



A New Global Force

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding our industry, business, plans and objectives, financial condition and results of operations or any statement preceded by, followed by or that include the words “aims”, “anticipates”, “believes”, “continues”, “estimates”, “expects”, “intends”, “plans”, “targets”, “could”, “would”, “may”, “will” or similar expressions or the negative thereof, are forward-looking statements. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition, or 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 materially 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: health concerns relating to the use of tobacco products; legal or regulatory developments and changes, including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, private restrictions relating to the use of tobacco products and the impact of government studies; litigation in Japan and elsewhere; our ability to diversify successfully our business beyond the tobacco industry; our ability to expand successfully internationally and make investments outside of Japan; competition and changing consumer preferences; the impact of any acquisitions or similar transactions; local and global economic conditions; and fluctuations in foreign exchange rates and the costs of raw materials.

JT CEO Comment

“We are delighted that the Gallaher Board will unanimously recommend our offer to its shareholders. JT and Gallaher complement each other perfectly. Combining the world class brands and expertise of JT and Gallaher will create a leading global tobacco company with strong positions in both Europe and the CIS region.

The integration of our business operations and our portfolios will position our international tobacco business for continued growth and will enhance customer satisfaction worldwide. We look forward to welcoming Gallaher’s management and employees into the enlarged JT group.”

Information on Gallaher

- World's 5th largest global tobacco company
- Sold 174bn cigarettes in FY2005 with £2.6bn in net sales (excl. excise) and £748m in EBITDA⁽¹⁾
- Position in United Kingdom, Ireland, Austria, Sweden, Russia, Ukraine and Kazakhstan
- Strong brand portfolio includes Benson & Hedges, Silk Cut, Mayfair, Memphis, Sobranie, LD, Ronson and Sovereign
- Also manufactures handrolling tobacco, cigars, pipe tobacco and snus

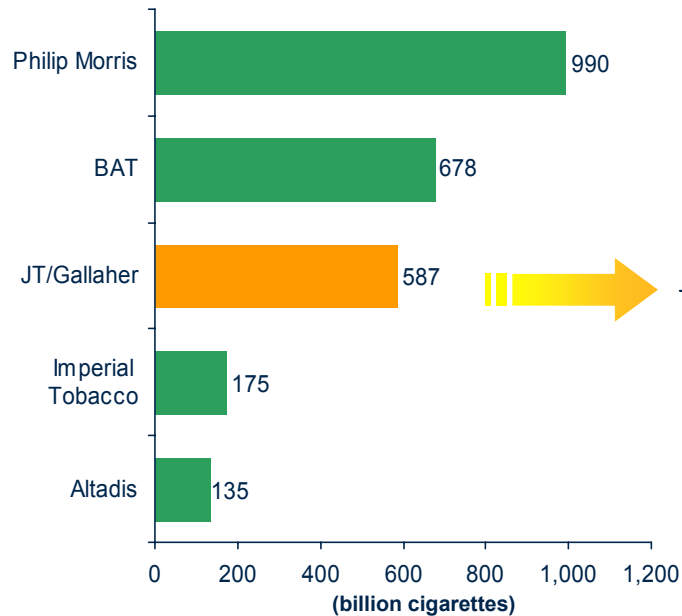
(1) *Excluding exceptional charges*

Background to the Offer

- **Increased Scale**
 - Enhances position as the world's 3rd largest global cigarette manufacturer and provides economies of scale in Europe and CIS region
- **Mutually Complementary**
 - Becomes a more geographically balanced group with enhanced growth opportunities
 - Acquires strong brands to integrate with JT's Global Flagship Brands
- **Enhanced Capabilities**
 - Provides greater Virginia blend capabilities and other tobacco products, including snus
- **Synergies**
 - Generates significant synergies through top line growth and operational efficiencies

World's 3rd Largest Cigarette Manufacturer

Global Cigarette Volume (LFY)



- A global force in tobacco with pro forma volume of 587bn⁽¹⁾
- ¥2,610.3bn in net sales (excl. excise) and ¥606.2bn in EBITDA⁽¹⁾
- Increase scale in various markets in Europe and the CIS region

Source: Companies' reports

Note: Based on 231.12 ¥/£ exchange rate

(1) Pro forma based on last reported fiscal year end for JT (Mar-06) and Gallaher (Dec-05)

Scale Expansion in Europe and CIS region Markets

Substantial increase in number of markets with No1 or No.2 market share



JT: 3 Markets

Japan
Taiwan
Malaysia


















Gallaher: 5 Markets

UK
Ireland
Austria
Sweden
Kazakhstan

JT + Gallaher: 2 Markets

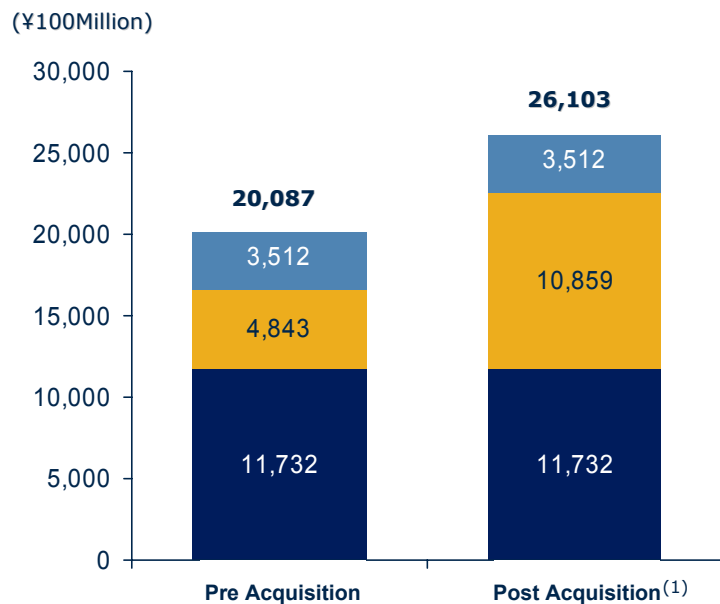
Russia
Ukraine

Brand Portfolio Enhancement

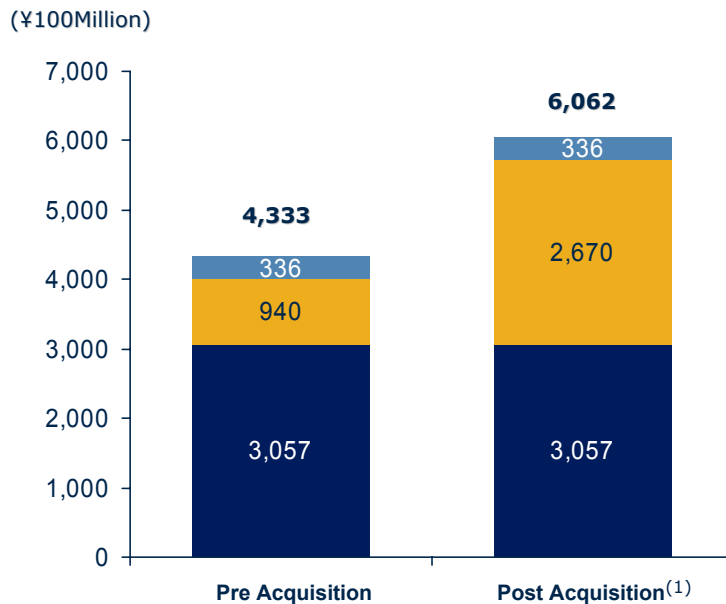
	Gallaher				JT	
Cigarettes						
						
OTP	Hand Rolling tobacco	Snus	Cigars	Pipe		
	 					

Enhanced Combined Financial Profile

Net sales (excl. excise)



EBITDA



Source: Companies' reports

Note: Based on 231.12 ¥/£ exchange rate

(1) Pro forma based on last reported fiscal year end for JT (Mar-06) and Gallaher (Dec-05)

■ Domestic Tobacco ■ International Tobacco ■ Diversified Business

Transaction Highlights

- 1,140 pence in cash for each Gallaher share implying an offer value of £7.5bn
- Premium of approx. 27 per cent. to the average closing middle market price of 897 pence per Gallaher share for the three months prior to 6 December 2006
- Implemented by means of a scheme of arrangement
- Directors of Gallaher intend unanimously to recommend Gallaher shareholders vote in favor of the proposal

What is a Scheme of Arrangement

- A common process for the acquisition of a public company in the UK on a friendly basis
- Full details of the transaction, including a letter from the Chairman of Gallaher, are sent to Gallaher shareholders
- A Gallaher shareholder meeting is then convened for Gallaher shareholders to vote for or against the acquisition
 - More than 50% of shareholders present and voting (in person or by proxy) must approve the acquisition; and approval of not less than 75% in value of those present and voting (in person or by proxy) for the acquisition is required
- Acquisition is subject to anti-trust approval, Gallaher's shareholder approval and court approval

Transaction Metrics

- EBITDA Multiples
 - Transaction value / LTM EBITDA⁽¹⁾ = £9.752bn⁽²⁾/£0.760bn=12.8x
- EPS
 - Enhance JT' s EPS (before amortization of goodwill) in the first full year post acquisition
- Return on capital employed
 - Return on capital employed to exceed WACC by the fourth full year post acquisition

(1) Last 12 month to end of June, 2006

(2) Transaction value is calculated by adding the offer value of the existing ordinary issued share capital of Gallaher to the net indebtedness and minority interests of Gallaher as at June 30, 2006

Financing and Next Steps

- Financing
 - JT intends to finance the acquisition through a combination of JT's existing resources and debt
- Next Steps
 - Anti-trust approval for EU and RoW
 - Gallaher shareholder approval
 - Court approval
 - Anticipated closing during the first half of 2007