

Overview of Business Contents and Trends in Principal Management Benchmarks

1. Overview of Business Contents

The main business activities operated by Japan Tobacco Inc. (hereinafter “JT”), its 274 consolidated subsidiaries and 22 companies accounted for by the equity method, and the relationship of each company to the Group’s business activities are stated below.

Domestic tobacco business

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

JT manufactures and sells tobacco products, and TS Network Co., Ltd., conducts distribution-related operations such as distribution of JT’s tobacco products and wholesale of foreign tobacco products (imported tobacco products). Japan Filter Technology Co., Ltd., and other subsidiaries manufacture materials.

Major subsidiaries and affiliates

TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.

Besides the companies named above, there are 14 consolidated subsidiaries and 2 companies accounted for by the equity method.

International tobacco business

The international tobacco business consists of the manufacture and sale of tobacco products with JT International S.A. controlling the manufacture and sale as the core company.

Major subsidiaries and affiliates

JT International S.A., JTI-Macdonald Corp., LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Gallaher Ltd., Austria Tabak GmbH, Liggett-Ducat CJSC

Besides the companies named above, there are 186 consolidated subsidiaries and 6 companies accounted for by the equity method.

Pharmaceutical business

The pharmaceutical business consists of research and development, manufacture and sale of prescription drugs.

JT concentrates on research and development, Torii Pharmaceutical Co., Ltd. manufactures and promotes sales of drugs (including JT’s products).

Major subsidiaries and affiliates

Torii Pharmaceutical Co., Ltd., JT Pharma Alliance Co., Ltd., Akros Pharma Inc.

Besides the companies named above, there is 1 consolidated subsidiary.

Foods business

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

In the beverages business, JT develops products while JT Beverage Inc., Japan Beverage Inc. and certain other subsidiaries sell them. In the processed foods business and seasonings business, Katokichi Co., Ltd. is engaged in manufacturing, selling and other activities.

Major subsidiaries and affiliates

JT Beverage Inc., Japan Beverage Inc., Katokichi Co., Ltd.

Besides the companies named above, there are 43 consolidated subsidiaries and 11 companies accounted for by the equity method.

Note: A realignment of the foods business was implemented in July 2008. Specifically, JT put under the control of Katokichi Co., Ltd. all the processed foods business and the seasonings business of which JT was in charge. Also, JT subsidiaries and affiliates such as JT Foods Co., Ltd. were transferred to Katokichi Co., Ltd. by share transfer or other means. With regard to the beverages business, JT remains in charge of the manufacturing function such as products development, while the sales function relating to the beverages business of JT Foods Co., Ltd. was transferred to newly incorporated JT Beverage Inc.

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 Group.

Major subsidiaries and affiliates

JT Real Estate Co., Ltd., JT Finance Service Co., Ltd., JT Creative Service Co., Ltd.

Besides the companies named above, there are 8 consolidated subsidiaries and 3 companies accounted for by the equity method.

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.

(2) Filing company'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 issued shares (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.

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. Cash dividend per share for the 20th term of ¥13,000 includes the 20th anniversary commemorative dividend of ¥1,000.
6. 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.