

April 19, 2010

Company Name: JAPAN TOBACCO INC.
Representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director
Stock Code: 2914
(Stock Exchanges: Tokyo/Osaka/Nagoya First Section; Fukuoka and Sapporo)
Contact: Media and Investor Relations Division
Tel: +81-3-3582-3111

Decision by OFT Regarding JT's UK Subsidiaries

Japan Tobacco Inc. ("JT") announced today that JT has confirmed the fact that its subsidiary Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher") received a decision from the Office of Fair Trading (OFT), the UK competition authority, concluding that a fine of £50.4 million was levied to Gallaher for anti-competitive business practices relating to the retail pricing of tobacco products in the UK market during the period prior to JT's acquisition of Gallaher.

As announced in our press release dated July 12, 2008, "JT's UK Subsidiaries Reach Resolution Agreement with OFT," Gallaher had concluded an early resolution agreement with the OFT and agreed to pay a fine of approximately £93 million.

While the anti-competitive business practices in the notice from the OFT relate only to Gallaher's past business activities prior to JT's acquisition of Gallaher, all JT Group companies including Gallaher currently sincerely perform the definite organizational management of a compliance program through the sales, distribution and other businesses. Going forward, JT will continue to enhance efforts to strengthen these measures.

The amount of fine decided by the OFT is sufficiently covered in the amount that was booked, based on JT's assumptions about the fine, as liabilities in the purchase price allocation related to JT's acquisition of Gallaher Group Plc. Also, said amount is lower than the amount of fine payable based on the agreement with the OFT reached in July 2008. The difference between the liabilities already posted and the amount of the decision to be paid will be recorded as extraordinary income. Please note that the timing of recording and the effects on the consolidated performance will be disclosed in the documents such as "Consolidated financial results for the fiscal year ended March 31, 2010" scheduled to be announced on April 28, 2010, after the deliberation with our accounting auditor and others.

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