

Overview of Business Contents and Trends in Principal Management Benchmarks

1. Overview of Business Contents

As of September 30, 2010, the main business activities operated by Japan Tobacco Inc. (hereinafter “JT”), its 250 consolidated subsidiaries and 14 companies accounted for by the equity method, and the relationship of each company to the Group’s business activities are stated below.

Furthermore, following the application of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17), effective from April 1, 2010, the disclosure method of JT’s segment information was changed, but there were no material changes in the business activities of the JT Group.

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 11 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 162 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, TableMark Co., Ltd. is engaged in manufacturing, selling and other activities.

Furthermore, effective January 2011, a merger will be executed as part of reorganization within the JT Group whereby JT's consolidated subsidiary Japan Beverage Holdings Inc. is the surviving company and JT's consolidated subsidiary Japan Beverage Inc. is the absorbed company.

Major subsidiaries and affiliates

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

Besides the companies named above, there are 46 consolidated subsidiaries and 4 companies accounted for by the equity method.

Furthermore, without the reportable segments noted above, JT Group operates business activities related with real-estate rental, among others. There are subsidiaries and affiliates related with their business activities (11 consolidated subsidiaries and 2 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	21st term	22nd term	23rd term	24th term	25th term
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	4,637,657	4,769,387	6,409,726	6,832,307	6,134,695
Ordinary income (Millions of yen)	297,842	312,044	362,681	307,586	255,377
Net income (Millions of yen)	201,542	210,772	238,702	123,400	138,448
Net assets (Millions of yen)	1,762,511	2,024,615	2,154,629	1,624,288	1,723,278
Total assets (Millions of yen)	3,037,378	3,364,663	5,087,214	3,879,803	3,872,595
Net assets per share (Yen)	919,780.33	204,617.68	216,707.27	162,087.74	172,139.61
Net income per share (Yen)	105,084.78	22,001.10	24,916.51	12,880.90	14,451.67
Diluted net income per share (Yen)	–	–	24,916.26	12,879.77	14,448.89
Equity ratio (%)	58.03	58.26	40.81	40.02	42.58
Return on equity (ROE) (%)	12.36	11.32	11.83	6.80	8.65
Price earnings ratio (PER) (Times)	19.70	26.32	20.03	20.33	24.08
Net cash provided by (used in) operating activities (Millions of yen)	150,342	435,958	145,030	275,271	320,024
Net cash provided by (used in) investing activities (Millions of yen)	(26,357)	(149,692)	(1,668,634)	(65,008)	(84,057)
Net cash provided by (used in) financing activities (Millions of yen)	(48,134)	(32,634)	519,000	(217,470)	(250,398)
Cash and cash equivalents at end of period (Millions of yen)	920,141	1,179,522	215,008	167,257	154,368
Number of employees [Separately, average number of temporary employees] (Person)	31,476 [12,187]	33,428 [10,353]	47,459 [14,986]	47,977 [11,736]	49,665 [11,870]

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

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 21st and 22nd terms is not presented because there were no potential shares.

4. 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	21st term	22nd term	23rd term	24th term	25th term
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	2,370,645	2,330,453	2,302,704	2,173,552	2,052,654
Ordinary income (Millions of yen)	192,830	189,730	177,757	160,200	161,606
Net income (Millions of yen)	126,268	132,456	131,145	89,637	107,361
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	10,000	10,000	10,000	10,000
Net assets (Millions of yen)	1,643,098	1,753,067	1,816,727	1,845,443	1,901,759
Total assets (Millions of yen)	2,410,096	2,561,865	2,902,509	2,857,330	3,027,503
Net assets per share (Yen)	857,497.63	182,990.92	189,616.56	192,595.36	198,452.58
Cash dividends per share (Yen) [Interim dividends per share] (Yen)	16,000 [7,000]	4,000 [1,800]	4,800 [2,200]	5,400 [2,600]	5,800 [2,800]
Net income per share (Yen)	65,839.28	13,826.19	13,689.35	9,356.60	11,206.74
Diluted net income per share (Yen)	–	–	13,689.21	9,355.78	11,204.58
Equity ratio (%)	68.2	68.4	62.6	64.6	62.8
Return on equity (ROE) (%)	7.96	7.80	7.35	4.90	5.73
Price earnings ratio (PER) (Times)	31.44	41.88	36.45	27.99	31.05
Dividend payout ratio (%)	24.3	28.9	35.1	57.7	51.8
Number of employees [Separately, average number of temporary employees] (Person)	8,855 [1,285]	8,930 [1,195]	8,999 [1,209]	8,908 [1,164]	8,961 [1,349]

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

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 21st and 22nd terms is not presented because there were no potential shares.

4. 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.

5. Cash dividend per share for the 25th term of ¥5,800 includes the 25th anniversary commemorative dividend of ¥200.