JT vs OITA MIYOSHI
	21 (Sat)	Hakodate City Gymnasium (Hokkaido)	14:00 [2]	JT vs SUNTORY
	22 (Sun)	Hakodate City Gymnasium (Hokkaido)	13:00 [1]	JT vs TOYODA GOSEI
SEMI-FINAL ROUND				
April	3 (Fri)	Toyota City Gymnasium (Aichi)	to be announced	Round-robin tournament competed by top four teams of the regular round
	4 (Sat)		to be announced	
	5 (Sun)		to be announced	
FINAL ROUND				
April	12 (Sun)	Tokyo Metropolitan Gymnasium (Tokyo)	to be announced	Final round

JT Marvelous

Month	Date	Venue	Start time	Opposition
REGULAR ROUND (March 1, 2009 and beyond)				
March	1 (Sun)	Hitachinaka City General Athletic Park Public gym (Ibaraki)	13:10 [1]	JT vs HISAMITSU
	7 (Sat)	Tokorozawa Municipal Gymnasium (Saitama)	14:00 [1]	JT vs TAKEFUJI
	8 (Sun)	Kawasaki-City Todoroki Arena (Kanagawa)	13:05 [1]	JT vs NEC
	15 (Sun)	Suzuka City Gymnasium (Mie)	13:00 [1]	JT vs HITACHI SAWA
	20 (Fri/holiday)	Osaka Municipal Central Gymnasium (Osaka)	13:00 [2]	JT vs DENSO
	21 (Sat)	Osaka Municipal Central Gymnasium (Osaka)	11:05 [3]	JT vs PIONEER
SEMI-FINAL ROUND				
April	3 (Fri)	Ariake Coliseum (Tokyo)	to be announced	Round-robin tournament competed by top four teams of the regular round
	4 (Sat)		to be announced	
	5 (Sun)		to be announced	
FINAL ROUND				
April	11 (Sat)	Tokyo Metropolitan Gymnasium (Tokyo)	to be announced	Final round

Bulletin Board

NEWS

Sixth JT Afforestation and Forest Conservation Project Start of “JT Forest Shigetomi” forest conservation project

As part of its natural environment conservation efforts, JT began an afforestation and forest conservation project called “JT Forest Shigetomi” comprising of 98 hectares of JT owned land in Aira Town, Aira County, Kagoshima Prefecture, Japan.

“JT Forest Shigetomi” is an area designated for the planting of camphor trees maintained as a company-owned forest since around 1960. In addition to the fact that 100-hectare camphor tree forests (which include natural broad-leaved trees) are becoming scarce, because the “Okuchisuji Shirakanezaka” historical national road passes through the forest, we designated it as a “JT Forest,” as asset to be protected both from an environmental and a historical perspective, we aim to cultivate diverse living things and build a forest while communing with both nature and history.

After completing all initial preparations since August 2008, which include arranging withered trees, cutting vines and building a walkway near Shirakanezaka and an observation platform overlooking Sakurajima, we invited all those related to the project on December 7 for a ceremony and walking tour.

“JT Forest Shigetomi” Project Details

Area: Approx. 98 hectares

Activities: Clearing, planting and cutting weeds

Main types of trees: Camphor trees, persea trees, castanopsis trees, wild cherry trees, etc.

<Photo>

Observation platform from which even Sakurajima is visible

<Photo>

A stroll on the newly built walkway during the walking tour

<Image>

JT Forest Locations

*As of January 2009

“JT Forest Nakatsugawa”

Nakatsugawa City, Gifu Prefecture

“JT Forest Nakahechi”

Nakahechi Town, Tanabe City, Wakayama Prefecture

“JT Forest Chizu”

Chizu Town, Yazu County, Tottori Prefecture

“JT Forest Kosuge”

Kosuge Village, Kitatsuru County, Yamanashi Prefecture

“JT Forest Nahari”

Nahari Town, Aki County, Kochi Prefecture

“JT Forest Shigetomi”

Aira Town, Aira County, Kagoshima Prefecture

Postponement of the tobacco excise tax hike in Japan

On December 12, 2008, the governing party announced the “Brief Overview of the 2009 Tax Reform Proposals,” which postponed the raising of the tobacco excise tax. This kind of increase in taxes that would encumber an excessive burden only upon a specific product, consumer and industry is an unfair attempt to single out a rather vulnerable target. Our anti-tax petition signing campaign, effectuated throughout the industry, received some 3 million signatures from smokers and non-smokers alike. We would like to express our sincere thanks to all those who signed our petition and cooperated in our anti-tax petition signing campaign.

Tobacco Anti-Tax Petition Signing Campaign

Number of signatures: 3,003,939 (December 16, 2008)

*The petition is over. Thank you very much for your cooperation.

JT Group Products (available only in Japan)

Roots “Aroma Black Hot Blend”

275g aluminum bottle/¥130

(Suggested retail price/tax not included)

Now on Sale

<Photo>

The sugar-free black coffee, Roots “Aroma Black Hot Blend,” made with coffee beans roasted exclusively for hot coffee, has been renewed. With the same delicious taste, we’ve strived to add a brewing coffee aroma by blending coffee beans roasted exclusively for hot coffee with two types of steam treatments.

As with our cold drinks, the bottle has a slip-less cap.

Richer aroma with beans roasted exclusively for hot coffee!

Roots “Fine Days! Low Sugar”

185g can/¥115

(Suggested retail price/tax not included)

Now on Sale

<Photo>

This item features 80% less sugar than regular coffee drinks (7.5g/100ml) and 50% more* coffee polyphenol. Using mostly coffee beans from Central and South America, a light milky feel is added to a strong coffee taste.

The label displaying a cheerful mix of flowing white and green invites you to the fine taste waiting inside.

*Up 50% compared to the conventional JT product (Prime Edge Low Sugar)

A new low sugar product for a healthier generation!

Lunch Box Series

Mini Spring Rolls

6 rolls (150g)

Renewal

<Photo>

Its five ingredients, pork from Japanese black hogs, crunchy bamboo sprouts, carrots, cabbage and shiitake mushrooms, come together deliciously wrapped in a crispy fried spring roll wrapper.

Better taste thanks to Chinese seafood sauce, sesame paste, sweet soy paste and specially made oyster sauce. Enjoy the taste of China.

Just put them in the microwave for a crispy, delicious snack!

“Hot Noodles”

Single portion (285g)

Renewal

<Photo>

These piping hot noodles were made even more delicious. Its generous helping of seven ingredients, two deep-fried shrimp, chicken, maitake mushrooms, Welsh onions, carrots, fish paste cake slices and deep-fried tofu provide a delicious, nutritiously balanced and satisfying meal.

The soup, whose distinctive taste is mainly from bonito bouillon, is perfect for noodles! A great meal for those cold winters.

Prepare these hot noodles and heaps of delicious ingredients quickly and easily!

You can shop online for JT beverage products anytime, right from your own home.

JT Online Shop

<http://www.shopjt.com/>

Share Handling Procedures

(1) Where do I inquire about share handling procedures?

Generally, we ask that you inquire about all matters pertaining to handling the shares of the Company at the securities company where you have your account. For those shareholders with special accounts, please inquire at Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

Change of Address

Notices of convocation of general meeting of shareholders, dividend warrants or statements, complimentary gifts, etc. will be forwarded to the registered address. In the event of a change of address as a result of moving, etc., we ask that you please immediately notify the securities company where you have your account. For those shareholders using special accounts, we ask that you please immediately notify Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

(2) How to receive dividends

Methods to receive dividends

Dividends can be received in cash or by bank remittance. If selecting bank remittance, dividends can be received safely and securely. Shareholders wishing to receive dividends in cash will be forwarded a dividend warrant. Please retrieve it at your earliest convenience at any Japan Post Bank or Post Office. Shareholders wishing to receive dividends by bank remittance will have dividends remitted to the bank, Japan Post Bank or other account designated in advance. In addition, a year-end (interim) dividend statement will be forwarded.

Bank remittances may be effectuated in the following three methods.

1. Method whereby dividends are received by designating a deposit account at a bank, etc. for each issue held

Deposit accounts held at banks, etc. to which dividends are to be remitted may be divided for each issue held.

2. Method whereby dividends for all issues held are received in a lump-sum at a deposit account held at a bank, etc.

Dividends for all issues held are received in a lump-sum in the registered remittance account (held at a bank, etc.). Remittance account designation is limited to one (1) financial institution.

3. Method whereby dividends are received in securities company trading accounts

Dividends may be received in a trading account held at a securities company (if a balance exists at several securities companies, allocation as per said balances). This method is not available for shareholders using special accounts.

Changing the dividend payment method

Please contact the securities company where you have your account. Even if accounts are held at several securities companies, procedures may be effectuated at a single securities company. We ask shareholders using special accounts to please contact Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

(3) In the event dividend related documents were not received, the dividend warrant has been lost or the dividend payment period has lapsed

We ask that shareholders who have not received dividends due to the abovementioned or other reasons to please contact Mitsubishi UFJ Trust and Banking Corporation, the shareholder registry administrator.

Inquiry concerning special account

Mitsubishi UFJ Trust and Banking Corporation
 Corporate Agency Division
 0120-232-711 (toll-free number/available only in Japan)
 (Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

Mailing address

Mitsubishi UFJ Trust and Banking Corporation
 Corporate Agency Division
 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Japan

Request for procedure forms related to special account

0120-244-479 (toll-free number/available only in Japan)
 (24-hour automatic answering service operated by Mitsubishi UFJ Trust and Banking Corporation)

Members of the Board, Auditors, and Executive Officers

Members of the Board

Chairman of the Board	Yoji Wakui
Representative Director, President	Hiroshi Kimura
Representative Director, Executive Deputy President	Munetaka Takeda
Representative Director, Executive Deputy President	Masaaki Sumikawa
Representative Director, Executive Deputy President	Ichiro Kumakura
Representative Director, Executive Deputy President	Ryoichi Yamada
Member of the Board	Noriaki Okubo
Member of the Board	Mitsuomi Koizumi
Member of the Board	Sadao Furuya
Member of the Board	Yasushi Shingai
Member of the Board, Corporate Counselor	Katsuhiko Honda

Auditors

Standing Auditor	Hisao Tateishi
Standing Auditor	Gisuke Shiozawa
Auditor	Hiroyoshi Murayama
Auditor	Takanobu Fujita

Executive Officers

President, Chief Executive Officer	Hiroshi Kimura
Executive Deputy President, Assistant to CEO in Compliance, Finance and Food Business	Munetaka Takeda
Executive Deputy President, Assistant to CEO in CSR, Strategy, HR and Operational Review and Business Assurance	Masaaki Sumikawa
Executive Deputy President, President of Tobacco Business and Assistant to CEO in Vending Machinery	Ichiro Kumakura
Executive Deputy President, Assistant to CEO in Communications, General Administration and Legal	Ryoichi Yamada
Senior Executive Vice President, Chief Legal Officer	Ryuichi Shimomura
Executive Vice President, Chief Marketing & Sales Officer, Tobacco Business	Mitsuomi Koizumi
Executive Vice President, Chief R&D Officer, Tobacco Business	Tadashi Iwanami
Executive Vice President, Head of Manufacturing General Division, Tobacco Business	Kenji Iijima
Executive Vice President, Head of Domestic Leaf Tobacco General Division, Tobacco Business	Tatsuya Hisano
Executive Vice President, President, Pharmaceutical Business	Noriaki Okubo
Executive Vice President, Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Shigeo Ishiguro

Executive Vice President, President, Food Business	Sadao Furuya
Executive Vice President, Chief Strategy Officer	Mutsuo Iwai
Executive Vice President, Chief Communications Officer	Masakazu Shimizu
Senior Vice President, Head of Brand General Division, Tobacco Business	Yoshihisa Fujisaki
Senior Vice President, Deputy R&D Officer, Tobacco Business	Hirotooshi Maejima
Senior Vice President, Head of Tobacco Business Planning Division and Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business	Akira Saeki
Senior Vice President, Head of Soft Drink Business Division, Food Business	Ryoko Nagata
Senior Vice President, Chief Human Resources Officer	Satoshi Matsumoto
Senior Vice President, Chief Financial Officer	Hideki Miyazaki
Senior Vice President, Chief General Affairs Officer	Ryoji Chijiwa

Trends in share price

Share prices of JT, from IPO on October 27, 1994 to January 2009 (closing prices on the TSE, monthly basis)

First sale

Sale by bidding

Contract price ¥1,362,000 to ¥2,110,000 (fixed date of the contract price August 29, 1994)

Sale without bidding

Sale price ¥1,438,000 (fixed date of the sale price August 31, 1994)

Second sale

Sale price ¥815,000 (fixed date of the sale price June 17, 1996)

Third sale

Sale price ¥843,000 (fixed date of the sale price June 7, 2004)

* The Company implemented stock split of 5-for-1 on April 1, 2006. Therefore, the share prices for March 2006 or before have been revised to reflect such split.

Memo for Shareholders

Closing date: March 31 of each year

Annual General Meeting of Shareholders: June of each year

Record date for year-end dividend: March 31 of each year

Record date for interim dividend: September 30 of each year

Method of public notice:

Electronic public notice

Public notices will be posted on JT's website: <http://www.jti.co.jp/>

*If JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

(Office for handling business)

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

(Inquiry/mailing address)

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number/available only in Japan)

(Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

(Request for procedure forms related to special account)

The special-account managing institution accepts requests for administrative procedure for shareholders using special accounts (including notification of change of address, forms for designation or change of direct deposit of dividends, and forms for requesting procedures for inheritance of shares) at toll-free number (0120-244-479) 24 hours a day.

Concerning share handling procedures:

Shareholders are asked to contact the securities company where you have your account.

How to receive your complimentary gift

JT has changed its Shareholder Special Benefit Plan from forwarding a gift to all shareholders as of the end of September 2008 to having them select the gift they want to receive. Those shareholders who have sent us an application by the deadline should have received their gift between the end of January and beginning of February. However, if the gift has not yet arrived, please contact us at the toll-free number below.

JT Shareholder Special Benefit Plan Office

(Merchandise distribution agent by JT Creative Service Co., Ltd.)

0120-791-187 (toll-free number/available only in Japan)

(Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

Complimentary gifts will be sent to the addresses recorded in the shareholder registry.

In the event of a change of address as a result of moving, etc., we ask that you please immediately notify the securities company where you have your account. For those shareholders using special accounts, we ask that you please immediately notify Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

Japan Tobacco Inc.
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Tel.: +81-3-3582-3111
URL: <http://www.jti.co.jp/>

This Report was printed using soy inks along with FSC approved paper (chlorine-free bleach) to protect our forests.