



JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

Contact: Yukiko Seto
General Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292

FOR IMMEDIATE RELEASE

JT's UK Subsidiaries Reach Resolution Agreement with OFT

Tokyo, July 12, 2008 – Japan Tobacco Inc. (“JT”) (TSE: 2914) announced today that Gallaher Group Ltd. and Gallaher Ltd. (together referred to as “Gallaher”), JT’s tobacco subsidiaries in the United Kingdom, have concluded an early resolution agreement with the Office of Fair Trading (OFT), the UK competition authority. Gallaher has agreed to pay a fine of approximately £93 million for anti-competitive business practices relating to the retail pricing of tobacco products in the UK during 2000 to 2003, i.e. prior to JT’s acquisition of the Gallaher group of companies. Gallaher is required to continue to co-operate with the OFT during its ongoing investigation.

In August 2003, the OFT sought information from Gallaher and other tobacco manufacturer as well as a number of retailers as part of an investigation into the retail pricing of the cigarette, tobacco and tobacco-related market in the UK. Since then, Gallaher has co-operated fully with the investigation.

The OFT issued a statement of objections in April 2008, and following a careful and comprehensive review of the document, the JT Group decided to conclude an early resolution agreement with the OFT, which JT believes best serves the interests of all parties involved.

The amount of fine payable based on the agreement is sufficiently covered in the amount that is already booked in the purchase price allocation related to JT’s acquisition of Gallaher.

While the agreement reached with the OFT relates only to Gallaher’s past business activities prior to JT’s acquisition of the Gallaher group of companies, JT considers that compliance with all applicable laws in each market in which it operates is of the utmost importance. JT will continue to enhance efforts to ensure compliance of the whole group of companies.

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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.