

Overview of the Company's business description and trends in principal management benchmarks

1. Overview of the Company's business description

The main business activities operated by Japan Tobacco Inc. (hereinafter "JT"), its 275 consolidated subsidiaries and 22 equity method affiliates (collectively, the "JT Group") as of December 31, 2008 are stated below.

Domestic tobacco business

The domestic tobacco business consists of the manufacture and sale of tobacco products.

International tobacco business

The international tobacco business consists of the manufacture and sale of tobacco products.

Pharmaceutical business

The pharmaceutical business consists of the R&D, manufacture and sale of ethical pharmaceutical drugs.

Foods business

The foods business consists of the manufacture and sale of beverages, processed foods and seasonings.

Other business

The business in the real estate category consists of rental and management of real estate properties. In addition, there are subsidiaries that manufacture and sell a variety of products and provide services to the JT Group.

2. Trends in principal management benchmarks

Trends in principal management benchmarks regarding the last five business terms

(1) Management benchmarks (consolidated)

Term	19th term	20th term	21st term	22nd term	23rd term
Accounting period	From April 1, 2003 to March 31, 2004	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Net sales (Millions of yen)	4,625,151	4,664,513	4,637,657	4,769,387	6,409,726
Ordinary income (Millions of yen)	213,599	270,251	297,842	312,044	362,681
Net income (loss) (Millions of yen)	(7,602)	62,583	201,542	210,772	238,702
Net assets (Millions of yen)	1,507,937	1,498,203	1,762,511	2,024,615	2,154,629
Total assets (Millions of yen)	3,029,083	2,982,056	3,037,378	3,364,663	5,087,214
Net assets per share (Yen)	771,516.28	781,813.72	919,780.33	204,617.68	216,707.27
Net income (loss) per share (Yen)	(3,966.78)	32,089.84	105,084.78	22,001.10	24,916.51
Diluted net income per share (Yen)	–	–	–	–	24,916.26
Equity ratio (%)	49.78	50.24	58.03	58.26	40.81
Return on equity (ROE) (%)	(0.49)	4.16	12.36	11.32	11.83
Price earnings ratio (PER) (Times)	–	37.08	19.70	26.32	20.03
Net cash provided by (used in) operating activities (Millions of yen)	334,501	250,839	150,342	435,958	145,030
Net cash provided by (used in) investment activities (Millions of yen)	(228,619)	176,914	(26,357)	(149,692)	(1,668,634)
Net cash provided by (used in) financing activities (Millions of yen)	(109,334)	(202,195)	(48,134)	(32,634)	519,000
Cash and cash equivalents at end of period (Millions of yen)	601,661	829,087	920,141	1,179,522	215,008
Number of employees [Separately, average number of temporary employees] (Person)	39,243 [10,790]	32,640 [11,387]	31,476 [12,187]	33,428 [10,353]	47,459 [14,986]

Notes: 1. Net sales do not include consumption taxes, etc.

2. In the calculation of net assets, the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8) have been applied since the 22nd term.
3. Diluted net income per share for the 19th, 20th, 21st and 22nd terms is not disclosed because there were no potentially dilutive common shares that were outstanding for each term.
4. Price earnings ratio for the 19th term is not presented because net loss was recorded for the term.
5. As the stock split of 5-for-1 was conducted as of April 1, 2006, the share price as of March 31, 2006 was that of ex rights. Accordingly, price earnings ratio for the 21st term was calculated using the share price obtained by multiplying the ex rights share price by the stock split ratio in order to be compatible with net assets per share or the like.

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

(2) JT's management benchmarks (non-consolidated)

Term	19th term	20th term	21st term	22nd term	23rd term
Accounting period	From April 1, 2003 to March 31, 2004	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Net sales (Millions of yen)	2,694,310	2,685,948	2,370,645	2,330,453	2,302,704
Ordinary income (Millions of yen)	154,320	194,120	192,830	189,730	177,757
Net income (loss) (Millions of yen)	(29,533)	27,030	126,268	132,456	131,145
Capital stock (Millions of yen)	100,000	100,000	100,000	100,000	100,000
Total number of shares issued (Thousands of shares)	2,000	2,000	2,000	10,000	10,000
Net assets (Millions of yen)	1,557,476	1,527,787	1,643,098	1,753,067	1,816,727
Total assets (Millions of yen)	2,609,212	2,548,924	2,410,096	2,561,865	2,902,509
Net assets per share (Yen)	796,930.96	797,300.01	857,497.63	182,990.92	189,616.56
Cash dividends per share (Yen)	10,000	13,000	16,000	4,000	4,800
[Interim dividends per share] (Yen)	[5,000]	[5,000]	[7,000]	[1,800]	[2,200]
Net income (loss) per share (Yen)	(14,995.23)	13,836.11	65,839.28	13,826.19	13,689.35
Diluted net income per share (Yen)	–	–	–	–	13,689.21
Equity ratio (%)	59.7	59.9	68.2	68.4	62.6
Return on equity (ROE) (%)	(1.85)	1.75	7.96	7.80	7.35
Price earnings ratio (PER) (Times)	–	86.01	31.44	41.88	36.45
Dividend payout ratio (%)	–	94.0	24.3	28.9	35.1
Number of employees [Separately, average number of temporary employees] (Person)	13,769 [1,407]	10,124 [1,257]	8,855 [1,285]	8,930 [1,195]	8,999 [1,209]

Notes: 1. Net sales do not include consumption taxes, etc.

- In the calculation of net assets, the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8) have been applied since the 22nd term.
- Diluted net income per share for the 19th, 20th, 21st and 22nd terms is not disclosed because there were no potentially dilutive common shares that were outstanding for each term.
- Price earnings ratio for the 19th term is not presented because net loss was recorded for the term.
- Cash dividend per share for the 20th term of ¥13,000 includes the 20th anniversary commemorative dividend of ¥1,000.
- As the stock split of 5-for-1 was conducted as of April 1, 2006, the share price as of March 31, 2006 was that of ex rights. Accordingly, price earnings ratio for the 21st term was calculated using the share price obtained by multiplying the ex rights share price by the stock split ratio in order to be compatible with net assets per share or the like.