

JAPAN TOBACCO INC.

CSR Report 2012 JAPAN TOBACCO INC.

CSR Report 2012

For the year ended March 31, 2012

JAPAN TOBACCO INC.

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URL URL of the website concerned

■ Editorial Policy

The JT Group has been practicing CSR, on the basis of the recognition that it must fulfill its social responsibility through its operations. The JT Environmental Report, which was first published in 1998, was upgraded in FY 2005 to the JT Social Environmental Report, with a focus on the group's approaches to CSR, including environmental activities, while the said recognition remains the same.

The CSR Report 2012 features the JT Group's activities in five key areas—appropriate manufacturing process and consumer services, supply chain management, strengthening of the business foundation, approaches to protecting the global environment, and social contribution activities—with those unique to the tobacco, pharmaceutical, and food businesses shown separately. As for appropriate manufacturing process and consumer services, for example, approaches to priority issues in each business are shown, while supply chain management focuses on quality and safety control in raw material procurement and manufacturing, especially on those unique to each business. In particular, Feature 1 describes activities in leaf tobacco producing regions, in which public attention is directed.

As stakeholders' inputs are essential in enhancing CSR activities, the JT Group welcomes views and opinions on this report and its CSR activities.

■ Period Covered (in this report)

FY 2011 (April 1, 2011 to March 31, 2012)

Some JT policies, objectives and activities scheduled to take effect after FY 2012 are included in this report.

■ Scope of Report

JT Group's activities primarily in Japan, and environmental activities of the JT Group companies under the JT Group environmental management (JT and its 240 consolidated subsidiaries as of the end of March 2012).

<Major JT Group Companies under the JT Group's Environmental Management>

Japan Tobacco Inc.
 TS Network Co., Ltd. Torii Pharmaceutical Co., Ltd.
 Japan Filter Technology, Ltd. TableMark Group
 Japan Tobacco International Japan Beverage Group

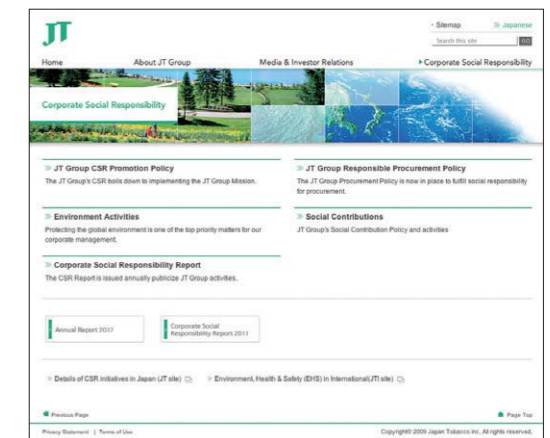
■ Issuance Month

June 2012

■ Reference Guidelines

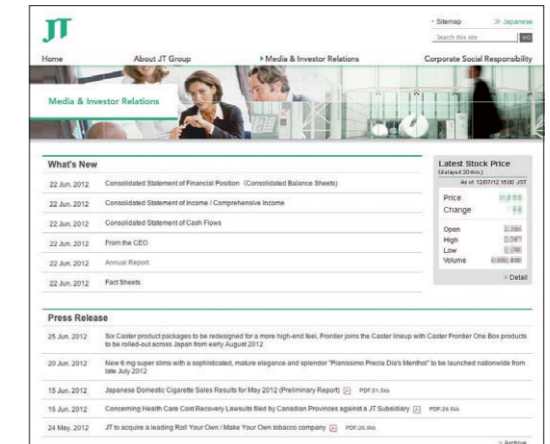
Environmental Report Guidelines (FY 2007)
 Environmental Accounting Guidelines (FY 2005)
 Both published by the Ministry of Environment

■ More details are posted on the website



Corporate Social Responsibility
 URL www.jt.com/csr

■ Financial information is available on the website



Media & Investor Relations
 URL www.jt.com/investors

JT Corporate Profile

As of March 31, 2012

JT Corporate Information

[Corporate Name]
JAPAN TOBACCO INC.

[Communication Name]
JT

[Established]
April 1, 1985

[Capital]
100 billion yen

[Headquarters]
2-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8422, JAPAN

[Number of Establishments]
Area Sales Headquarters / 25
Factories / 10
Regional Leaf Tobacco Headquarters / 2
Laboratories / 3

[Major Subsidiaries and Affiliates]

- Japanese Domestic Tobacco Business
TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology, Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.
- International Tobacco Business
JT International S.A., Gallaher Ltd., LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Liggett-Ducat CJSC
- Pharmaceutical Business
Torii Pharmaceutical Co., Ltd., Akros Pharma Inc.
- Food Business
JT Beverage Inc., Japan Beverage Holdings Inc., TableMark Co., Ltd.

Financial Information

◆ JT Group adopted IFRS (International Financial Reporting Standards) effective from FY 2011 ending March 31, 2012.

[Revenue] (Unit: JPY 100million)

FY 2011 (ending March 2012)	20,338
FY 2010 (ending March 2011)	20,594

[Operating Profits] (Unit: JPY 100million)

FY 2011 (ending March 2012)	4,592
FY 2010 (ending March 2011)	4,013

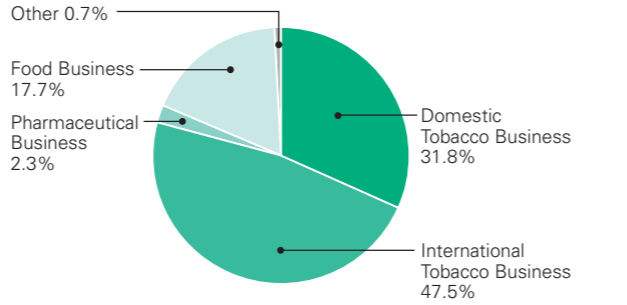
[Adjusted EBITDA] (Unit: JPY 100million)

FY 2011 (ending March 2012)	5,771
FY 2010 (ending March 2011)	5,220

[Data by Sector] (FY ended March 31, 2012) (Unit: JPY 100million)

	Revenue	Adjusted EBITDA
Japanese Domestic Tobacco Business	6,462	2,623
International Tobacco Business	9,663	3,148
Pharmaceutical Business	474	△100
Food Business	3,594	200

[Breakdown of Revenue by Business] (FY ended March 31, 2012)



Number of Employees

[Consolidated Number of Employees] (Unit: Persons)

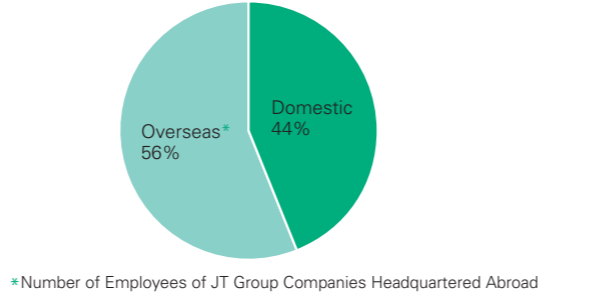
Japanese Domestic Tobacco Business	11,092
International Tobacco Business	24,237
Pharmaceutical Business	1,693
Food Business	10,646
Others/Group-wide Business	861
Total	48,529

*Number of full-time employees

[Non-consolidated Number of Employees] (Unit: Persons)

Number of full-time employees	8,936
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[Percentages of Domestic and Overseas Employees]



*Number of Employees of JT Group Companies Headquartered Abroad

Business Overview

[Japanese Domestic Tobacco Business]

Japanese domestic tobacco business constitutes the core of the JT Group's operations, producing a large slice of its profits. Its years of experience and expertise in producing, distributing, and researching tobacco products are one of the best in the world. While providing consumers with a variety of products such as the Mild Seven, Seven Star, and Pianissimo series, it has established a solid business foundation based on its unrivaled sales and service network.



[International Tobacco Business]

Japan Tobacco International (JTI), which controls the JT Group's international tobacco business, has a solid business foundation based on its geographic advantage and competitive edge in brand and human resources, driving the group's profit growth. It is extending its reach worldwide, positioning Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour as Global Flagship Brands, building a strong presence in major markets around the world.



[Pharmaceutical Business]

The Central Pharmaceutical Research Institute is the JT Group's R&D unit, with Torii Pharmaceutical Co., Ltd. manufacturing and distributing the group's drugs. While expanding the line of late-stage compounds and enhancing its R&D pipeline, the JT Group will continue to increase its presence in the global marketplace by creating a unique, international R&D-oriented business and by developing original new drugs, aiming to be respected and appreciated by patients and medical staff around the world.



[Food Business]

JT Group's food business centres on beverages, processed foods, and seasonings. As for beverages, the focus is on enhancing the value of the core brand "Roots" and expanding the sales network of the vending machine operator Japan Beverage Group, to increase the earning power. The processed food business led by TableMark Co., Ltd., meanwhile, will continue to provide high value-added products, especially staples such as frozen noodles, frozen cooked rice, aseptic cooked rice, and frozen baked bread.





Aiming to Contribute to Sustainable Development of Society by Evolving the JT Group's CSR Activity

Contributing to Sustainable Development of Society

The circumstances surrounding companies are changing drastically. As companies gain increased social influence in line with the ongoing globalization, the international community has also increased its expectations with regard to the role of companies. Calls are growing for companies to contribute to resolving social challenges around the world.

The JT Group has business operations in more than 120 countries and its group-wide workforce represents more than 100 nationalities. Customers and other stakeholders, including shareholders, employees and society, have ever higher expectations of the JT Group. While the JT Group has already been steadily engaging in corporate social responsibility (CSR) activity, it is required to more aptly contribute to resolving social challenges on a global scale in the future.

Aiming to Evolve the JT Group's CSR Activity

Today, companies are required to meet society's expectations more than ever in terms of product safety, the responsibility owed to consumers, and environment-friendliness. Moreover, companies are required not only to conduct CSR activity on a group-wide basis but also to act with awareness of the possibility that many social challenges may exist in relation to supply chains. Amid growing public concern about human rights issues and poverty, companies are also required to fulfill their social responsibilities from a global perspective and in accordance with the extent of their own social influence.

If the JT Group is to meet society's increasing expectations and aptly perform its social responsibilities, we need to evolve the Group's CSR activity.

To that end, communication with stakeholders is essential. We believe that rather than acting upon

internal ideas alone, it is important to conscientiously listen to the voices of customers and other stakeholders, including shareholders, employees and society, and reflect this into our CSR activity. We must quickly and flexibly respond to changes instead of just repeating the same activity. We will take nothing for granted and will make constant improvement efforts so that we can continuously evolve our CSR activity.

We believe that the growth that the JT Group has so far achieved was made possible by the sound development of the whole society.

For the JT Group to continue sustainable growth, sustainable development of society is indispensable. To advance sustainable development of society, we will contribute to resolving social challenges through our business activities, thereby performing our social responsibility.

President, CEO and Representative Director, JT

Mitsuomi Koizumi

JT Group's CSR

Management Principle and the JT Group's Objectives

Management Principle

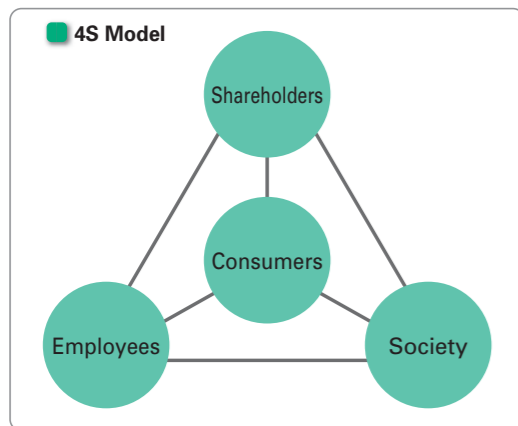
A company cannot survive on its own; its existence relies on cooperation with a number of stakeholders including consumers. The JT Group, therefore, puts up the 4S (S stands for Satisfaction) model, which focus on fulfilling our responsibilities to our consumers, shareholders, employees and society, placing our consumers at centre.

The JT Group will continue to practice this management philosophy, thereby increasing the company's value and accelerating growth in the mid to long-term.

JT Group Mission and the JT Group Way

The JT Group established the "JT Group Mission" and the "JT Group Way," the agenda to realize its philosophy to achieve its long-term goal: a company committed to global growth by providing consumers with a variety of values that are uniquely available from the JT Group.

With the group's management philosophy in mind, all JT Group employees must share the mission and agenda to deal with the changing business environment and achieve further growth.



Communication with Stakeholders

In conducting business, the JT Group communicates with stakeholders in a variety of situations, incorporating the

results of discussions and suggestions made into its operations and CSR activities.

Consumers

The JT Group provides consumers with correct information on its products and services through its website and brochures, and with such information, a sense of trust and satisfaction. At the same time, the sales forces and the Customer Service Center gather consumers' valuable feedback, which contributes to improving the group's products and services.

Society

The JT Group disseminates information about its business policy and activities so that it can be better understood and evaluated by society, while communicating with local communities and NGOs on many occasions in an effort to listen to various opinions.

Shareholders

The JT Group discloses information about its performance in a timely and appropriate manner by holding briefings and publishing periodical reports, an effort to be better understood and evaluated by shareholders.

Employees

The JT Group enhances communication between top management and employees by posting the executives' messages on the intranet, publishing group magazines, conducting questionnaires for employees, and taking measures to strengthen the group's organizational power.

JT Group's CSR

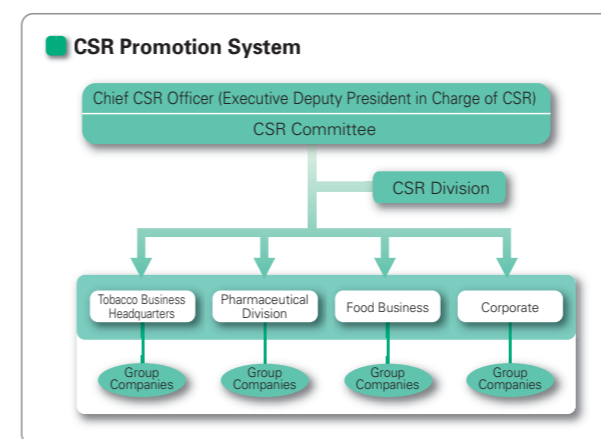
The JT Group's sustainable growth depends entirely on sustainable development of society, for which it strives to fulfill its social responsibilities by addressing social issues where it operates. Through these efforts, the JT Group can achieve its mission.

While the JT Group has been advancing CSR activities primarily through its operations, the focus will be on those based on ISO 26000, an international standard for social responsibility, to contribute to solving social issues on a more global basis and in a more appropriate manner. Specifically, they are designed to address appropriate manufacturing process and consumer services, supply chain management, environmental management, strengthening of the business foundation, and social contribution.

In addition, the JT Group will continue to communicate with stakeholders, as their opinions are essential to its CSR activities.

JT Group's CSR Promotion System

With the business environment taken into account, the CSR Committee, chaired by the Executive Deputy President in charge, is held regularly to discuss and share the direction in which the JT Group should be heading, while the CSR division is working with other divisions to promote CSR activities on a group-wide basis.



CSR Promotion Policy and Its Development

The JT Group has been promoting CSR activities based on the three-year promotion plan (2009–2011), which sets priority issues in four primary areas (Base Domain of Business Management, Business Environment, Global Environment and Social Contribution), while stepping up efforts to meet the expectations of society.

As for the base domain of business management, efforts are underway to address corporate governance, risk management, and compliance issues; implement CSR-oriented procurement; and strengthen human resources management. Specifically, the JT Group Responsible Procurement Policy was adopted to promote CSR-oriented procurement on a group-wide basis, while the JT Group Code of Conduct are in place to further strengthen the group's system to observe compliance.

The business environment area: The tobacco business focuses on "youth smoking prevention" and "harmonious coexistence between smokers and nonsmokers"; the pharmaceutical business, on "the highest level of ethical standards required for those who are engaged in pharmaceutical business"; and the food business, on "the highest standard of food safety control." Taking into account the nature of its operations, each business is addressing these challenges on a long-term basis, while producing steady results.

The global environment area: In line with the JT Group Environmental Action Plan (2009–2012), efforts are underway to reduce environmental impacts (global-warming prevention and resource saving) and extend environmental management to all consolidated subsidiaries. In fact, there have been improvements in major environmental indexes (greenhouse gas emissions, water consumption, waste generation, and waste recycling), while a growing number of consolidated subsidiaries are practicing environmental management.

The social contribution area: The JT Group, as "good corporate citizen," will continue to coexist with communities in which it operates, based on the JT Group Social Contribution Policy. On the domestic front, for example, community-based programs are underway, such as cleanup activities in the surroundings of JT's factories and offices, the JT Forest initiative for reforestation and forest conservation in nine locations across Japan and support for NPOs. In addition, Japan Tobacco International (JTI), which spearheads JT's overseas tobacco business, focuses on activities designed to improve the quality of life of the less advantaged, and to promote the arts.

Feature 1

Social Contributions in Tobacco Leaf Producing Regions

The JT Group procures tobacco leaf, a raw material of tobacco products, from domestic and foreign suppliers. To ensure procurement of high-quality tobacco leaf, the JT Group is engaging in various activities in tobacco leaf producing regions. In this section, we will describe the JT Group's relationships with tobacco leaf producing regions abroad in particular.

Global Production of Tobacco Leaf

Of the amount of tobacco leaf JT uses annually to produce tobacco products, it procures approximately 29,000 tons from domestic suppliers and approximately 58,000 tons from foreign suppliers (both figures represent the actual procurement amounts in 2011).

Tobacco leaf procured from foreign suppliers is mainly produced in countries located between the latitudes of 40 degrees north and 40 degrees south, such as China, Brazil, Tanzania and Zambia. Japan Tobacco International (JTI), which operates in around 120 countries as the core of the JT Group's international tobacco business, is responsible for procuring tobacco leaf produced outside Japan.

JTI has believed that in order to ensure stable procurement of raw materials and improve quality, it is essential to resolve social challenges faced by tobacco leaf producing communi-

ties. Therefore, in recent years, JTI has started various activities involving such communities.



Inspection by JTI of a tobacco field (Zambia, Africa)



A leaf tobacco farm in Malawi, Africa



A leaf tobacco drying facility in Malawi, Africa

Toward Resolving Social Challenges Faced by Tobacco Leaf Producing Regions

Except in the United States and a few other countries, tobacco leaf is grown by small farms. There has not been much progress in the modernization of production through the introduction of agricultural machinery, so there are various challenges from the perspective of productivity. Moreover, many tobacco leaf producing regions are poor.

In light of those circumstances, JTI aims to ensure stable procurement of high-quality tobacco leaf by promoting investment to strengthen the foundations of production and everyday life in tobacco leaf producing communities and improving farmers' productivity and living standards.

For example, one major social problem faced by economically disadvantaged regions is child labor. In tobacco leaf producing communities, too, young children whose families cannot send them to school for economic reasons are often used for child labor by leaf tobacco growers. JTI believes that this situation should never be tolerated.

As a measure to deal with the child labor problem, JTI has participated in the activities of the ECLT (Eliminating Child Labour in Tobacco-growing) Foundation since 2001. The ECLT Foundation, which is a non-profit organization established by the tobacco industry and others under the advisorship of the International Labour Organization (ILO), implements projects and

conducts surveys in order to eliminate child labor in tobacco leaf producing regions, mainly in Africa.

Moreover, since 2012, JTI has developed "ARISE," a program that aims to eliminate child labor through education and improvement of living standards in cooperation with various organizations, and has started full-scale activity in Brazil and Malawi, an African nation. When conducting the activity, JTI held hearings with residents in tobacco leaf producing communities and experts on the labor environment and legislation and considered specifics of the activity based on the hearing results so as to implement measures that better suit the circumstances of each community.

In addition to child labor, environmental problems, such as forest destruction, also pose a great challenge. In tobacco leaf producing regions in Africa and elsewhere, wood is used not only as a household fuel material but also for the process of drying leaf tobacco, raising concerns about serious forest destruction. To revive forests and ensure sustainable maintenance and management of forests in Africa, the JT Group is promoting reforestation and forest conservation activity there. To tackle social challenges faced by tobacco leaf producing communities from a long-term perspective, JTI is implementing various community support programs.



Social Contributions in Tobacco Leaf Producing Regions

■ Eliminating Child Labor through Education and Improvement of Living Standards—ARISE Program

The ARISE (Achieving Reduction of Child Labour in Support of Education) program is being implemented by JTI in order to eliminate child labor in tobacco leaf producing regions. JTI launched this program in 2012 in cooperation with Winrock International, an NGO which is engaging in agricultural development and which is well experienced in activities to resolve the child labor problem, the International Labour Organization (ILO), and local governments.

This program aims to resolve the child labour problem by increasing opportunities for children to receive high-quality education. It provides better education by giving children learning materials and after-school lessons.

In addition, support for parents is also important. To enable local residents to make a living without depending on child labor, this program implements measures to improve the quality of life for whole families.

For example, the program seeks to improve productivity by

providing opportunities to acquire techniques and knowledge necessary for effective production of leaf tobacco through vocational training. Support is also provided for people planning to start up a new business and preferential financial assistance is offered so as to strengthen the foundation of everyday life. In addition to such support, this program enlightens people about the importance of education and raises awareness about the child labor problem.

Resolving the child labor problem is not a challenge for farmers and local communities alone. Therefore, the program urges relevant governments and international organizations to develop a legal framework that underpins such activities.

We pilot the program in Brazil and Malawi, an African nation, and are planning to extend it to other African nations as well. We will continue to improve this program in cooperation with NGOs, international organizations and relevant governments.

We Will Continue to Expand the ARISE Program – JTI official in charge of the ARISE program

JTI has developed the ARISE program in order to resolve social and economic problems faced by leaf tobacco growing communities and correct the situation in which children have to do dangerous jobs. As child labor involves complex problems, we cannot find a solution without cooperating with organizations that have international experiences, such as the ILO and Winrock International. Therefore, we encourage tobacco leaf growing communities to achieve economic independence by creating opportunities for people to receive high-quality education and by raising awareness about the need to prevent child labor in cooperation with governments and local residents. In Brazil and Malawi, these activities drew a very favorable reaction. In 2012, we will start a survey in Zambia.



Peggy Herrmann-Ljubicic
Corporate Affairs & Communications Manager
Global Leaf

■ Preserving Forests near Tobacco Leaf Producing Regions

In tobacco leaf producing regions in Africa and elsewhere, wood is often used as a fuel for the process of drying harvested tobacco leaf. Wood is also used as a household fuel material. As a result, the regions face environmental problems such as a decline in the area size of forests and soil runoff in farmland due to logging. There is concern that if this situation worsens, it will have a significant impact on tobacco leaf production as well.

The JT Group's reforestation and forest conservation activity aims to realize sustainable production of tobacco leaf by preventing logging and reviving forests. With the support of Washington State University, which has abundant experiences in the field of overseas aid in the agricultural sector, the JT Group started this activity in Malawi and Tanzania in Africa in 2007 and Zambia, also in Africa, in 2010. We have so far planted around 16 million trees on a total of some 8,000 hectares of land. In addition to planting trees, we also educate local residents about

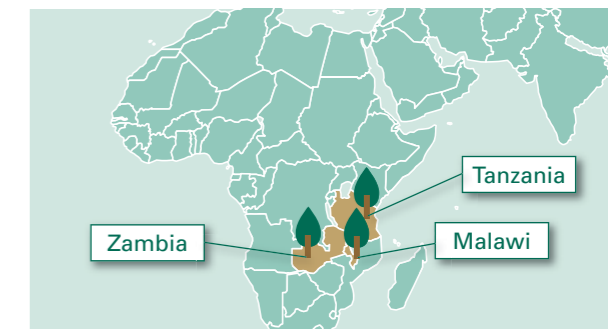
forest conservation through this activity, with a view to developing a system for sustainable maintenance and management of forests.

Moreover, the JT Group is implementing various support measures in the belief that strengthening the foundations of production and everyday life in local communities is essential to forest conservation. To reduce the amount of wood used as a household fuel material, we are installing improved cooking stoves with higher fuel efficiency. We are also engaging in other activities such as installing wells for clean drinking water and small-scale irrigation equipment that enables the cultivation of farm products during the dry season. These activities have been praised for having led to stable food production, improvement of sanitary conditions and a higher income level.

The JT Group will continue to conduct activities that contribute to environmental preservation, including forest conservation, and sustainable community development in tobacco leaf producing regions.



A simplified pump installed at a well



Reforestation and forest conservation areas in Africa



Feature 2

From Forest Conservation and Development to Co-habitation with Forests

The JT Forest initiative for forest preservation has expanded to nine locations across Japan and has diversified its scope of activity since it launched in 2005.

■ Diversified Forest Conservation Adapted to Local Characteristics

The JT Group has engaged in the JT Forest initiative for forest conservation as an indication of its appreciation of the blessings of Mother Nature that sustains its business and its wish to preserve the natural environment. In this initiative, JT borrows forestland across the country for a certain period of time, draws up forest development plans according to the local needs and provides support necessary for forest development while exchanging opinions with experts and local governments.

In Nakahechi, Wakayama Prefecture, where the initiative was first launched in 2005, we are trying to revive a forest in a vast area deforested by logging. Rugged mountain surfaces are steadily regaining green cover as a result of forest development activities such as the planting of around 180,000 trees and weeding. In 2006, we expanded the initiative to Kosuge, Yamanashi Prefecture, to create a water source forest by mixing broad leaf trees in a coniferous forest zone and to Nahari, Kochi Prefecture, to preserve coral in the river mouth by developing a bountiful forest through thinning. In 2007, we extended the initiative to Chizu, Tottori Prefecture, where strip roads are also being developed to enable sustainable forest conservation. In addition to planting, we are conducting various forest maintenance activities, such as thinning, weeding, strip road development and animal damage control as well as support for the use of experimental forest development techniques in accordance with the circumstances of each forest.



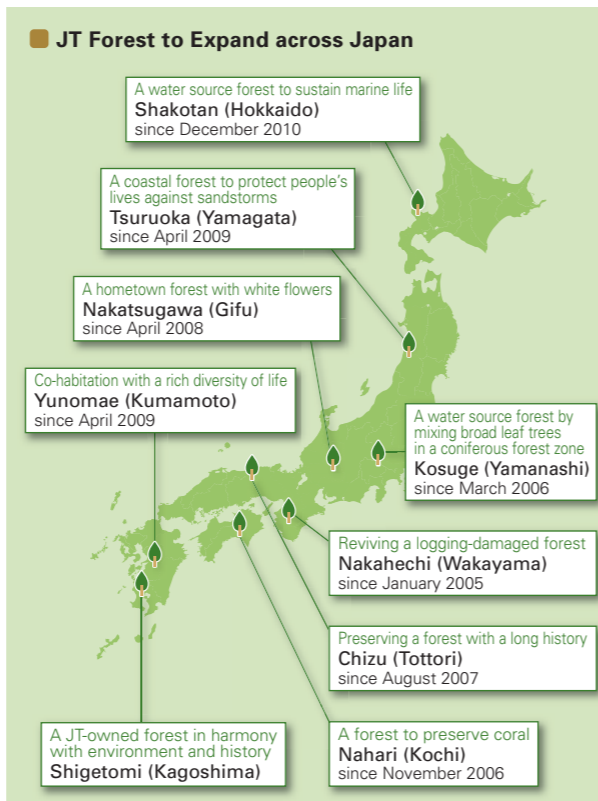
JT Forest Nakahechi Before preservation, 2005



Present, 2012

The number of areas where we are implementing the JT Forest initiative has increased

to nine in Japan, including leased forests and a company-owned one. To create bountiful forests desired by local residents, we are striving to develop sound forests that can be maintained and used in a sustainable way in cooperation with local forestry cooperatives, which have extensive knowledge concerning the history of the forests and the types of trees there. In addition, we have designated the "Forestry Program Day," when JT employees, local residents and local government officials work together in forest preservation activity, creating a valuable opportunity for local community exchanges.



■ Future-Oriented Forest Development

Seven years after its start, the JT Forest initiative has expanded to include new activities and has evolved in various ways.

In Shigetomi, Kagoshima Prefecture, we conducted a field survey over a one-year period from July 2010 to examine the ecology of animals and plants. The survey was conducted in cooperation with the local forestry cooperative to which we entrust forest maintenance and an environment-educational non-governmental organization which is utilizing the JT Forest Shigetomi for a nature experience program. We have drawn up the Biodiversity Preservation Plan in light of the survey results based on the idea that the environment having a rich diversity of plant and animal life is essential to the creation of a bountiful forest. We will continue monitoring plant and animal life in cooperation with local communities. We will also use forests as a source of knowledge concerning the formation of geological structures due to volcanic activity and the history of local industries that used to be sustained by forests.

In December 2010, we started activity under the JT Forest initiative in Shakotan, a fishing town in Hokkaido, with a view to

creating a water source forest that sustains marine life. The development of the forest in Shakotan has been stalled for many years due to a lack of necessary workers and access problems. In the coastal area, marine plants have decreased in recent years, raising concern over possible effects not only on the forest but also on the entire ecology of the river basin area. In addition to forest development, we conducted an ecological survey and monitoring and launched a 10-year activity aiming to create a water source forest that brings the blessings of nature to the river basin area and the sea. We will contribute to fostering local personnel who can undertake the task of forest development by using this activity as an opportunity to acquire know-how on forest development. To make it possible to develop and preserve sound forests into the future, we will devote efforts to forest development in cooperation with local communities and relevant organizations.



A field survey

Aiming for Forest Development that Respects the River and Sea Environment

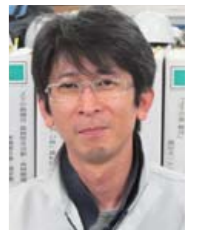
There are eight fishing ports on the coastal area of Shakotan while forests cover 80% of the town. Fishing is an important industry for Shakotan, which used to thrive on abundant hauls of herring.

In recent years, the "isoyake" (sea desertification) phenomenon, which refers to an excessive decline in marine algae, has become worse. As a result, organisms feeding on marine algae and breeding grounds have decreased, raising concern over possible effects on fishery resources and reminding us of the importance of the relation between forests and rivers. Awareness of the need to preserve forests is growing among local residents, not to mention local fishermen. We are conducting forest preservation activity to

restore our forests and seas to a sound condition while also giving consideration to river and marine life as well as plant and animal life on land.

In a situation like this, we are grateful for the forest development being achieved through collaborative activity under the JT Forest initiative. We expect that this will help to create jobs and foster personnel who can undertake future preservation activity.

An exchange between JT employees, their family members and local residents provides an opportunity to raise awareness about the blessings of forests. We hope that an activity like this will spread to various fields, including industry, welfare, education and culture.



Hajime Nishikawa
Chief, Agriculture, Forestry and Fisheries Division
Shakotan Town

JT Forest (Japanese)
URL www.jti.co.jp/csr/forest

CSR Activities in the Tobacco Business



To Meet Expectations of Consumers and Society on a Higher Level

JT places a premium on providing consumers with valuable products and services, while fulfilling the social responsibility of a tobacco company. To this end, JT has been striving to prevent youth smoking and create an environment where smokers and nonsmokers can coexist in harmony.

For example, efforts are underway with municipalities, the police, and those who are engaged in tobacco business to prevent youth smoking, a priority for the tobacco industry, through educational campaigns and newspaper ads. In addition, cigarette-vending machines have been almost replaced with those equipped with an age verification system to prevent minors from buying cigarettes.

JT is also rolling out a campaign to improve smoking manners, while setting up smoking areas, to achieve harmonious coexistence between smokers and nonsmokers. For example, educational campaigns through JT's website and TV commercials are in place to have smokers realize and think about the importance of smoking manners and act accordingly. JT is collaborating with municipalities to set up smoking areas in public places and providing smoke separation consulting services to facility owners.

JT is committed to fulfilling its social responsibility through a variety of approaches to continue meeting expectations of consumers and society on a higher level.



Akira Saeki
President, Tobacco Business

CSR Activities in the Tobacco Business

Youth Smoking Prevention Initiatives

While adults have the freedom to choose smoking as a personal pleasure, being fully informed about the risks involved, minors must not smoke for any reason. They are in the process of development, both physically and mentally, with their personalities, lifestyles, and discretion yet to be established. Naturally, they are legally prohibited from smoking.

Youth smoking is a problem that cannot be solved by the tobacco industry alone. It is a social problem that needs to be addressed by society as a whole, including households. JT will thus continue to take a variety of proactive measures to prevent youth smoking, while further enhancing cooperation with concerned parties

Community Youth Smoking Prevention Programs

In cooperation with local tobacconist associations, municipalities, and police authorities, JT organizes the Youth Smoking Prevention Council and participates in a variety of educational campaigns to prevent youth smoking.

The Tobacco Institute of Japan (TIOJ), meanwhile, sets "Youth Smoking Prevention Awareness Month" every year, while rolling out youth smoking prevention campaigns and producing posters and stickers for youth smoking prevention, in which JT participates as a member.

Likewise, the Japan Tobacconist Federation (JTF) distributes flyers and holds street events during the Youth Smoking Prevention Awareness Month.

Educational Campaigns Through Newspaper Ads

In addition to industry-wide activities, JT places ads in national and local newspapers to raise public awareness of youth smoking prevention. In 2011, for example, such ads were placed in 5 national newspapers and 43 local newspapers.



Youth Smoking Prevention Awareness Ads in Newspapers

Voluntary Rules for Advertising and Sales Promotion

JT has been in compliance with voluntary regulations for advertising and sales promotion of tobacco products in the domestic market since the days of the Japan Tobacco & Salt Public Corporation to prevent youth smoking, while phasing out advertising through the public media from 1969.

Likewise, the tobacco industry has been in compliance with voluntary rules set by TIOJ since its establishment in 1987; TV and radio advertising was discontinued in April 1998, followed by advertising on public transportation in October 2004 and on outdoor billboard advertising in April 2005.

You may find details of the voluntary rules in the domestic market on the website of TIOJ.

TIOJ (Japanese)
URL www.tioj.or.jp

Age Verification Cigarette Vending Machines

The key factor for youth smoking prevention is to prevent minors from buying cigarettes through vending machines. The tobacco industry, therefore, has been rolling out programs such as placement of campaign stickers and voluntary restrictions on late-night sales through vending machines, with age verification cigarette-vending machines introduced in 2008.

TIOJ, JTF, and the Japan Vending Machine Manufacturers Association (JVMA) play a central role in introducing age verification cigarette-vending machines. The "taspo" IC card, issued exclusively for adults, is required to buy cigarettes from these vending machines. Cigarette-vending machines all over the country have been almost replaced with their age verification counterparts and the number of "taspo" IC cards issued exceeded 10 million in 2011.

The tobacco industry will continue to distribute "taspo" cards, while JT is committed to playing a key role in preventing youth smoking as a leading tobacco company.



Age verification cigarette vending machine



"taspo" IC card

Creation of an Environment Where Smokers and Nonsmokers Can Coexist in Harmony

Under the slogan “Creating an Environment Friendly to Both Smokers and Nonsmokers,” JT is working on smoking manner improvement, creating a better smoking environment, and promoting citizen participation cleanup activities in an effort to achieve a society where smokers and nonsmokers can coexist in harmony, which is posted on JT’s website and advertised on TV.



JT’s Approaches Advertised in Newspapers

JT’s Approaches (Japanese)
URL www.jti.co.jp/sstyle/manners

Improving Smoking Manners

As the creation of a society where smokers and nonsmokers can coexist in harmony also requires improvement of smoking manners, JT is calling for smokers to give consideration to people around them, including nonsmokers.

For example, with the catch line “Pay Attention and You Can Change Your Manners,” many common scenes and themes regarding smoking manners are illustrated and spread through newspapers, public transportation, tobacco retailers, and smoking areas to have smokers realize and think about the importance of smoking manners and act accordingly.



Smoking Manner Ads

JT’s Approaches (Advertising/Japanese)
URL www.jti.co.jp/sstyle/manners/ad

Improvement of the Smoking Environment

When separating smoking and nonsmoking areas, JT places a premium on creating an environment that gives consideration to both smokers and nonsmokers.

JT and municipalities nationwide, therefore, have been jointly setting up smoking areas, while rolling out campaigns to reduce cigarette-butt littering and improve smoking manners. As of the end of March 2012, more than 1,000 smoking areas had been set up in collaboration with about 230 municipalities, resulting in significant decreases in cigarette-butt littering in some areas.

At the same time, JT is working with a variety of parties such as facility owners and managers to improve the smoking environment, while providing consulting services for smoke separation at terminal stations, airports, office buildings, and large-scale commercial facilities, where a large number of people gather.



Smoking Area at the Haneda Airport

JT’s smoke separation consulting services are designed to provide facility owners and managers with solutions for smoke separation that gives consideration to nonsmokers and at the same time satisfies smokers. The JT headquarters houses a smoke separation test room where physical conditions such as exhaust airflow and layout can be adjusted to recreate various smoking environments and demonstrate smoke separation methods. In addition, the website “Tobacco World” and the brochure “Smoke Separation Consulting Services” show basic information and key points in smoke separation as well as details of smoke separation consulting services.

JT, moreover, is encouraging restaurants to put up stickers and posters, which indicate the smoking environment, at their entrances to guide customers. Restaurant managers, meanwhile, can design their own signs by choosing figures and colors posted on JT’s website.

JT’s Approaches (Smoke Separation/Japanese)
URL www.jti.co.jp/sstyle/manners/bunen



Brochure “Smoke Separation Consulting Services”

Pick Up and You Will Love Your City Initiative

JT has been rolling out a citizen participation cleanup campaign called the “Pick Up and You Will Love Your City” initiative in 47 prefectures nationwide to help people develop the mindset of “not littering on the street” through the experience of “picking up trash.” This campaign—a joint initiative with municipalities, companies, schools, volunteer bodies, and planning committees and participants in local events—has been carried out on more than 1,300 occasions, with about 1,300,000 participants and 2,674 parties teaming up for it (as of March 2012).

JT will further promote the campaign, hoping to increase the number of those who do not litter on the street, while calling for broader participation and cooperation.



Pick Up and You Will Love Your City initiative

Pick Up and You Will Love Your City initiative (Japanese)
URL www.jti.co.jp/sstyle/manners/clean

Participants’ Opinions

“The Kumamoto Fall Castle Festival” (October 2011)

“The Kumamoto Fall Castle Festival” is a 15-day festival held every fall at the Castle of Kumamoto. The “Pick Up and You Will Love Your City” initiative was jointly implemented for two days by the Citizen Cooperative Promotion Section of the Kumamoto City, the Kumamoto Kamimashiki Regional Federation, and local communities, with about 2,000 people taking part in it.

Shinji Harano, Chairman, Ginnan Festival Steering Committee



While shops in a local shopping district and other groups set up booths at the festival site to offer local delicacies, littering of used food and beverage containers has been a problem. But the amount of such litter decreased thanks to the initiative, and we are very grateful for that.

Masataka Hayashi

Assistant Section Head, Citizen Cooperative Promotion Section, Kumamoto City



The “Pick Up and You Will Love Your City” initiative, I think, is contributing to reducing litter on the street and improving citizens’ manners. Hopefully, the initiative will further raise their awareness of voluntary manners.

To Meet Expectations of Consumers

To Provide Consumers with Products That Meet Their Needs

JT is striving to improve and maintain product quality in every aspect of operations, from R&D to procurement, manufacturing, and sales, to provide consumers with products that meet their needs.

For example, a massive amount of data on preference on taste and flavor is gathered and analyzed to develop products that satisfy the palate of consumers. As for raw material procurement and manufacturing, a traceability system is being developed to keep track of the flow of products, thereby further improving and strengthening the quality-assurance system. At the same time, sales representatives monitor the freshness of products on the shelves and in vending machines to deliver quality products to consumers.

The sales forces and the Customer Service Center, meanwhile, gather consumers’ valuable opinions on JT’s products, which are fed to the management and all departments concerned to improve and maintain product quality.



Customer Service Center

Communication of Appropriate Information to Consumers

While opinions abound on tobacco products, the management of tobacco business is expected to be faithful and transparent. In order to meet such expectations, JT disseminates a variety of information on tobacco and smoking.

Regulatory authorities around the world, for example, speak the same language regarding the harmful effects of smoking, which causes or increases the risks of many diseases. JT, therefore, helps these authorities advise smokers, while informing smokers of the health risks of smoking and the specifications of JT’s products. On the domestic front, meanwhile, the Ordinance of the Ministry of Finance, based on the Tobacco Industries Act, mandates that health caution and the amount of tar and nicotine must be indicated on cigarette packages, with which JT fully complies.

JT’s views on tobacco products, smoking, and its health risks as well as information about additives used in JT’s products are posted on JT’s website.

JT’s Philosophy on Tobacco Business and Adults’ Responsibilities and Choices (Japanese)

URL www.jti.co.jp/corporate/enterprise/tobacco/responsibilities

CSR Activities in the Pharmaceutical Business



Aiming to Achieve the Highest Level of Ethical Standards as a Pharmaceutical Manufacturer

We are committed to achieving our most important mission, which is to “develop innovative, unique, and globally competitive drugs.”

As we are engaged in a business that has a direct impact on human life, we must always have a strong sense of responsibility, ethics, and mission. Our priority in CSR is thus to “achieve the highest level of ethical standards as a pharmaceutical manufacturer.” Specifically, we are operating with integrity, strictly complying with pharmaceutical regulations and standards, and properly managing chemical substances. At the same time, Torii Pharmaceutical Co., Ltd., a JT Group company manufacturing and distributing pharmaceuticals, sees to it that the promotion code is followed and awareness-raising programs are put into practice with a focus on medical services.

Drugs are indispensable for the relief of patients suffering from diseases, while failure to supply them could have a serious impact on their lives. We, therefore, give priority to ensuring the supply of drugs. The Great East Japan Earthquake, meanwhile, did not have a direct impact on our business, but it brought home the importance of a robust supply system.

JT and Torii Pharmaceutical Co., Ltd., a JT Group company, will continue to make concerted efforts to develop drugs to be respected and appreciated by patients and medical staff around the world.



Muneaki Fujimoto
President, Pharmaceutical Business

CSR Activities in the Pharmaceutical Business

Strict Compliance with Laws and Regulations

Compliance with Pharmaceutical Regulations and Standards

A number of laws and regulations apply to new drug development, some of which include verification of the safety of drug candidate compounds at the preclinical stage and assurance of safety of trialists during clinical development. The JT Group, therefore, has a system in place to comply with relevant laws and regulations, while controlling the safety of its drugs through strict in-house audits to check if the prescribed operating procedures are appropriately followed.

In addition, data on the efficacy and side effects of drugs on the market are being gathered to provide patients with drugs in an effective and safe manner.

Proper Management of Chemical Substances

The JT Group continues to comply with a variety of laws and regulations concerning the management of designated chemical substances, with more rigorous in-house regulations and systems in place to educate employees on safety management. The Central Pharmaceutical Research Institute, which spearheads the JT Group’s new drug development, is striving to improve and put into practice its chemical substance management system. Torii Pharmaceuticals Co., Ltd., a JT Group company manufacturing and distributing pharmaceuticals, systematically manages chemical substances in accordance with prescribed rules and procedures, setting up management categories based on the characteristics of each chemical substance.

Compliance with the Promotion Code

The Japan Pharmaceutical Manufacturers Association (JPMA) sets forth the “JPMA Promotion Code for Prescription Drugs,” a code of conduct for pharmaceutical companies in promoting medical supplies and prescription drugs. Torii Pharmaceuticals Co., Ltd., a JT Group company manufacturing and distributing pharmaceuticals, holds study sessions and seminars to strictly comply with its own code of conduct in accordance with the promotion code, while educational programs are in place to develop qualified MRs (medical representatives).

Approaches Based on Patients’ Opinions

Torii Pharmaceutical Co., Ltd. is committed to fulfilling the responsibilities of a pharmaceutical company, striving to improve patients’ quality of life from their perspectives. For example, easy-to-swallow formulations were developed at patients’ requests, with efforts underway to develop formulations from the standpoint of patients.

Ethical Considerations for Experiments and Studies

Ethical Considerations for Animal Experiments

Animal experiments are essential part of pharmaceutical development in determining the safety and efficacy of drugs. When conducting animal experiments, the pharmaceutical business examines their scientific rationality, respects the lives of animals, and always takes the concept of animal welfare into consideration.

The Central Pharmaceutical Research Institute set in-house regulations for animal experiments in accordance with the Law of Humane Treatment and Management of Animals (Law 105, instituted in 1973) and its relevant guidelines (Notification 0601005, issued by the Ministry of Health, Labour and Welfare in 2006) to properly manage animal experiments and breed experimental animals. Specifically, the animal experiment committee is in place to examine and ensure that experiments are conducted in accordance with the 3R concepts*. The pharmaceutical business, meanwhile, was certified by a third party for its proper management of animal experiments, etc.

*3R Concepts Replacement: Where possible, opt for test methods using no experimental animals
Reduction: Minimize the number of animals used for experiments
Refinement: Do not let experimental animals suffer unnecessary pain

Ethical Considerations for Human Genome/Gene Analysis

The Ethics Review Committee on Human Genome/Gene Analysis is in place to examine the ethical and scientific validity of studies in accordance with the Ethical Guidelines for Human Genome/Gene Analysis (Notification 1, issued by the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare and the Ministry of Economy, Trade and Industry in 2001).

Awareness-Raising Programs with a Focus on Medical Services

Torii Pharmaceutical Co., Ltd. has been providing tips about how to deal with diseases and stay healthy through its website and brochures, helping patients improve their quality of life. The website, moreover, features a section that explains the mechanisms of diseases and their symptoms. In addition, a humorous poem contest for artificial dialysis, which causes itching, was co-held with the Japan Association of Kidney Disease Patients (JAKDP) to raise public awareness of dialysis complications.



Torii Pharmaceutical Co., Ltd.
URL www.torii.co.jp/en

CSR Activities in the Food Business



To Provide Safe and Reliable Products to Consumers

The JT Group is committed to providing safe and reliable products to consumers, hoping to “provide products for your loved ones.” The JT Group, therefore, has been striving to set and meet the highest standard for safety control, focusing on reducing risks, better serving consumers and strengthening the corporate organization and system.

In an effort to reduce risks, for example, a variety of programs are in place for raw material procurement and manufacturing at home and abroad, with emphasis on supply-chain safety management. In addition, food safety information and factory tours are offered to better serve consumers, thereby having them select the JT Group’s products with a sense of security. Measures to strengthen the corporate organization and system, meanwhile, include appointment of food safety control representatives, which constitute an independent organization tasked with integrated food safety control, and introduction of food safety advisers (external experts) who evaluate and advise on the group-wide safety control system—all designed to create a system to promote safety control across the JT Group.

Safety improvement is a never-ending effort for manufac-

turers of foods, and is the very basis of our lives. The JT Group, therefore, will continue to maintain the highest standard for safety control to provide consumers with safe and reliable products.



Ryoko Nagata
Head of Beverage Business



Miyoharu Hino
President & CEO
TableMark Co., Ltd.

CSR Activities in the Food Business

JT Group Food Safety Policy

As the JT Group’s food business is tasked with providing consumers with safe and reliable products, the “JT Group Food Safety Policy” is in place and is shared across the group, serving as the basis of all operations.

The policy stipulates that each employee must make the utmost efforts to ensure food safety, with consumers’ opinions taken into consideration in improving the safety and quality of products.

Approaches to Reducing Risks

All frozen-food factories of the JT Group and its outsourcing companies obtained ISO 22000 certification for food safety. The JT Group is also working on food defense to deal with intentional attack on the foods it produces. Specific measures include putting in place a security system, such as tight control of facilities, water sources, and toxic chemical substances; setting of restricted areas for both employees and visitors; and restrictions on bringing in personal belongings. These are all included in a food defense plan for implementation by all factories and distribution centers.



Food Defense Meeting at a Factory

* Food defense is designed to protect foods from planned or intentional attack (contamination, etc.).

Strengthening the Corporate Organization and System

With “food safety control representatives” in place both at TableMark Co., Ltd. and at the JT’s Soft Drink Business Division, group-wide efforts are underway to strengthen the corporate organization and system.

At the same time, “food safety advisers” consisting of external experts evaluate and advise on the JT Group’s food safety control system, which is reflected in our operations.

TableMark Co., Ltd (Japanese)
URL www.tablemark.co.jp

Better Serving Consumers

Communicating Food Safety Information

The JT Group posts its food safety control programs on its websites to give customers a sense of assurance.

The Soft Drink Business Division’s website, for example, features information such as raw materials for products and their nutrient components, and quality-assurance approaches, from product development to delivery of products to consumers.

Likewise, the website of TableMark Co., Ltd. shows how to read the labeling on packages (information about where its products are manufactured and where their ingredients are sourced from) and food supply chain safety management. In addition, the “OISHISA-KENSAKU” on the website is designed to track production records (rice production areas, suppliers, factories, production dates, etc.) from the best-before date printed on the packages and trays of the “Takitate Gohan” series. Production processes are also shown on the website, where a virtual factory tour is offered, in addition to a real tour of the Uonuma Mizunosato Factory.



Gallery for Uonuma Mizunosato Factory Tour

Reflecting Consumers’ Opinions in Products

Consumers’ valuable opinions are communicated to all departments concerned and shared within the JT Group to develop products and improve their quality.

Examples of Improvements

Consumers’ Opinion	Improvement Made
Mineral Water “Echigo-no-meisui” The label on the PET bottle is hard to peel off because the perforated line is invisible.	A cut-here line is printed along the perforated line (as from production in May 2012)
All Beverages The way the best-before date is indicated is somewhat confusing.	The best-before date, for example, is indicated as 2011.10.02 (October 2, 2011) instead of 111002.

JT Beverage website (Japanese)
URL www.jti.co.jp/softdrink

Supply Chain Management

- JT Group Procurement Policy
- Supply Chain Management in JT Group's Business



JT Group Responsible Procurement Policy

There has been a growing need to deal with social problems through management of corporate supply chains. While the JT Group has been putting forward CSR-oriented procurement such as green procurement, the JT Group Procurement Policy was established to further meet social expectations and fulfill corporate social responsibilities.

This policy stipulates that compliance be observed and due consideration be paid to human rights and the environment when procuring materials.

Accordingly, the JT Group will continue expanding cooperation with suppliers to pursue CSR-oriented procurement through its entire supply chain.

JT Group Responsible Procurement Policy

The mission of the JT Group is to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals. To achieve the mission of the JT Group, the JT Group operates procurement in the manner as stated in the JT Group Responsible Procurement Policy.

1. Implementation of Compliance

- Acting in a manner to comply with the legislation and regulations relating to procurement as well as social norms.
- Providing appropriate measures to protect all information provided to us by our suppliers for procurement activities.
- Operating procurement activities in appropriate and sincere manner that follows JT Group Principles of Conduct and Guidelines for Conduct.

2. Environment

JT Group operates procurement in a manner to pay due consideration to the environment in accordance with the basic principle of JT Group Environment Charter.

3. Selection of Suppliers

Our supplier selection is based upon our review of a supplier's quality, price and service. In particular, JT Group will consider the supplier's historical success with respect to the delivery of goods and services to be supplied to JT Group, as well as the supplier's capability to ensure ongoing delivery of these requested goods and services. In addition to these criteria, JT Group will consider the following:

- The supplier's compliance with relevant laws and regulations for each country and region.
- The supplier's policies that respect human rights and social norms.
- Whether the supplier has appropriate measures to pay due consideration to the environment.
- Whether the supplier has appropriate measures to protect confidential information, trade secrets and any other information provided by business partners.
- Whether the supplier has appropriate measures that ensure business continuity, free from any operational and financial instability.

Supply Chain Management in the JT Group Business

Activities in the Tobacco Business

Domestic Leaf-Tobacco Procurement

While consumers and society pay greater attention to the quality of raw materials, the JT Group places a premium on producing quality leaf tobacco.

The JT Group's domestic leaf-tobacco production depends on procuring raw materials from contract leaf-tobacco farmers nationwide.

The very basis of agriculture lies in soil preparation, in which the use of organic fertilizers is effective. JT encourages leaf-tobacco farmers to reduce the use of chemical fertilizers, replacing them with quality compost and mixed organic fertilizers.

At the same time, explicit standards and rules are in place to regulate the use and handling of agrochemicals for leaf-tobacco cultivation, while meetings and seminars are held for all contract farmers to minimize agrochemical use in an appropriate way. There is also a system to have them report on the amount of agrochemicals used and to analyze samples of all leaf tobacco upon purchasing, ensuring the traceability of individual farmers for problem-identification purposes.

JT and its contract leaf-tobacco farmers will continue making a concerted effort to produce reliable leaf tobacco.



Leaf-tobacco farm

Overseas Leaf-Tobacco Procurement

Japan Tobacco International (JTI, headquartered in Geneva, Switzerland) is in charge of procuring leaf tobacco overseas for the JT Group. Sustainable development of tobacco-producing areas, meanwhile, is key to maintaining the supply of quality leaf tobacco. JTI is thus committed to solving social problems, while playing a part in developing tobacco-producing areas and improving farmers' living standards.

As major tobacco-producing areas in Africa and other parts of the world face serious problems such as deforestation, poverty, low agricultural productivity, and child labor, JTI is working on a variety of programs, including those for a forestation, forest conservation, construction of irrigation systems, and agricultural technical assistance. It is also engaged in programs to provide children with opportunities for education and to educate local communities including tobacco-leaf farmers, thereby eliminating child labor and dangerous work.

Related pages p9-12

Feature1: Social Contributions in Tobacco Leaf Producing Regions

Activities in the Pharmaceutical Business

Pharmaceutical companies manufacturing drugs that have a direct impact on human life and health must ensure high levels of quality and safety in every phase of their operations, from R&D of drugs to post-marketing surveillance.

Torii Pharmaceuticals Co., Ltd., a JT Group company manufacturing and distributing pharmaceuticals, gives the highest priority to the safety of patients and sees to it that the quality and safety of drugs are maintained throughout the entire process, from raw material procurement to manufacturing, shipment, and delivery to patients. Accordingly, raw material suppliers and outsourcing companies are selected through rigorous screening to ensure the quality of finished products. In addition, existing suppliers are regularly audited to maintain the quality of drugs until they are delivered to patients. In order to abide by relevant laws and regulations, moreover, the general marketing compliance officer, the quality assurance supervisor and the safety management supervisor known as "manufacturing/marketing triumvirate" are in place, working to ensure the quality of drugs and the safety of those already on the market.

Activities in the Food Business

The Food Business places a premium on the highest level of safety control to provide consumers with safe and reliable products.

Producing safe foods starts from procuring safe, high-quality raw materials. The JT Group, therefore, makes it compulsory for suppliers to turn in quality assurance, which are carefully examined. Regarding key raw materials, moreover, pesticide residues and antibiotics are monitored and inspected, while raw material factories are regularly audited. As for raw materials produced overseas (Thailand, Vietnam, China, etc.), the conditions of agricultural farms (the soil, water quality, cultivation conditions, and pesticide management), breeding farms, and fish farms are inspected to ensure the safety of finished products right from the production of raw materials.

Production processes are also monitored according to rigorous standards. While all frozen food factories of the JT Group and its outsourcing companies have obtained ISO 22000 certification for food safety, security and chemical management, too, are audited, with regular as well as no-notice audits conducted at factories at home and abroad.



Inspection by Food Safety Advisors

Corporate Governance

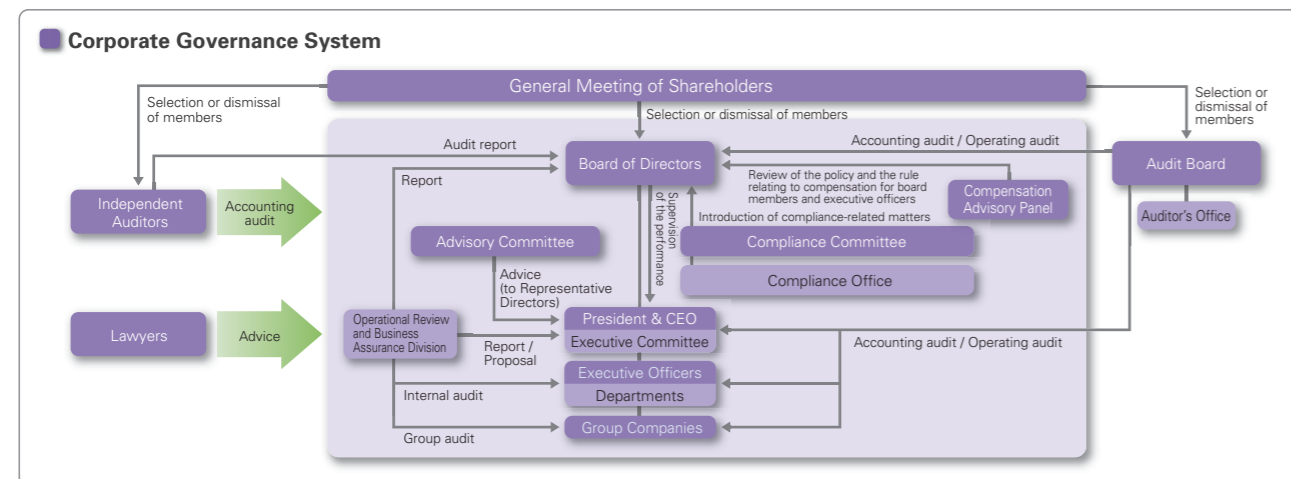
Basic Concept of Corporate Governance

Based on the framework of solid corporate governance, the JT Group is committed to growing in a sound and sustainable way. While it is paramount that high ethical standards be upheld and responsible management be practiced, the JT Group believes that highly transparent management and effective communication with all stakeholders on information and decision making regarding management will lead to superior corporate governance. The JT Group, therefore, will continue to place a premium on strengthening of corporate governance.

Efforts have been underway to downsize the board of directors, separate the decision-making process from the business management process through an Executive Officer System, and introduce outside directors to accelerate and improve the group's decision-making and business management processes. At the same time, an advisory committee comprised of outside experts is in place, where they advise the management from a broad perspective regarding how the company should operate over the mid to long-term, and other issues of similar importance.

Internal Control System

The JT Group has been maintaining and improving a system to optimize its operations by increasing the credibility of compliance and its financial reports, managing risks, and conducting internal audits. We will continue these efforts while reviewing and revising the current system as necessary and will strive to maintain and enhance our corporate systems so as to ensure appropriate business execution.



Directors, Board of Directors / Auditors, Board of Auditors

The Board of Directors—which is tasked with developing the JT Group's management strategy, making decisions on important issues, and supervising all the group's operations—meets once a month in principle and on more occasions, if necessary, to make decisions regarding the matters specified by laws and regulations and other important issues, supervise business execution, and receive reports from the directors on its status. The chairman, meanwhile, is committed to supervising management as a non-executive director.

In order to keep pace with the rapidly changing business environment and optimize the group's management, the JT Group adopted the Executive Officer System, under which executive officers appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a group-wide business strategy decided by the board, by exercising the authority delegated to them.

JT utilizes the Audit Board System, under which four auditors (including three outside auditors), in their capacity as an independent agent with a mandate from shareholders, examine the performance of duties by directors and executive officers in order to ensure sound and sustainable growth and maintain high levels of accountability and transparency. To this end, efforts are underway to develop an appropriate environment for audits by allocating sufficient staff to the Auditor's Office as an organization supporting the auditors in performing their duties, with the allocation reviewed as needed in consultation with the auditors.

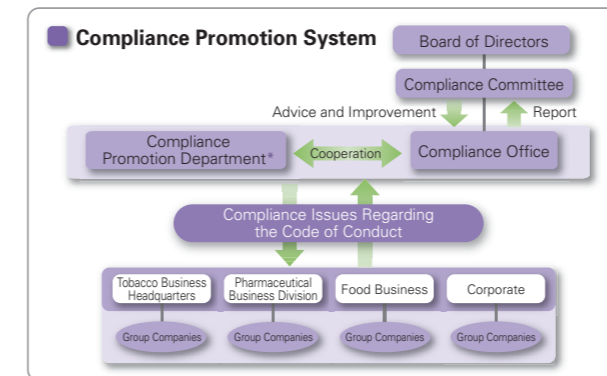
When directors and executive officers detect any matter that may cause substantial damage to the company, they are due to report it to the Audit Board.

Auditors are entitled to attend not only meetings of the Board of Directors but also other important meetings, and they usually attend meetings of the Executive Committee.

Compliance

JT Group Compliance Management

We at the JT Group define "compliance" as "Actions for the shared JT Group Mission, based on the values and ethics we must hold in order to become better corporate employees and citizens." In FY 2011, the "Principles of Conduct" and the "Guidelines for Conduct," both of which were set in 2000, were integrated into the "JT Group Code of Conduct" to further improve the JT Group's compliance and maintain its system and to help employees practice compliance. At the same time, the Compliance Committee was reshuffled, with external experts constituting more than half of the members, to strengthen corporate governance.



* A General Term for the Corporate and Other Departments Supervising the Code of Conduct

Compliance Implementation Activities

The JT Group develops the Compliance Implementation Plan every year to continuously improve the quality of its operations. Accordingly, October is designated as "Compliance Promotion Month" to practice compliance, where workshop meetings are held and JT Group Compliance Survey is conducted for all employees, while seminars such as those for e-learning are offered to managers. In addition, a variety of level-specific seminars are held to raise awareness of compliance among employees and help them practice it on a day-to-day basis.

Consultation and Reporting System

Compliance consultation and reporting counters are in place both in and outside the company, while consultations and reports received are properly dealt with according to relevant laws and internal regulations. The consultation and reporting system is being improved and properly managed to prevent problems from arising and improve the company's ability to govern itself.

Risk Management

Risk Management System

With the Risk Management Guidelines and Disaster Preparedness Manual in place, the JT Group strives to prevent and reduce risks. In the event of an emergency and a disaster, JT is ready to set up a crisis management task force headed by the President and supervised by the Corporate Strategy Division and a local emergency response headquarters in disaster-stricken areas, and to make prompt and proper responses through close cooperation between the relevant departments and divisions.

The Disaster Preparedness Manual was revised in FY 2011 to better deal with disasters. Specifically, key items such as initial actions by employees, the chain of command, a safety confirmation system for employees, disaster relief programs, and business continuity were reviewed on the basis of lessons learned from the Great East Japan Earthquake, and measures to deal with disasters on holidays and at night were also revised. Each division's business continuity plan will also be reviewed, and revised as necessary, in view of the nature of its business.

The JT Group strives to meet the expectations of consumers and society by minimizing disaster damage, ensure the safety of its employees, and resume business operations quickly.

Strengthening Information Security

The "Information Security Policy" helps the JT Group to protect from threats, by ensuring safe and proper use of its information assets.

The "Information Security Handbook," posted on the intranet and available to all JT Group employees, provides a set of guidelines and rules on information security.

In addition, e-learning programs are offered every year to improve employees' awareness on information security.

Protection of Personal Information

JT issues a statement about the protection of personal information. Protecting personal information in every phase of operations is not only a legal requirement but also a social responsibility. Based on this recognition, the JT Group establishes systems, regulations, safety control measures, and other relevant programs which reflect the contents of the statement. At the same time, in-house training is offered to employees to raise awareness of personal information protection.

Privacy Statement
URL www.jt.com/privacy

Human Resources Management

Human Resources Management Policy

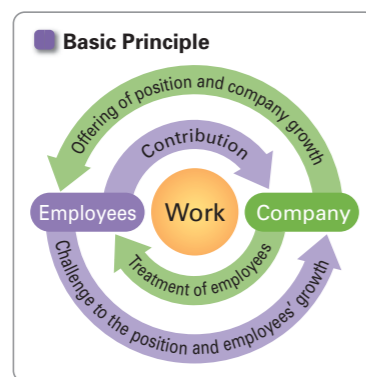
Based on the recognition that "the growth through practice of the JT Group Way by each individual JT Group employee drives the growth of the JT Group in a changing business environment," four basic principles are in place.

- 1) Providing all employees of the JT Group companies with opportunities to grow and develop in their careers
- 2) Setting transparent rules and standards
- 3) Treating all employees of JT Group companies fairly
- 4) Respecting the diversity, while seeking talents widely

We respect fundamental human rights as we respect each employee as an individual, under a universal principle of not discriminating against employees on account of gender, race, nationality, creed, handicap, employment status, etc.

Management Focusing on Employee Growth

JT has a human resources management system that is based on the concept that "employees contribute to the company through their work and the company treats them fairly, thereby growing together." Specifically, the emphasis is on definition of the significance and nature of each job, specialties, qualification-based salary, fair treatment based on the performance-based appraisal system, and support for employees' self-sustained development, while efforts are underway to put these into practice.



Number of JT Employees

As of the end of March 2012 (number of employed workers)

		FY 2009	FY 2010	FY 2011
Number of employees	Male	7,973	7,948	7,933
	Female	988	980	1,003
	Total	8,961	8,928	8,936
Average age		42.8	43.0	43.4
Average service years		21.6	21.7	21.9
Consolidated number of employees*1		49,665	48,472	48,529
Number of Employees of Overseas Consolidated Group Companies*2		27,768	27,014	27,139

*1 Number of employees of JT and its consolidated subsidiaries
*2 Number of Employees of Group Companies Headquartered Abroad

Recruitment of Next-Generation Human Resources

JT is recruiting motivated individuals to ensure sustainable growth.

In recruiting new graduates, for example, we focus on their motivation and abilities regardless of their gender, nationality, or educational background, while disseminating ample information on JT through the website, job seminars, and internship programs.

In addition to recruiting new graduates in spring, a system is in place for recruitment in summer and for foreign-student recruitment to employ a variety of individuals with different backgrounds.

We also recruit mid-career professionals, providing them with opportunities to leverage their experience and knowledge.

Recruitment Results

		FY 2010	FY 2011	FY 2012
Recruitment	University graduates (including those with graduate school degrees)			
	Main career track	104	112	121
	R&D personnel	56	54	44
	Technical college and high school graduates	34	38	36
Mid-career personnel (main career track, R&D personnel)	92	55	—	
Job separation rate (within three years of employment)*		2.0%	2.0%	1.2%

* Based on the percentage of new graduates who have not left a job within three years of employment as of April 1st each year

Human Resources Development

With emphasis on a transparent human resources management, JT provides employees with workplaces where they can improve and make the most of their abilities, while enhancing fair treatment of all employees.

Establishment of a Fair Merit System and Enhancement of the Organizational Strength

Managers, meanwhile, play a vital role in practicing a fair merit system and helping employees achieve self-sustained development. In order to practice a fair appraisal, each department and section holds appraisers' meetings to standardize appraisal practices and improve appraisal skills.

At the same time, managers are being trained and educated to enhance the organizational strength, while training programs are offered to newly appointed managers to have them obtain knowledge and skills required for management of human resources and organizations, with a variety of programs such as follow-up trainings implemented to enhance the organizational power.

Human Resources Development

JT is upgrading its training and educational programs to help each employee grow as a professional.

For example, many employees participate in optional programs to acquire basic knowledge and skills necessary for their jobs, such as those for marketing, financial accounting, logical thinking, and inventive and communication skills. These programs are open to all employees, regardless of their departments, jobs, and ages.

There are also level-specific programs for learning professional knowledge and skills, while each department has its own job-specific programs designed for learning specialties.

Career Development Support Programs

Career development support programs include career interviews conducted annually by managers and career management training designed for employees who are at stages in their careers to decide their paths. These programs provide employees with opportunities to review and determine their career paths from a mid to long-term perspective.

In addition, the Career Challenge System is in place to help employees develop their career plans, where employees who are qualified can apply once a year for jobs they aspire to, with their applications examined by the departments concerned. The system provides employees who aim for self-sustained growth with opportunities to advance their careers.

Mobilizing and Developing Global Human Resources

While the JT Group's workforce consists of employees with over 100 different nationalities, it is imperative that they respect one another's cultures and values.

JT and Japan Tobacco International (JTI, which spearheads JT's overseas tobacco business), therefore, jointly launched the "JT/JTI Talent Partnership Program," to exchange human resources and develop global talents who can leverage new ideas emerging from synergies among a variety of talents. One such program is the biannual program "JT/JTI Exchange Academy," where JT/JTI employees from all over the world are engaged in group discussions and make presentations in English to deepen mutual understanding beyond language and cultural barriers.

Respect for Human Rights

JT believes that each employee's respect for human rights and others' individualities and personalities leads to creating and maintaining a fair working environment. The Basic Policy on Human Rights Education is thus in place to maintain fairness in recruitment and treatment, based on an international perspective for human rights.

To raise awareness of human rights among employees, moreover, learning materials are posted on the intranet and e-learning programs are offered regularly.

Basic Policy on Human Rights Education

1. Respect for human rights and ban of discrimination
2. Establishment of the Committee of the Promotion of Human Rights Education
3. Fair recruitment and appointment of persons in charge of fair recruitment and human rights education
4. Implementation of human rights educational seminars
5. Promotion of human rights education at JT Group companies
6. Others

- 1) Respect for human rights in accordance with the globalization of business
- 2) Communication with labor unions
- 3) Response to fake dowry (antidiscrimination) activities, etc.
- 4) Collection and sharing of information, etc.

Better Labor-Management Relationship

It is imperative that employees and employers share a common view of the business environment and trends to ensure the JT Group's sustainable growth. Based on a labor-management consultation system established between the two parties, JT and its employees respect each other, being engaged in good-faith discussion to deal with management issues such as business plans and financial management.

Although the Great East Japan Earthquake dealt a severe blow to the JT Group's business, a group-wide cooperation system was established to continue operations and restore damaged production facilities. At the same time, emergency labor-management meetings were held to change work schedules to maintain product supply and ramp up production, while support is being provided to disaster-stricken areas.

Driving Diversity

One of JT's management priorities is to create competitive human resources, placing a premium on their diversity. JT is committed to creating an environment and a corporate culture in which a variety of individuals with different backgrounds and perspectives (regardless of gender, age, nationality and handicap) make the most of their abilities, thereby contributing to future growth.

Opportunities for Female Employees to Work Actively

As part of its program to encourage diversification, JT is creating an ideal working environment for female employees, while providing them with opportunities at various departments at home and abroad to exhibit their talents and abilities. In fact, a female executive is in office, with the number of female managers increasing.

Work-Life Balance

JT believes that all employees are entitled to achieve a work-life balance and fully exhibit their talents and abilities with high motivation and a sense of fulfillment. A variety of efforts are thus underway to help employees continue working with a sense of security and do what they ought to do as a member of their family, when faced with life events such as raising children and caring for someone sick or the elderly in the family. JT was certified by the Ministry of Health, Labour and Welfare for the second time in July 2010 as a company taking measures to nurture the next generation and for its efforts to create an environment friendly to those who are raising children.

In addition, all employees are entitled to take leave to act as volunteers, be hospitalized for bone marrow transplantation, and participate in the Japan Overseas Cooperation Volunteers (JOCV), thus encouraged to contribute to society.



Next Generation Certification Mark (known by the nickname "Kurumin")

Working Hours and Major Systems in Place

	FY 2009	FY 2010	FY 2011	
Annual Working Hours	1,643	1,640	1,650	
Overtime hours (hours/month)	18.3	18.7	18.7	
Holidays Administrative leave	Number of paid holidays used (days)	15.9	16.0	15.7
	Percentage of paid holidays used (%)	85.8	83.8	80.0
	Volunteer leave (persons)	2	19	121
	JOCV leave (persons)	0	0	0

Child-Care and Family-Care Leave Taken

		FY 2009	FY 2010	FY 2011	
Child-care leave	Number of employees who took child-care leave*1	29	37	38	
	Breakdown	Male	1	1	2
		Female	28	36	36
	Percentage of those who took child-care leave and returned to work (%)*2	96.6	91.9	100	
Number of employees who opted for short-time work	40	47	56		
Family-care leave	Number of employees who took leave to care for a sick child	6	12	16	
	Number of employees who took family-care leave	0	1	3	
	Number of employees who opted for short-time work	0	1	2	

*1 Number of employees who took child-care leave in respective fiscal years
*2 Calculated with "the number of employees who took child-care leave in respective fiscal years" as a denominator and "the number of those who returned to work within three years (including those who are scheduled to return to work)" as a numerator

Leveraging the System to Continue Working While Raising Children

I have a son in the first grade and a three-year-old daughter. I took child-care leave twice until they turned one year old. When I returned to work, I enrolled myself in a short-time working program, where I went to work an hour later and got away from it an hour earlier than usual. When my son started elementary school, meanwhile, I switched to another short-time working program, where I got away from work an hour earlier. My boss and colleagues were supportive enough to help me deal with emergencies, business trips, and meetings. In fact, they were more concerned than I was when I got a call from a nursery because my child had a fever. However, I'm amazed at how fast kids can grow. It's not easy to work every day while cherishing the time you spend with your kids, but thanks to JT's well-established system, I'm quite satisfied with my work-life balance.



Compliance Office
Tomoko Hayano

Re-Employment System

With the minimum age for receiving the public pension raised, JT adopted a re-employment system to provide employees with more options for employment, extending their retirement age to 65.

Employment of Persons with Disabilities

Efforts are underway to create better workplaces for employees with disabilities. To help them make the most of their capabilities, for instance, they are assigned duties for which they are qualified, while facilities and installations are being improved, with due consideration given to the convenience of commuting to and from their workplaces. The percentage of employees with disabilities in the total workforce stood at 2.52% as of the end of March 2012, well above the legal employment rate of 1.8%.

Creating Workplaces Where Employees Feel Gratified and Rewarded

JT has been improving its safety and health control system in accordance with the JT Occupational Safety and Health Basic Policy, which was set in 2002, as ensuring the safety and health of employees is an integral part of its operations.

To Eliminate On-The-Job Accidents

JT set up its unique Industrial Accident Prevention Five-Year Plan to eliminate on-the-job accidents, setting goals for reducing the number of on-the-job accident casualties, and maintaining and promoting employee mental and physical health. Specific measures include proper maintenance and management of the occupational safety and health control system, on-the-job accident prevention measures, mental health enhancement, health hazard (occupational diseases, etc.) prevention measures and prevention of occupational traffic accidents.

Total Lost Time Incidents at JT's Factories

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Number of victims	6	3	3	5	4
Frequency rate*1	1.48	0.75	0.77	1.38	1.13
Severity rate*2	0.406	0.029	0.027	0.064	0.012

*1 Occupational accident frequency rate = (Number of occupational accident victims / Number of person-hours) × 1,000,000
*2 Occupational accident severity rate = (Work-days lost / Number of person-hours) × 1,000

Health Management of Employees

Recognizing that each employee needs to stay healthy both physically and mentally to ensure continuous high performance, JT properly manages the health of employees, stationing full-time medical personnel (12 physicians and 35 public health nurses) at 11 locations nationwide. In addition to legal medical examinations, additional examinations are conducted annually for those who are 35 years of age and older to prevent lifestyle-related diseases, with industrial physicians and health nurses communicating the results to each employee.

Approaches to Mental Health

Recognizing the importance of employees' mental health, JT focuses on preventing mental illness. In addition to a counter where specialists and counselors offer counseling services, external specialized institutions listen to employees' problems either by phone or face to face. Workshops and seminars are also held regularly for managers on "care by lines" and for employees on "self-care" in line with the Guidelines for Mental Health Promotion at the Workplace established by the Ministry of Health, Labour and Welfare.

JTI's EHS Measures

Japan Tobacco International (JTI), the core of JT Group's international tobacco business, employs about 24,000 people worldwide.

JTI is committed to providing a safe and healthy workplace and aims to eliminate all occupational injuries and illnesses. To achieve these commitments, JTI has embedded the Safety Change Program in manufacturing operations and the Defensive Driving Program in sales and marketing operations.

The Safety Change Program is a comprehensive program based on two principles: providing a safe working environment; and ensuring people consistently work in a safe way. In 2011, the key focus area for JTI was to provide in-house factory based technical training. Furthermore, "Safety Leaders" training was provided to the management teams in several factories. In-line with JTI's EHS Plan, a pilot Safety Change Program was launched in the CIS Region (broadly Eastern Europe, including Russia and Kazakhstan). Following a successful implementation, the Program will be extended to other JTI markets. The results of the trainings are now showing, with JTI's lost time injury (LTI) rate*1 falling by 27% between 2010 and 2011. Since 2003, across JTI, the LTI rate has decreased by over 70%. Taking the manufacturing part of the company, the LTI rate has fallen by 90%.

The greatest safety risk faced by any JTI employee occurs while driving. A Defensive Driving Program was implemented in 2004, to minimize the risks of this activity. The program continued in 2011, with 2 train-the-trainer sessions providing 27 qualified Fleet Safety Trainers for JTI. The results of the program are clear, with a reduction in the rate of vehicle accidents*2 by 48% since 2003. However, there was a small increase in the rate of vehicle accidents in 2011 compared to 2010.

*1 Lost time injury rate: The number of lost time injuries per 200,000 working hours.
*2 Rate of vehicle accidents: The number of vehicle accidents per million kilometers.



Workshop at the sales and marketing departments

Approaches to Protecting the Global Environment

- JT Group Environmental Management
- Environmental Impact of the JT Group's Business and Approaches to Reduce It
- Approaches to Preventing Global Warming
- Approaches to Creating a Recycling-Based Society
- Approaches to Conserving Biodiversity
- Other Approaches
- Environmental Communication
- Approaches to Protecting the Global Environment (Overseas)



We seek to operate in harmony with the environment in an effort to pass a sound and rich environment on to future generations.

Focusing on Reducing Greenhouse Gas Emissions through the Value Chain

Giving the highest priority to conserving the global environment, the JT Group is striving to prevent global warming and optimize the use of natural resources, while seeking to operate in harmony with environment in all countries and regions in which it operates.

Expanding the scope of environmental management to cover all consolidated subsidiaries worldwide, the JT Group Environment Action Plan (2009–2012) is designed to further reduce the environmental impact of the JT Group's business, setting greenhouse gas emissions, water consumption, waste generation, and waste recycling as major environmental indexes. Although some business places were shut down owing to the Great East Japan Earthquake on March 11, 2011, the JT Group is making steady progress toward the goals, for example, adopted measures to deal with the shortage of electricity, such as changing the temperature setting of air conditioners, reducing lighting and introducing energy-efficient LED lighting—which contributed to reducing both greenhouse gas emissions and electricity consumption.

On the other hand, social requirements for companies are growing and diversifying as the global environmental problem becomes increasingly critical. In October 2011, the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) jointly announced the Corporate Value Chain (Scope 3) Account-

ing and Reporting Standard of the Greenhouse Gas Protocol. While the JT Group has been keeping track of greenhouse gas emissions based on life-cycle assessments (LCA), the scope of monitoring was expanded in FY 2011 to cover the entire value chain based on Scope 3.

It is essential that the JT Group reviews its environmental impact, thereby keeping pace with changes in society and the business environment and examining its responsibilities from a long-term perspective. The JT Group, therefore, will continue to make a concerted effort to create a low-carbon, recycling-based society in an effort to operate in harmony with the environment—a philosophy expressed in the JT Group Environment Charter.



Hideki Miyazaki
Executive Deputy President
Assistant to CEO in CSR

JT Group Environmental Management

JT Group Environment Charter

The JT Group gives the highest priority to conserving the global environment.

JT established the "JT Global Environment Charter" in May 1995 and has been striving to conserve the global environment. As JT's business began to diversify and go

global, the JT Global Environment Charter was upgraded to the "JT Group Environment Charter" in March 2004, which was revised again in May 2010, with biodiversity issues incorporated. The JT Group will seek to operate in harmony with the environment in all countries and regions in which it operates.

JT Group Environment Charter

Basic Principle

The mission of the JT Group is to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals.

We, will leave a healthy and productive environment to future generations, and have an active involvement in environmental and biodiversity issues.

Based on the following policy, we continue to act as a good neighbor with local communities in all countries and regions where we operate, and strive to bring about harmony between our corporate activities and the environment.

JT Group Environmental Policy

1. Management System

We will continually improve our environmental management system to enhance our environmental performance.

2. Compliance

We will comply with every environmental law in all countries and regions where we operate.

3. Products and Services

We will continually strive to reduce environmental impact in the process of product development and services, while also taking into account the aspect of the biodiversity.

4. Process and Supply Chain

We will strive to reduce the environmental impact and optimize the use of natural resources at all stages of our activities, while also taking into account the aspect of the biodiversity, from procurement of raw materials and manufacturing, through to sales and distribution. We will also encourage suppliers to understand our Charter.

5. Environmental Education

We will develop a culture of environmental awareness through education and training; and encouraging employees to take personal responsibility for their actions for creating a better environment.

6. Environmental Communication

We will make an appropriate disclosure of our environmental performance and keep good relationships with our stakeholders through active communication.

Revised in May 2010

Developments in the JT Group Environmental Action Plan (2009–2012)

Based on the JT Group Environmental Action Plan (2009–2012), the JT Group sets targets for major environmental indexes concerning greenhouse gas emissions, water consumption, waste generation, and waste recycling, with

Environmental Impact Reduction Targets (2009–2012)

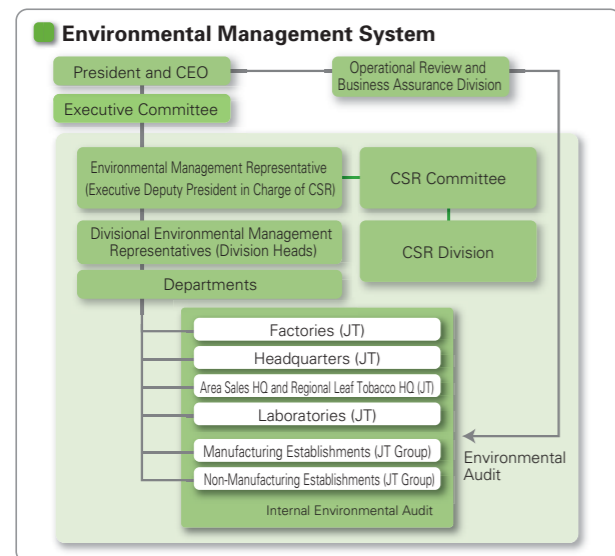
Objective	Scope	Medium-Term Target (2009–2012)	Results (FY 2011)
Greenhouse gas emissions	JT Group	Reduce by 10% below FY 2007 levels in FY 2012	Reduced by 10.9% below FY 2007 levels
		Reduce emissions from tobacco product factories per million cigarettes by 11% below FY 2007 levels in FY 2012	Reduced by 7.2% below FY 2007 levels
	JT	Reduce by 50% below FY 1995 levels in FY 2012	Reduced by 54.6% below FY 1995 levels
		Reduce emissions from tobacco product factories per million cigarettes by 12% below FY 1995 levels in FY 2012	Reduced by 12.9% below FY 1995 levels
Water consumption	JT Group	Reduce by 12% below FY 2007 levels in FY 2012	Reduced by 27.2% below FY 2007 levels
	JT	Reduce by 70% below FY 1995 levels in FY 2012	Reduced by 74.5% below FY 1995 levels
Waste generation	JT Group	Reduce by 15% below FY 2007 levels in FY 2012	Reduced by 18.8% below FY 2007 levels
	JT	Reduce by 35% below FY 1995 levels in FY 2012	Reduced by 24.6% below FY 1995 levels
Recycling	JT Group	Continue with zero emission* activities at factories	Zero emission was achieved at 23 factories

* Recycling rate with over 99.5%

JT Group's System to Promote Environmental Management

The executive deputy president, assistant to CEO in CSR, supervises the JT Group's environmental management as an environmental management representative, while the head of each division, as a divisional environmental management representative, controls environmental management of the division and group companies concerned, which together comprise the JT Group's environmental management.

The CSR Committee monitors developments in the "JT Group Environmental Action Plan" and environmental management, while examining specific measures in an effort to develop the group-wide environmental management.



efforts underway to achieve goals for reducing its environmental impact.

As part of a program to save electricity, for example, electricity consumption in each area was centrally monitored in the summer of 2011, while other programs are in place to reduce water consumption, segregate waste materials, and advance waste recycling.

Management Systems Based On ISO 14001 Standards

The JT Group has an environmental management system based on the international environmental standard ISO 14001. While manufacturing establishments are encouraged to obtain ISO 14001 certification, non-manufacturing establishments (area sales headquarters, laboratories, and distribution centers) have their own ISO 14001-conforming environmental management systems, and small-scale establishments, their simplified versions. These systems with different levels are designed to manage environmental impacts according to the nature and scale of operations.

Status of the JT Group's Environmental Management

ISO 14001 Certification	
JT	14 establishments (factories)
Group Companies	Japan Tobacco International (27 group companies), Eastern Japan Plant Service, Central Japan Plant Service, Western Japan Plant Service, Kyushu Plant Service, JT Engineering, Japan Filter Technology (3 factories), Fuji Flavor, JT Logistics (2 distribution centers) Torii Pharmaceutical (1 plant), Japan Beverage Group (12 companies), TableMark (1 factory), Katokichi Suisan (2 factories), Hokkaido Katokichi (2 factories), Uwonuma Rice, Ipingshang Foods Corporation, Sunburg, Nihon Shokuzai Kako, KS Frozen Foods (1 factory), Thai Foods International, Toranomon Energy Service
Complying with ISO 14001	
JT	38 establishments (the headquarters, area sales headquarters, laboratories)
Group Companies	TS Network, JT Logistics, JT Beverage
Simplified Environmental Management System	
JT A-Star	

Development of Human Resources for Environmental Management Systems

The JT Group is developing human resources to drive environmental management, with in-house programs in place to educate newly appointed environmental managers on ISO 14001, environmental laws and regulations as well as those on environmental system management and to train internal auditors, all designed to provide them with hands-on knowledge of environmental management. For example, about 100 employees from across Japan participated in a program to learn the specifics of the Waste Management and Public Cleansing Act, which was revised in FY 2011.

Trainings Offered in FY 2011

Title	Description	Number of trainees
Training for newly appointed environmental managers	Training and education for environmental managers	104
Training for environmental auditors	Training and education for internal auditors (theory)	28
On-site training for environmental auditing	Training and education for internal auditors (practice)	11
Training for environmental information systems	Learning of environmental information management systems	32
Training for environmental laws and regulations	Learning of waste material management	99



Training for environmental laws and regulations

Measures in Procurement

The JT Group set the "Green Purchasing Guidelines" to encourage the purchase of goods that have less environmental impact, with each group company purchasing goods from the online catalogue on the intranet. These guidelines applied to a total of 1,024 items (office supplies, office furniture, office automation equipment, vehicles, etc.) in FY 2011, while JT's green purchasing rate stood at 60.7% in value terms.

At the same time, the JT Group is driving an environment-conscious procurement of raw materials in partnership with suppliers. The domestic tobacco business, for example, procures raw materials according to the "Green Procurement Standards," which involves helping suppliers establish their environmental management systems. As a result, 84.5% of them started practicing environmental management in FY 2011.

Environmental Auditing

Environmental Auditing by the Operational Review and Business Assurance Division

While establishments certified by ISO 14001 and those operating ISO 14001-conforming environmental management systems conduct internal audits based on ISO 14001, the Operational Review and Business Assurance Division conducts additional environmental audits at selected establishments of JT Group companies, taking into account changes in the business environment and the number of years since the last audits. They are designed to continuously improve the JT Group's environmental management, with the division independent from those engaged in environmental activities objectively reviewing and evaluating the group's environmental conservation programs.

Environmental Auditing of Environmental Management Systems

The Operational Review and Business Assurance Division conducted audits in FY 2011 to determine if the JT Group's environmental management system was implemented on the basis of specified policies and procedures. As a result, four non-compliances were identified, including the JT Group's regulations on waste management, some of which were considered unfeasible. Efforts are underway to solve all the problems identified.

Environmental Auditing to Examine Compliance with Environmental Laws and Regulations

In FY 2011, the Operational Review and Business Assurance Division teamed up with group companies' auditing departments to examine compliance with environmental laws and regulations at the five establishments listed below.

As a result, nine non-compliances were identified, including failure to complete outsourced waste disposal service agreements in accordance with relevant laws and regulations and to report on changes in septic tank supervisors in accordance with the Purification Tank Act. All the problems identified have been solved. In addition, group-wide efforts are underway to solve non-compliances in which the group's other establishments are involved by sharing information among all parties concerned.

Establishments Audited in FY 2011

JT Tokai Factory, Fuji Flavor, TableMark Yamamoto Factory, Katokichi Foodlec, Koyo Foods

Relevant Laws and Regulations

Act on the Improvement of Pollution Prevention Systems in Designated Factories, Factory Location Act, Act on the Rational Use of Energy, Waste Management and Public Cleansing Act, Air Pollution Control Act, Offensive Odor Control Act, Noise Regulation Act, Vibration Regulation Act, Water Pollution Control Act, Purification Tank Act, Sewerage Act, Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, Fire Service Act, High Pressure Gas Safety Act

Environmental Impact of the JT Group's Business and Approaches to Reduce It (Domestic)

Operations such as raw material procurement, manufacturing, transportation, sales, and consumption all have an impact on the environment. The JT Group, therefore, has a system in place to monitor and reduce the environmental impact.

【Calculation of Environmental Load】

- **Energy**
Conversion factor, based on the Law Regarding the Rationalization of Energy Use
- **Greenhouse gases**
Conversion factor, based on the Law Concerning the Promotion of the Measures to Cope with Global Warming
- **NOx (nitrogen oxides)**
Based on the Environmental Activity Evaluation Program
- **SOx (sulfur oxides)**
Emissions are calculated, with their amount converted into SOx, based on the sulfur content and density of the fuel used as well as on the efficiency of desulphurization equipment.



Energy-Saving Measures

A project was launched in FY 2011 at JT's factories to visualize energy consumption by working group and equipment, while the data obtained are used for monitoring and analysis purposes to further reduce energy consumption. Specific measures include introduction of heat-pump hot-water systems and high-efficiency turbo freezers. In addition, programs are underway at offices to optimize the operations of air conditioners, air supply and exhaust fans, and toilet water heaters. Improvements of facilities are also underway, and expected to further reduce energy consumption.



"Visualization" through integrated monitoring

Simplification and Reduction of Packaging Materials

The JT Group is reducing the weight of caps and PET bottles for beverages. A 280-ml PET bottle for the green tea "Tsujiiri", for example, has a special configuration, resulting in about 17% reduction in the use of plastics. Likewise, "Mild Seven Style Plus series", which hit the market in January 2012, uses about 20% less paper and about 28% less plastics compared to conventional packaging.



The top sides of packages

Optimization of Transportation

The JT Group, which is advancing modal shift and increasing the loading rate of trucks to reduce greenhouse gas emissions, was certified by the Ministry of Land, Infrastructure and Transport as an "Eco Rail Mark Company" for its aggressive approaches to switching to environmentally friendly rail freight transportation. The modal shift rate stood at 58.1% in FY 2011, and the loading rate of 10-ton trucks from factories to distribution centers, at 99.7% (on a pallet basis).



Eco Rail Mark

* The percentage of railroad and marine transportation of tobacco materials with a hauling distance of over 500 km

Creation of Recycling Systems

Japan Beverage, a beverage vending machine operator, recycles used beverage containers and disposes of them properly. Recycle Plaza JB, which started operations in 2003, is an intermediate disposal facility equipped with an advanced recycling system. Taking care of the entire container recycling process, it is expanding its recycling system. In addition, the JB Recycle Network, which consists of over 180 recycling and distribution companies nationwide, is in place to further drive recycling of resources.



Segregation process of used beverage containers at a recycling facility

Approaches to Preventing Global Warming (Domestic)

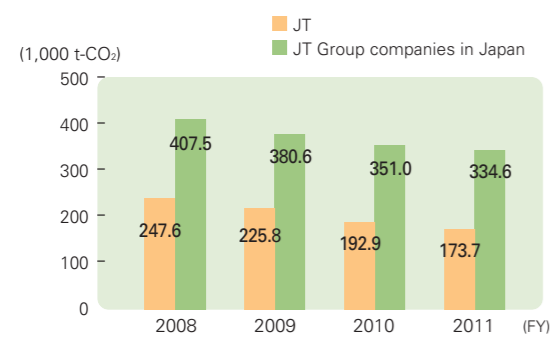
Approaches to Reducing Greenhouse Gas Emissions

The JT Group is striving to reduce greenhouse gas emissions, which cause global warming.

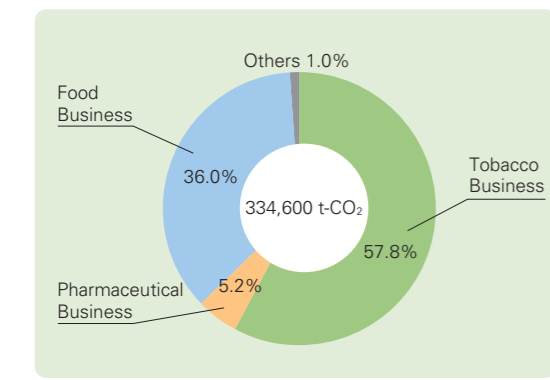
In fact, JT reduced its CO₂ emissions by 19,200 tons from FY 2010 levels (or by 54.6% from FY 1995 levels) in FY 2011. Likewise, the JT Group companies in Japan reduced its CO₂ emissions by 16,500 tons or 4.7% from FY 2010 levels in FY2011.

Factory equipment such as boilers, compressors, and air conditioners are being replaced with energy-efficient ones to continuously reduce greenhouse gas emissions. In FY 2011, moreover, factory environmental managers jointly launched the "CO₂ Reduction Project," while stepping up efforts to share information between them, examine proactive measures, and evaluate their effectiveness. Similar programs are underway at laboratories and offices.

Trends in Greenhouse Gas Emissions*



Greenhouse Gas Emissions by Business (FY 2011)*



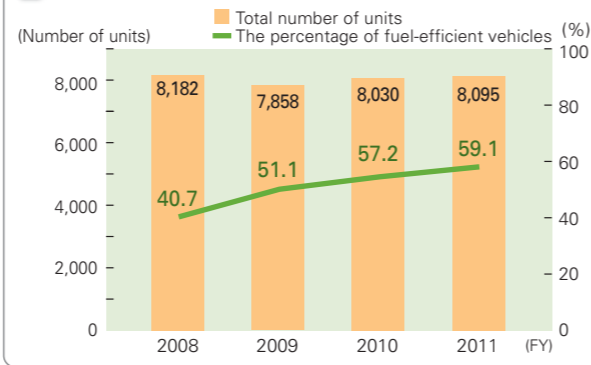
* Scope: 36 domestic JT Group companies

Introduction of Fuel-Efficient Vehicles

The JT Group's fleet of sales vehicles and delivery trucks is switching to their low-emission, fuel-efficient counterparts in an effort to reduce greenhouse gas emissions from its operations such as sales and distribution. They account for 59.1% of the entire fleet of vehicles (or 4,785 units out of 8,095) as of the end of March 2012.

In addition, to raise awareness of eco-driving among employees, efforts including training programs, putting stickers on vehicles, and putting up signboards at parking lots are underway.

Percentage of Fuel-Efficient Vehicles



Use of Renewable Energy

The JT Group is utilizing renewable energy to reduce greenhouse gas emissions.

For example, solar panels with a total output of about 35,000 kWh per year are installed on the rooftops of both the JT Tokai Factory and the Nagoya branch of TS Network, a tobacco product distributor—which translates into a reduction of about 11 tons of CO₂ emissions per year, compared to purchasing electricity from power companies. This amount is equivalent to that absorbed annually by the forest with an area of about four football pitches, while the electricity generated is used primarily to power lighting.

The Nagoya branch of TS Network is also working on rooftop gardening to mitigate the heat island effect.



Solar panels at the Tokai Factory



Solar panels and rooftop gardening at TS Network

Approaches to Saving Electricity

Various approaches were adopted in FY 2011 to deal with a power shortage following the Great East Japan Earthquake.

The JT Group, therefore, set up a team within the JT headquarters to reduce the maximum electricity demand during summer (between July and September) by 15% year on year. Not only establishments operating in the areas served by Tokyo Electric Power and Tohoku Electric Power, but also those operating across Japan, made a concerted effort to save electricity. At the same time, electricity consumption was closely monitored, with power saving at each establishment updated and posted on the intranet to raise employees' awareness of saving electricity.

As a result, business establishments in the areas served by the Tokyo Electric Power with a contract demand of over 500 kW reduced the maximum electricity demand by 28–32% year on year, and those in the areas served by Tohoku Electric Power, by 20–25%, both being well above a minimum of 15% required by the Electricity Business Act. Likewise, establishments in the areas served by Kansai Electric Power reduced the maximum electricity demand by 12–17% year on year, surpassing its voluntary 10% goal.

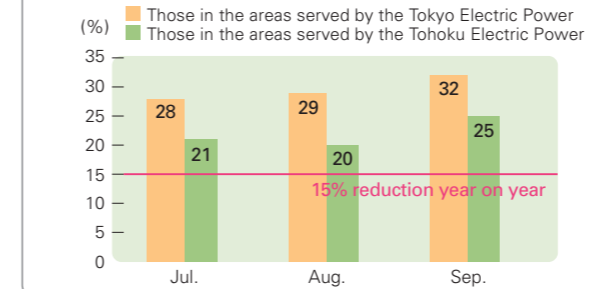
Other establishments with a contract demand of below 500 kW, to which the Electricity Business Act does not apply, also implemented electricity-saving measures; those in the areas served by Tokyo Electric Power, Tohoku Electric Power, and Kansai Electric Power achieved a 20–24%, 14–19%, and 12–24% reduction, respectively, all overachieving their voluntary goals.

In addition to these power-saving efforts, all the establishments participated in the "Household Power Saving Declaration," a power-saving educational program launched by the Ministry of Economy, Trade and Industry.



Power-saving status is updated and posted on the intranet

Year-on-year Comparison of Power Saving in the Summer of 2011 (Establishments with Contract Demand of over 500 kW)



Energy-Saving Measures at Manufacturing Establishments

Part of manufacturing at factories in the areas served by the Tokyo Electric Power and Tohoku Electric Power was temporarily relocated to Kyushu to reduce the maximum electricity demand in summer. Other power-saving measures include shutdown of some manufacturing equipment and air conditioning systems, postponement of maintenance at facilities, optimization of operation hours, switch to operations on holidays, and use of internally generated electricity and storage batteries, all designed to make effective use of electricity and reduce electricity consumption during peak hours.



Self-power generator at the frozen-food manufacturer Sunburg

Energy-Saving Measures at Offices

A variety of energy-saving measures were adopted, such as switch to LED lighting, adjustment of the air temperature control, optimization of elevator operations and ceiling lighting, and introduction of a task-ambient lighting system.

In addition, a COOL BIZ program was implemented from May to October to reduce energy consumption of air conditioners.



Task-ambient lighting system

* Task-ambient lighting refers to designs in which a modest general lighting system is supplemented with local task luminaries.

Energy-Saving Measures for Vending Machines

The JT Group is striving to reduce power consumption of cigarette and beverage vending machines. Specific measures include introduction of LED lighting, optimization of lighting hours, and switch to beverage vending machines equipped with heat pump and peak cut systems. With the cooperation of shop owners, moreover, lighting was turned off for another few hours, as were vending machine refrigerators in the summer of 2011.



▶Energy-Saving Campaign Sticker
"Operating with Energy-Saving Mode" sticker

▶Heat Pump System
Efficient use of heat for the cold and hot compartments to reduce power consumption

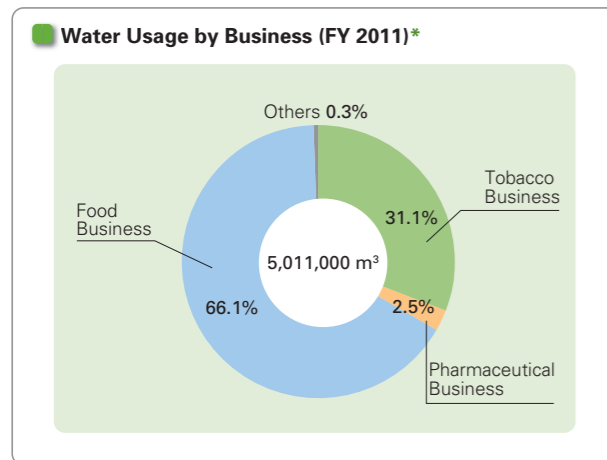
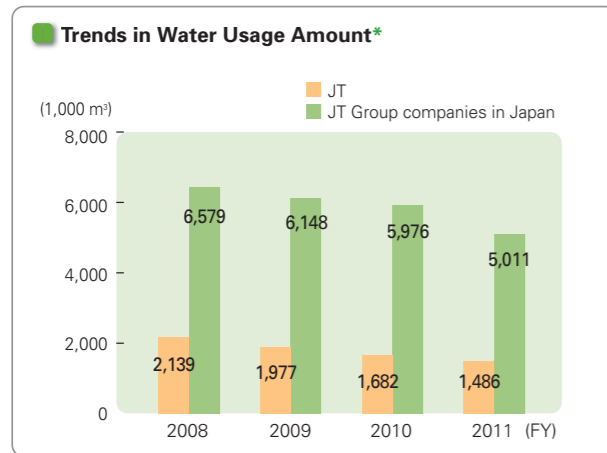
▶Peak Cut System
The peak-cut function, where the compressor is shut down during peak load hours in summer, to save power

Approaches to Creating a Recycling-Based Society (Domestic)

Approaches to Reducing Water Usage

The JT Group is taking measures to save and reuse water, with efforts underway to optimize the use of water at factories. Specifically, flow meters installed at each production line visualize water usage and enable detailed analysis of the amount of water used and required, the results of which are examined to optimize the amount of flow and reduce the use of water. Other proactive measures include review of water usage and improvement of equipment and facilities. Laboratories and offices are also working on water-saving programs, such as introduction of water-saving automatic faucets, saving of toilet flushing water, and use of recycled water.

In fact, JT's water usage decreased by 195,900 m³ year on year (or 74.5% from FY 1995 levels), and the JT Group's water usage (domestic), by 965,700 m³ or 16.2% year on year, both in FY 2011.



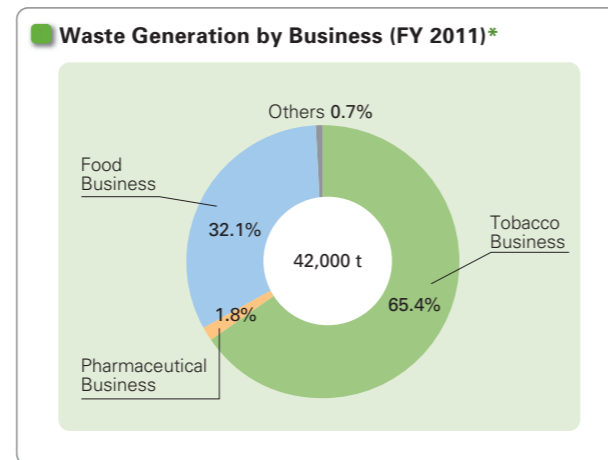
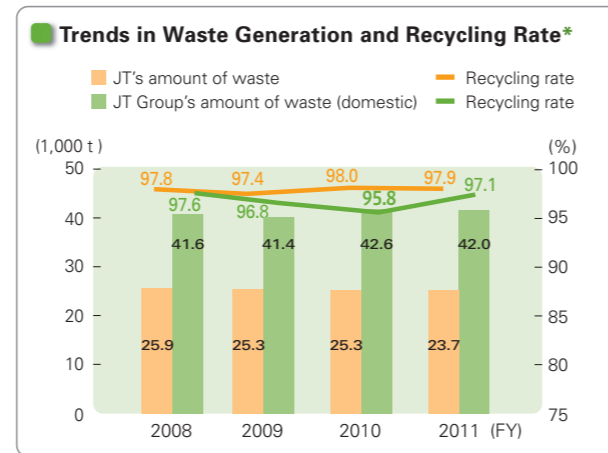
* Scope: 36 domestic JT Group companies

Reduce Waste Generation and Promote Recycling

The JT Group is practicing 3R (Reduce, Reuse, and Recycle) at home and abroad.

JT's waste generation decreased by 1,550 tons year on year (or 24.6% from FY 1995 levels) in FY 2011. The JT Group's waste generation (domestic) was reduced by 670 tons (or 1.6%) year on year, while about 6,730 tons of waste materials were generated owing to the Great East Japan Earthquake.

Tobacco factories continue to reuse packing materials, with 230 tons of packing materials for raw material reused in FY 2011. As for recycling, each establishment stepped up efforts to segregate waste materials and review services of waste disposal companies to increase the waste recycling rate. As a result, 23 factories have achieved zero emission with a recycling rate of over 99.5%. The amount of waste materials, meanwhile, includes those sold or transferred as resources.



* Scope: 36 domestic JT Group companies

Approaches to Conserving Biodiversity

The JT Group gives due consideration to biodiversity while preserving its forests in accordance with the principle on biodiversity conservation laid down in the "JT Group Environment Charter." For example, a year-long ecological field survey that started in July 2010 at JT Forest Shigetomi (JT's forest in Aira City, Kagoshima Prefecture) was completed, the results of which were reported to Kagoshima Prefecture, Aira City, local universities, and stakeholders such as the owners of neighboring land. On the basis of opinions and suggestions provided by these stakeholders, the JT Group will continue to work on forest conservation in cooperation with local communities.

Related pages p13-14
 Feature 2: From Forest Conservation and Development to Co-habitation with Forests

Other Approaches

Proper Management of Chemical Substances

The JT Group manages the chemical substances it uses in accordance with the "Chemical Substance Management Guidelines," which are in accordance with 18 relevant laws and regulations, to prevent pollution around each establishment and ensure the safety of employees. Chemical substances used at laboratories and factories are also managed properly, with the amount of purchase, emissions, and transfer closely monitored.

The PRTR Law, meanwhile, applied to 25 establishments as of the end of March 2012.

Proper Management of PCB Wastes

PCB wastes (transformers, capacitors, fluorescent lamp ballasts, etc.) are properly stored and managed in accordance with the relevant laws and regulations. A total of 86 PCB containing units were detoxified in FY 2011.

Soil Pollution Countermeasures

JT had completed checking records of the soil of its property in FY 2007. Soil surveys were conducted as needed, while any chemical substances, whose concentrations exceed the levels established in the Soil Contamination Countermeasures Law, were properly treated to purify the soil in coordination with the authorities.

Environmental Communication

JB Environment Network Won the "Reduce, Reuse, and Recycle Contributor Award"

The JB Environment Network, which was established by the vending machine operator Japan Beverage and consists of beverage manufacturers, won the "2011 Reduce, Reuse, and Recycle Contributor Award" from the Minister of Agriculture, Forestry and Fisheries for its contribution to beverage container recycling and 3R educational programs. This annual award, which is sponsored by the 3R Suishin Kyogikai (3R Promotion Council), recognizes individuals and groups for their continuing achievements in 3R to boost the creation of a recycling-based society.

In addition to recycling used beverage containers, meanwhile, Recycle Plaza JB offers facility tours for visitors and gives lectures at elementary and junior high schools, providing them with opportunities to learn about environmental conservation.

In September 2011, Recycle Plaza JB was recognized by the governor of Saitama Prefecture for its recycling technology and environmental performance and was designated as a "Sainokuni Factory," a partner for creating a prosperous Sainokuni.



Recycle Plaza JB



At Reduce, Reuse, and Recycle Contributor Award Ceremony

Communicating with Local Communities

The JT Group participates in a variety of environmental events and symposiums to provide local communities with information on its environmental conservation activities through exhibitions, etc.

In FY 2011, educational programs on forest conservation were held across the country in connection with the UN International Year of Forests. At the exhibition "Corporate and Eco-action 2011," sponsored by the Minato Ward, Tokyo, the JT Group introduced JT Forest initiative, which started in 2005 on the basis of the needs of local communities, and exchanged opinions with visitors and lecturers.



Introducing "JT Forest" at the exhibition "Corporate and Eco-action 2011"

Approaches to Protecting the Global Environment (Overseas)

Activities in the International Tobacco Business

Japan Tobacco International (JTI) controls the production, marketing and sales of JT Group cigarette brands in more than 120 countries around the world and has more than 25 manufacturing operations in 22 different countries. JTI is a truly international and multicultural business, employing more than 24,000 people around the world.

JTI's EHS Summary

Since 2003, JTI has followed a plan to improve EHS performance. JTI has implemented strong EHS management systems, set challenging EHS targets annually and executed programs that provide performance improvement year-on-year.

In early 2010, JTI carried out a fundamental review of EHS expectations across the business, covering the Global Leaf business, Sales and Marketing operations, manufacturing operations and support functions such as Research and Development. The review confirmed that the approach taken to drive EHS performance and programs, particularly in manufacturing operations, was successful and should continue and strengthen. Significantly, the review also highlighted an expectation and need that EHS programs should be implemented more widely across the business.

As a result of this review, an EHS Plan was developed in the second half of 2010 and implementation started in 2011. The EHS function was strengthened, and EHS programs were launched in Sales and Marketing, Research and Development and Global Leaf operations.

JTI recognizes the benefit of a strong and disciplined approach to the management of EHS performance, as robust management systems deliver sustainable performance. All cigarette factories are certified to the international standards ISO 14001 and OHSAS 18001. This certification will now be extended to other parts of the company.

Environmental Performance

Using 2003 as a baseline year, JTI has made significant improvements in environmental performance per million cigarettes as a base unit. Between 2003 and 2011, the five environmental key performance indicators (CO₂, energy, waste and water intensity and recycling) improved. CO₂ by 31%, energy by 26%, waste by 43%, water by 49% and recycling by 9%. However, looking specifically at 2011, our energy and water intensity increased, recycling was stable, while CO₂ and waste improved.

One of the key reasons for the increase in energy con-

sumption is the installation of on-site combined heat and power (CHP) at several of our factories. Because of the way in which energy is accounted, energy consumption appears to have increased. However, CO₂ emissions have reduced largely due to CHP installation. The long-term aim of JTI is to return to year-on-year energy reduction. In order to achieve this, a program of optimizing the efficiency of factories is underway, supported by significant investments of USD 27 million over the next three years.

JTI recognizes the importance of a structured approach to energy management, and launched an energy management tool in 2011. This has been implemented in all factories.

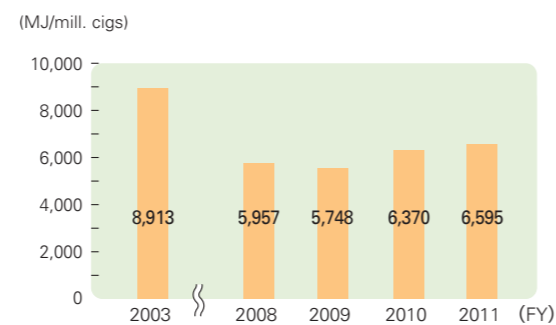
Carbon reduction is a key objective of the JT Group. JTI has embarked on a Carbon Management Program. The first step is a systematic quantification of carbon emissions across the entire value chain, from leaf tobacco to end consumer. This will enable long-term targets to be set and improvement opportunities to be recognized and acted upon.

Waste continues to fall, mainly driven by the waste reduction program launched in 2008 to collect and re-use large tobacco cases within the factories. After significant changes to JTI's business in recent years with major acquisitions, a survey was completed in 2011 to identify additional opportunities for waste reduction, which will now be investigated and implemented where beneficial and practical.

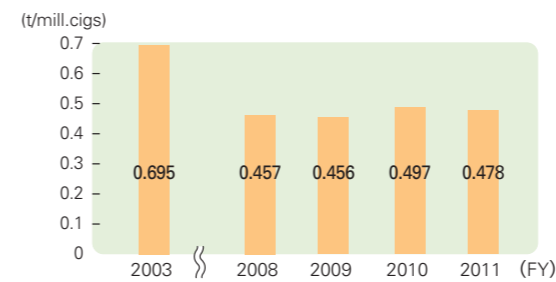


Installation of the CHP system Engineers at the Trier Factory, Germany

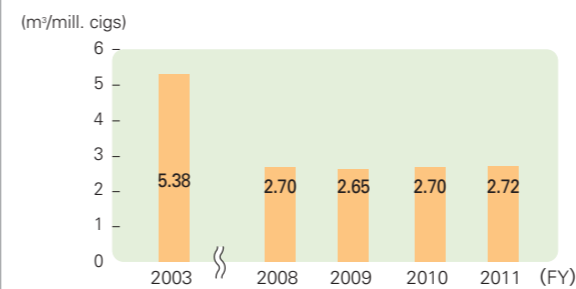
Energy Consumption / million cigarettes



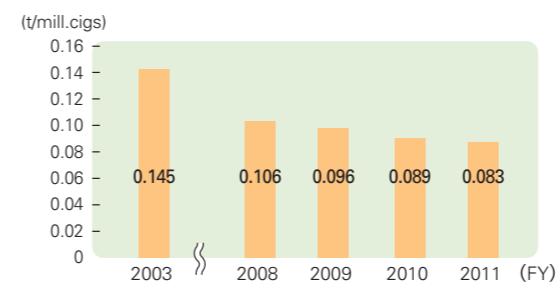
CO₂ Emissions / million cigarettes



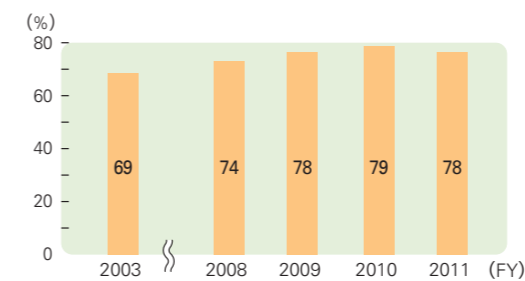
Water Consumption / million cigarettes



Production Waste Generation / million cigarettes



Production Waste Recycling Rate



Activities in the Food Business (Overseas)

Thai Foods International Shares Natural Blessings with Local Communities

The JT Group Company Thai Foods International Co., Ltd., which produces yeast extracts and other natural seasonings, has a system in place to recycle natural blessings, such as biomass-fueled boilers; rice chaff originating from local rice mills are used as fuel to produce steam, which accounted for about 70% of energy consumed in the factory in 2011. The use of rice chaff resulted in a 46,000-ton reduction in CO₂ emissions, compared to using heavy oil, with the resulting ash reused as a fertilizer for cultivation of rice and other crops.



Thai Foods International Co., Ltd.

In 2011, moreover, new facilities came on stream to concentrate yeast broth, a byproduct of yeast extract production. While yeast broth, which is rich in essential organic and inorganic substances, has been supplied to nearby farmers as a fertilizer, its concentrate is more efficient in terms of transportation and usage, and is therefore being distributed in a wider area for more farmers. This recycling of yeast broth as an organic fertilizer contributes to reducing the use of chemical fertilizers and CO₂ emissions originating from their production.

Thai Foods International will continue to recycle and make use of natural blessings, while expanding operations in harmony with local communities



Yeast broth concentration facilities



Recycle yeast broth as an organic fertilizer

Environmental Accounting FY2011

Scope: All JT establishments

Period: FY2010 (April 1, 2010 to March 31, 2011), FY2011 (April 1, 2011 to March 31, 2012)

Environmental Conservation Cost

Unit: million yen

Category	Key Measures	Results in FY2010		Results in FY2011		
		Amount Invested	Amount of Expenditure	Amount Invested	Amount of Expenditure	
(1) Environmental preservation costs to reduce production/service-derived environmental impact in JT's business areas (business area costs)	—	656	2,017	405.4	1,822	
Breakdown	① Pollution prevention costs	Adoption of LEVs and fuel-efficient vehicles; facility depreciation costs; maintenance, operation and management of pollution control facilities, etc.	120	555	257	475
	② Global environmental preservation costs	Replacement of freezers; facility depreciation costs; maintenance, operation and management of energy-saving facilities, etc.	534	140	148	118
	③ Resource circulation costs	PCB waste management; facility depreciation costs; waste disposal and recycling, etc.	2	1,322	0.4	1,229
(2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs)	Recycling of containers and packaging materials, etc.	—	102	—	79	
(3) Environmental preservation costs in management activities (management activity costs)	Environmental audits; environmental education; operation of organizations responsible for environmental management; monitoring and measurement of environmental load; improvement of green space, etc.	—	532	—	511	
(4) Environmental preservation costs involved in R&D (R&D costs)	Survey of the environmental impact of products, etc.	—	20	—	1	
(5) Environmental preservation costs involved in social activities (social activity costs)	Environmental cleaning measures; reforestation and forest conservation activities; contribution to environmental bodies; preparation of the CSR Report, etc.	—	3,912	—	3,383	
(6) Costs of dealing with environmental damage	Pollution impact levies; soil pollution survey and remedial measures, etc.	—	1,018	—	81	
(7) Other environmental costs	Asbestos survey and remedial measures, etc.	—	49	—	44	
Total		656	7,650	405.4	5,921	

Environmental Conservation Benefit

Actual Effects	Item	Results in FY2010	Results in FY2011	Year-On-Year Reduction	
Effect on resources invested in business activities	Amount of electricity purchased	1,000kWh	312,972	286,236	-26,736
	Fuel consumption (crude oil equivalent)	kℓ	26,320	22,762	-3,558
	Vehicle fuel consumption (crude oil equivalent)	kℓ	3,932	3,989	57
	Amount of water used	1,000m ³	1,682	1,486	-196
Effect on environmental impact and waste produced by business activities	SOx emissions*	t	62	57	-5
	NOx emissions*	t	99	91	-8
	Amount of CO ₂ emitted*	1,000t-CO ₂	193	174	-19
	Amount of waste water*	1,000m ³	1,072	951	-121
	Amount of waste, etc.	1,000t	25	24	-1

*Actual data at factories

Economic Benefit

Unit: million yen

Actual Effects	Results in FY2010	Results in FY2011
Income from recycling (sale of by-products)	36	86
Cost reduction by saving energy (year-on-year)	182	33

Guidelines for Environmental Accounting Based on the "Environmental Accounting Guidelines 2005" of the Ministry of the Environment

- **Environmental Conservation Cost**
 - Expenditure and investment in environmental conservation programs are included.
 - For those partially made in environmental conservation programs (more than 50%), the total amount of investment and depreciation costs are included.
 - Expenditures for depreciation of facilities have been recorded under expenditure for the depreciation in the financial statement.
- **Environmental Conservation Benefit**
 - Benefit is measured as the year-on-year difference of the environmental impact.
- **Economic Benefit**
 - Benefits to company's profits as a result of carrying forward with environmental conservation activities.

- Disaster Relief Activities in Areas Hit by the Great East Japan Earthquake
- Social Contribution Activities across the World

As a good corporate citizen maintaining harmonious relationships with society, the JT Group will fulfill its corporate responsibility through making meaningful contributions to the communities in which it operates.



Photo: K.Miura

Contributing to Local Community Development

JT Group believes that it is important to foster harmonious relationships with the local communities in which we operate and support local community development. Our business operations focused on the domestic market until our establishment as a corporation in 1985. However, our business operations have become increasingly global since 1999 and have so far expanded to cover 120 countries around the world. To contribute to the development of the local communities where we operate, the JT Group is tackling the key challenges faced by each community.

In Japan, we are engaging in a variety of social contribution activities, including street cleanup campaigns, the JT Forest initiative for forest conservation, a financial support program for non-profit organizations (NPOs) and support for culture and arts.

Outside Japan, Japan Tobacco International (JTI), which acts as the core of the JT Group's international tobacco business, is conducting social contribution activities, mainly focused on supporting culture and arts and assisting the lives of less-advantaged people in the local communities.

Since the Great East Japan Earthquake occurred in March 2011, the JT Group as a whole both domestic and overseas has worked together to provide disaster relief.

JT Group will continue to engage in a variety of social contribution activities in and outside Japan, with a view to fostering harmonious relationships with the local communities to contribute to their development.



Prominent persons from various fields speak at the JT Forum



In the JT Shogi Japan Tournament, professional shogi players engage in matches before the audience



Volleyball coaching by JT Marvelous

Disaster Relief Activities in Areas Hit by the Great East Japan Earthquake

Since immediately after the Great East Japan Earthquake of 2011, the JT Group has conducted a variety of disaster relief activities, including monetary and relief goods donations by the whole JT employees. In this section, we describe the JT Group's major disaster relief activities.

URL www.jti.co.jp/announce/support JT Group's activities relating to the Great East Japan Earthquake (Japanese)

JT Group's Relief Activities

Since the Great East Japan Earthquake occurred on March 11, 2011, the JT Group has worked as one in conducting relief activities.

Immediately after the earthquake, we donated relief goods such as our products of beverages and processed foods as well as winter clothes and prepared on-site meals in accordance with the needs of the disaster areas. In addition, JT and Torii Pharmaceutical, a JT subsidiary, donated a total of ¥350 million.

About 7,100 JT Group employees made donations, and the JT Group implemented a matching-gift program, in which it donated the same amount of money as the total sum of donations by the employees. Including the money donated through the matching-gift program, the total came to approximately ¥121 million. "JT Volunteers to Support East Japan," a volunteer team comprised of JT Group employees, has been started since June 2011 and the team was dispatched to the disaster areas a total of 14 times.

JT Marvelous, the women's volleyball team, and JT Thunders, the men's volleyball team, organized fundraising and charity events. The Tobacco & Salt Museum operated by JT, donated part of its revenue from the sale of goods for the reconstruction of damaged local museums and other facilities.

Outside Japan, JTI, which acts as the core of the JT Group's international tobacco business, established the Japan Disaster Relief Fund. Donations totaling approximately USD 5.9 million (approximately ¥480 million) made by JTI employees and suppliers in about 120 countries around the world have been distributed through the JTI Foundation to the disaster areas for post-earthquake reconstruction.

On-Site Meal Preparation by TableMark

Immediately after the earthquake, TableMark Co., Ltd. started dispatching employees to the disaster areas to prepare their products of freshly-boiled wheat noodles and hot meals for local residents. In addition, TableMark donated frozen noodles, cup instant noodles and snack foods to large evacuation centers, hospitals and nursing homes. In March and April 2011, TableMark donated about 50,000 servings of food in the disaster areas.

Activities by "JT Volunteers to Support East Japan"

JT has dispatched "JT Volunteers to Support East Japan," a volunteer team comprised of JT Group employees, to the disaster areas since June 2011. In cooperation with relevant organizations, such as disaster volunteer centers, JT Volunteers to Support East Japan has been conducting activities to assist restoration and reconstruction work, such as removing debris from damaged community centers and salmon farms, transporting relief goods, cleaning photographs and letters recovered from among debris and helping to organize regional recovery events. This volunteer team was dispatched 14 times to the disaster areas, with the participation of a total of 300 volunteers.



Restoration of a salmon farm

The JTI Japan Disaster Relief Fund

Immediately after the Great East Japan Earthquake of March 2011, JTI established the Japan Disaster Relief Fund, and raised a total of nearly USD 6 million to assist victims of the catastrophe. The funds have been administered by the JTI Foundation, whose mission is to help victims of disasters across the world, cooperating with organizations that specialize in disaster relief or disaster-risk reduction. In collaboration with renowned organizations including Peace Winds Japan, AAR Japan and NICCO, the Fund has supported a variety of humanitarian projects – ranging from the delivery of food and essential non-food items, the provision of cash grants, supplying vehicles for people with disabilities – to financing community-based economic recovery projects in Japan's most affected prefectures. The JTI Foundation will continue supporting medium- and long-term recovery projects, including the reconstruction and rehabilitation of community centers and other facilities vital for local communities.



Support for the fishing industry in Ofunato, Iwate Prefecture

More information about the JTI Foundation, and its partners and projects worldwide, can be found at

URL www.jtifoundation.org

Social Contribution Activities across the World

The JT Group is committed to a number of initiatives that positively contribute to the development of the communities in which it operates.

JT Group companies in Japan consistently support their local communities, with the aim of demonstrating 'good corporate citizenship', and sustaining a harmonious relationship with Japanese society as a whole.

Japan Tobacco International (JTI), a tobacco business operating in more than 120 countries worldwide, also plays a key role in supporting the development of the local communities in which it operates.

JTI focuses on two specific agendas: improving the quality of life of the less advantaged, and promoting the arts.

Efforts to the Harmonious Coexistence across Japan

JT's business establishments in Japan conduct various social contribution activities to maintain harmonious relationship with society.

Among these, JT has been engaged in cleanup activities in the neighborhood of its establishments for years as a member of communities. Sales offices, manufacturing sites and group companies' establishments across Japan conduct cleanup activities participated by employees. In addition, employees take part in cleanup activities held at various community events.

JT, along with local communities, conducts the "JT Forest" initiative to revitalize the forest of Japan. The JT Forest has expanded to nine sites, ranging from Hokkaido in the north to Kagoshima in the south; where JT and local stakeholders cooperate in the reforestation.

Moreover, JT focuses on "NPO Support Project" to support NPOs across Japan. The project is designed to support activities of NPOs in cooperation with communities. Since the launch in FY1999, the cumulative amount of financial assistance of the project has surpassed one billion yen, with the number of recipient organizations totaling 882.

Furthermore, JT engages in supporting arts and culture including development of musicians and professional orchestras, organizing JT Forum cultural events, operation of the Tobacco and Salt Museum and operating the Affinis Arts Foundation. Meanwhile, JT Thunders, the men's volleyball team, and JT Marvelous, the women's volleyball team, provide volleyball coaching across Japan in order to contribute to the promotion and development of community sports activities.



JT Forest activities

Social contribution activities

URL www.jt.com/csr/social

Related pages p13-14

Feature 2: From Forest Conservation and Development to Co-habitation with Forests

Combating Hunger with the 'Caritas Georgia' Soup Kitchen

Bringing relief, aid and comfort to the elderly is one of the cornerstones of our Corporate Philanthropy policy. JTI works closely with Caritas Georgia to assist poor and disadvantaged older persons. In 2011, JTI lent its support to the Caritas 'Soup Kitchen' in Tbilisi, which provides 185 elderly individuals registered with the State Social Program with a daily serving of nutritious hot food.



The JTI-supported Soup Kitchen in Tbilisi, Georgia

Supporting Cultural Heritage at the Mariinsky Theatre

Russia's Mariinsky Theatre, whose origins date back to 1783, is an historic venue for opera and ballet in St. Petersburg, currently under the artistic direction of the world famous maestro Valery Gerгиеv. JTI is the Theater's long-term partner, and supports its two major annual programs – the Moscow Easter Festival and the Stars of the White Nights Festival.



Swan Lake © Natasha Razina / Mariinsky Theatre

Promoting Literacy and Knowledge with Emmaüs

JTI is committed to promoting adult literacy. In France, JTI supports Association Emmaüs, which works with disadvantaged individuals in the community to combat the causes of exclusion. Since 2004, JTI France has assisted Emmaüs' Literacy Centers to develop new programs for illiterate adults, helping them to flourish as more independent citizens through its educational curriculum, and artistic and cultural workshops.



A student and teacher at the Emmaüs' Literacy Center

Promoting Culture and Art at the Rijksmuseum

JTI supports the Netherlands' famous Rijksmuseum – one of the nation's largest and most visited cultural heritage spaces. JTI Netherlands provides funding for the Museum's 'special' exhibitions, held every summer – including the Museum's 2011 collaboration with renowned artist Ed Kiefer in an experimental event inspired by Rembrandt's famous 'Night Watch' painting.



An Ed Kiefer installation at the Rijksmuseum's 2011 summer exhibition

Aiding the Elderly with Prague's Život90

Since its foundation in 1990, the Czech civic association Život90 has been recognized as the country's primary relief agency for Prague's elderly citizens. In 2009, JTI launched a long-term program of support for Život90 with a fundraising performance at the National Theatre. JTI also supports a number of Život90's individual projects, including its rehabilitation centers, and the telephone help-line at its 'Portus House' community center.



A social worker at the telephone help-line, Portus House

Engaging with Japanese Art and Technology in Poland

Bringing Japanese culture to the world is a central tenet of our Corporate Philanthropy policy. Since 2009, JTI has partnered with the Museum of Japanese Art and Technology Manggha, based in the historic Polish city of Krakow. JTI provides financial and organizational support for events that attract more than 100,000 visitors annually. Recent JTI – partnered events at the venue include the Open Academy of Japanese Cinema and the Butoh Dance Festival.



The Museum of Art and Technology, designed by prominent Japanese architect Arata Isozaki

Building Businesses in South Africa's Poorer Communities

JTI supports the South African 'Kasi Phezulu' project, which promotes enterprise in townships and other disadvantaged locations. The initiative focuses on businesses including shops and taverns that are often at the heart of struggling communities. It aims to transform these into 'community hubs' that help to empower local people. 'Kasi Phezulu' has assisted 4,000 enterprises to date – with JTI widely recognized as a 'Partner of Choice' by the businesses and community leaders it serves.



Building partnerships with local enterprises in South Africa

Reconnecting Seniors with the Digital World

Since 2007, JTI-Macdonald has partnered with reBOOT Canada – a charity that refurbishes donated computers for reuse by non-profit organizations. With the support of JTI-Macdonald, the related reCONNECT project provides seniors at over 100 centers across Canada with up-to-date technology, equipment and training. Seniors are taught how to communicate with their families using the internet – by e-mail and webcam – empowering them to use this technology to enhance the quality of their lives.



Seniors at a Toronto reCONNECT centers

Partnering with the Busan International Film Festival

JTI is a partner of Korea's Busan International Film Festival (BIFF), which promotes the development of new cinematic talent, and is one of Asia's most significant film festivals. During the nine days of the 2011 Festival – attended by 190,000 people – BIFF focused on showcasing new films and first-time directors of Asian origin.



BIFF official opening ceremony

Tobacco & Salt Museum (Japan)

JT opened the Tobacco & Salt Museum (Shibuya Ward, Tokyo) in 1978 in order to help people learn about tobacco and salt, both of which have been intertwined with human history and culture and have a long history of their own as an industry. This museum has its roots in the effort started in 1932 by the Ministry of Finance's monopoly bureau to systematically collect tobacco-related historical artifacts. It not only displays artifacts but also pours efforts into research on cultural and industrial history relating to tobacco and salt.

Permanent exhibits provide wide-ranging knowledge concerning history and culture related to tobacco and salt. Regarding tobacco, the museum displays smoking devices, product packages and commercial posters of earlier eras so as to familiarize visitors with the history of tobacco spanning from the beginning of the custom of smoking and the first arrival of tobacco in Japan to the present day. As for salt, the museum mainly provides information about the characteristics of salt, salt resources around the world and the history of salt-making in Japan. Each exhibit is structured so as to facilitate updating of information.

Special and feature exhibits shed light on cultures and customs relating to tobacco and salt in various regions and eras by displaying a broad range of objects, including handicraft, design and photographs.

Each summer, the museum organizes the "Summer Salt Seminar" in which children learn about salt from experiments and exhibits.

Tobacco & Salt Museum

URL www.jti.co.jp/Culture/museum_e



Exhibit of tobacco products of the modern era

Exhibit of salt resources around the world

Street Cleanup Activity at Business Establishments (Japan)

As part of its effort to contribute to local communities, the JT Group has been engaging in street cleanup activity in the neighborhoods of its business establishments across Japan. The JT Group has also organized cleanup campaigns involving local residents, and JT Group employees have participated as volunteers in cleanup activity organized by local communities.

JT's Chiba Area Sales HQ has been organizing a campaign named "a volunteer street cleanup anyone can join" three or four times each year since 2009. In the campaign of September 2011, a record 216 volunteers participated. The Chiba ASHQ is hoping to develop this campaign into a volunteer community activity with widespread citizen participation.

At JT's Kyoto ASHQ, 24 employees and family members participated in a town beautification campaign organized by Kyoto City and its cooperative body in July 2011 to clean the streets of this ancient capital around the time of the annual Gion Festival. The employees and family members, together with other volunteers, collected rubbish as they strolled along a 2-kilometer route for about an hour.

JT subsidiaries are also engaging in street cleanup activity. At Torii Pharmaceutical Ltd., the head office, branch offices and the Sakura Plant (Sakura City, Chiba Prefecture) participate in such activity. Employees at the head office participated in the "Clean Day" campaign, which was organized by the administrative authority. Each year, employees at the Sakura Plant and branch offices take part in street cleanup activity around November 1, the anniversary of the company's foundation.

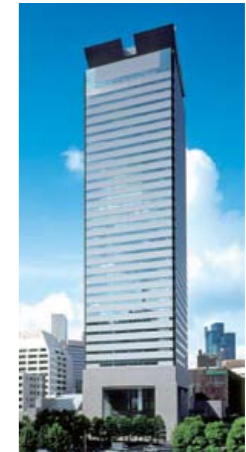
The JT Group will continue to foster harmonious relationships with the local communities in which it operates through conscientious activities like this.



Street cleanup activity by the Chiba Area Sales HQ

Street cleanup activity by the Kyoto Area Sales HQ

History of JT and its CSR Activities



- 1985 Establishment of Japan Tobacco Inc.
- 1988 Branched out into beverage business
- 1993 Established the Central Pharmaceutical Research Institute
- 1994 Established the Corporate Culture Division*1
- 1995 Established the Global Environment Division
Set up the JT Global Environment Charter
- 1998 Branched out into processed food business
Acquired the majority share of Unimat Corporation*2
Acquired the majority share of Torii Pharmaceutical Co., Ltd.
Released the first environmental report
- 1999 Acquired the non-U.S. tobacco operations of RJR Nabisco Inc.
Acquired the food business of Asahi Kasei Corporation
- 2000 Set up the JT compliance system
- 2004 Set up the JT Group Environment Charter
- 2005 Launched the JT Forest initiative
(reforestation and forest conservation activities)
Set up the CSR Division
- 2006 Reorganized the CSR Division (with approaches to the global environment
conservation and social contribution activities combined)
Set up the CSR Committee
- 2007 Launched afforestation and forest conservation activities in Africa
Acquired all the issued shares of the Gallaher Group plc (U.K.)
- 2008 Acquired all the issued shares of Katokichi Co., Ltd.
- 2010 Changed the name of Katokichi Co., Ltd. to TableMark Co., Ltd.

*1 The present Corporate Citizenship Department

*2 The present Japan Beverage Holdings Inc.

