

Approaches to Protecting the Global Environment

JT Group Environmental Management

Environmental Impact of the JT Group's Business

Approaches to Preventing Global Warming

Approaches to Creating a Recycling-Based Society

Approaches to Conserving Biodiversity

Other Approaches

Approaches to Protecting the Global Environment (Overseas)

Environmental Communication

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



Promoting Environmental Management for the Future

Giving the highest priority to conserving the global environment, the JT Group set the JT Group Environment Action Plan (2009–2012), expanding the scope of environmental management to cover all consolidated subsidiaries, both in Japan and abroad, to curb global warming and save resources.

Accordingly, the JT Group has been focusing on its unit greenhouse gas emissions in addition to major environmental indexes (greenhouse gas emissions, water consumption, waste generation, and waste recycling). In fact, FY 2010 has seen steady improvements in all these areas, though some figures are estimates as actual figures are not available because of the Great East Japan Earthquake.

The JT Group continues to promote environmental management, play a part in curbing global warming, and save valuable resources. While Japan's post-disaster energy policy and the direction of the energy shift are yet to be seen, long-term goals should be set by reviewing medium-term goals and action plans according to changes taking place in social and business environment, which is integral to creating a low-carbon, recycling-based society. The JT Group is committed to making concerted efforts to strike a balance between its operations and the environment, while examining its responsibilities and capabilities from a long-term perspective.



Masakazu Shimizu, Executive Deputy President
Assistant to CEO in CSR

JT Group Environmental Management

JT Group Environment Charter

Giving the highest priority to conserving the global environment, JT established the "JT Global Environment Charter" in May 1995.

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, incorporating biodiversity issues, with efforts underway to act according to its principles and action guidelines. The JT Group continues to act as a responsible corporate citizen in all countries and regions in which it operates, while striking a balance between its operations and the environment.

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.

Specific measures include introduction of environmentally

Environmental Impact Reduction Targets (2009–2012)

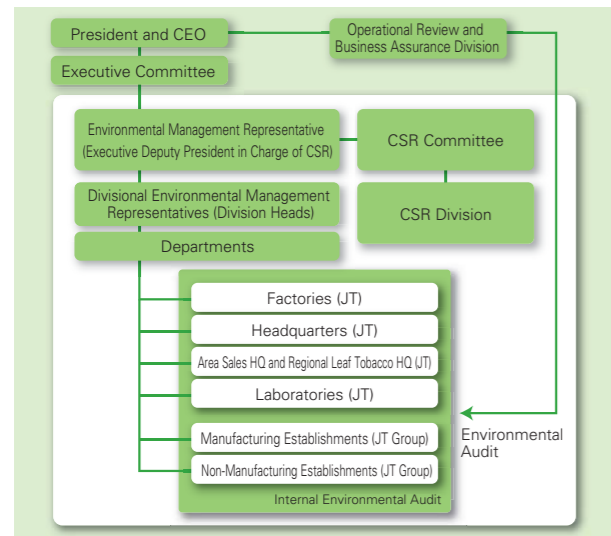
| Objective | Target Companies | Medium-Term Target (2009–2012) | Results (FY 2010) |
|--------------------------|------------------|---|--|
| Greenhouse gas emissions | JT Group | Reduce by 10% below FY 2007 levels in FY 2012 | Reduced by 7.4% below FY 2007 levels |
| | | Reduce emissions from tobacco product factories per million cigarettes by 11% below FY 2007 levels in FY 2012 | Reduced by 3.7% below FY 2007 levels |
| | JT | Reduce by 50% below FY 1995 levels in FY 2012 | Reduced by 49.5% below FY 1995 levels |
| Water consumption | JT Group | Reduce emissions from tobacco product factories per million cigarettes by 12% below FY 1995 levels in FY 2012 | Reduced by 8.9% below FY 1995 levels |
| | | Reduce by 12% below FY 2007 levels in FY 2012 | Reduced by 16.1% below FY 2007 levels |
| Waste generation | JT Group | Reduce by 70% below FY 1995 levels in FY 2012 | Reduced by 71.1% below FY 1995 levels |
| | | Reduce by 15% below FY 2007 levels in FY 2012 | Reduced by 12.7% below FY 2007 levels |
| Recycling | JT Group | Reduce by 35% below FY 1995 levels in FY 2012 | Reduced by 19.7% below FY 1995 levels |
| | | Continue with zero emission activities at factories | Achieved zero emissions at 24 factories out of 58 The recycling rate: 84.6% for the JT Group, and 100% for JT |

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, meanwhile, reviews developments in the JT Group Environmental Action Plan with focus on their management and specific measures, while supporting each division and the JT Group as a whole in their environmental management.

Environmental Management System



friendly facilities, promotion of energy saving through “visualized operations,” reduction of daily water consumption and segregation of waste materials.

As for the environmental performance in March 2011, some business establishments presented estimates as actual figures are not available because of the Great East Japan Earthquake.

Management Systems Based On ISO 14001 Standards

Based on the international environmental standard ISO 14001, the JT Group is creating an environmental management system for each of its group companies, taking into account its business activities and environmental impact. 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.

Status of the JT Group's Environmental Management

| | ISO 14001 Certification |
|-----------------|--|
| JT | 15 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 (4 factories), Fuji Flavor, Torii Pharmaceutical (1 plant), Japan Beverage Group (12 group companies), TableMark (1 factory), Katokichi Suisan (1 factory), lipingshang Foods Corporation, Sunburg, Nihon Shokuzai Kako, Thai Foods International, Toranomon Energy Service (3 business establishments) |
| | Complying with ISO 14001 |
| JT | 37 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

As developing human resources is key to promoting environmental management, efforts are underway to train the JT Group's environmental managers and representatives, with focus on environmental laws and regulations, ISO 14001, and environmental information system management. In addition, internal auditors are trained and certified to standardize and improve auditing practice.

Trainings offered in FY 2010

| Title | Description | Number of trainees |
|---|--|--------------------|
| Training for newly appointed environmental managers | Training and education for environmental managers | 107 |
| Training for environmental auditors | Training and education for internal auditors (theory) | 42 |
| On-site training for environmental auditing | Training and education for internal auditors (practice) | 17 |
| Training for environmental information systems | Learning of environmental information management systems | 75 |



Training for newly appointed environmental managers

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 1,010 items (office supplies, office furniture, office automation equipment, vehicles, etc.) in FY 2010, while JT's green purchasing rate stood at 64.4% in value terms.

At the same time, the JT Group is promoting an environment-conscious procurement in partnership with suppliers. The domestic tobacco business, for example, has been helping them establish environmental management systems of their own based on the “Green Procurement Standards.” As a result, environmental management systems are in place at 85.6% of the suppliers in FY 2010.

Environmental Auditing

Environmental Auditing by the Operational Review and Business Assurance Division

While establishments certified by ISO 14001 and those operating environmental management systems conform-

ing to ISO 14001 conduct internal audits based on ISO 14001, some of them are also audited by the Operational Review and Business Assurance Division. This practice is designed to improve JT's environmental management, with the division independent from those engaged in environmental activities reviewing the group's environmental conservation programs objectively.

Environmental Auditing to Examine Compliance with Environmental Laws and Regulations

The Operational Review and Business Assurance Division selects establishments to be audited on the basis of its own standards (the number of years since the last audit, the surrounding environment, etc.).

In FY 2010, 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.

The audits identified 10 no-compliances, including failure to complete legal documents in accordance with outsourced waste disposal service agreements, all of which 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 2010

- JT Tomobe Factory
- TS Network
- Katokichi Suisan's Fukushima Factory
- JT Okayama Printing Factory
- lipingshang Foods Corporation

Relevant Laws and Regulations

Act on the Improvement of Pollution Prevention Systems in Designated Factories, Factory Location Act, Energy Saving Law, Waste Disposal Law, Air Pollution Control Law, Offensive Odor Control Law, Noise Regulation Law, Vibration Regulation Law, Water Pollution Control Law, Law for Combined Household Wastewater Treatment Facility, Sewerage Law, PRTR Law, Law Concerning Special Measures against Dioxins, Fire Defense Law, High Pressure Gas Safety Law

Environmental Auditing of Environmental Management Systems

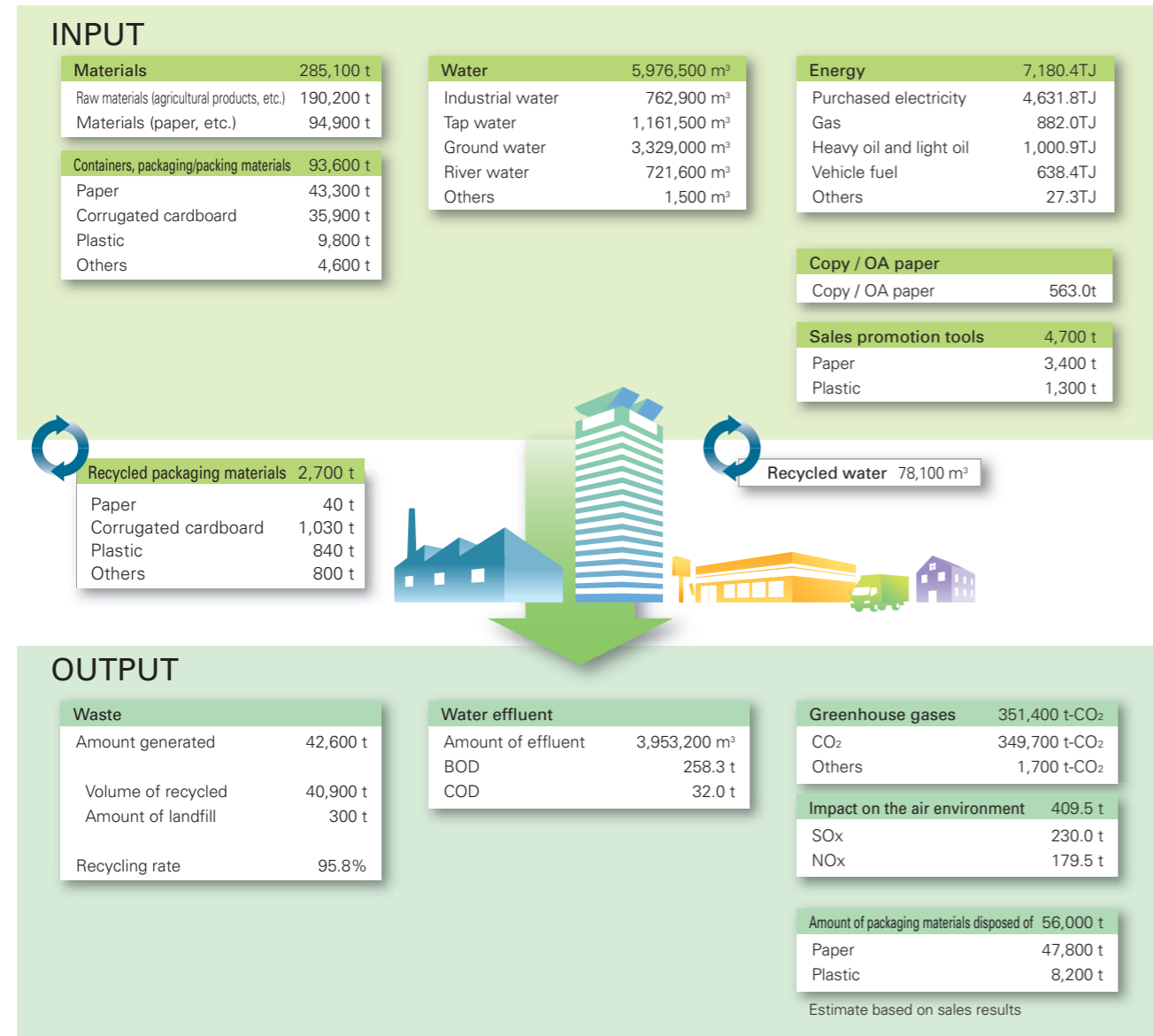
The Operational Review and Business Assurance Division audited the TableMark Group, which engages in the processed food and seasonings business, for environmental management systems in FY 2010, focusing on their management procedures and operations. As a result, seven non-compliances were identified, all of which are being addressed. They include failure to clarify the responsibilities, roles, and management scopes of the group's divisions and establishments.

Environmental Impact of the JT Group's Business (Domestic)

The JT Group uses large amounts of energy (electricity, gas, etc.) and resources in its operations, which in turn produces greenhouse gases and waste materials.

The JT Group, therefore, keeps track of its environmental impact by business and category, including factories and offices, in an effort to reduce it.

Targets: 35 domestic JT Group companies Period: April 2010 to March 2011



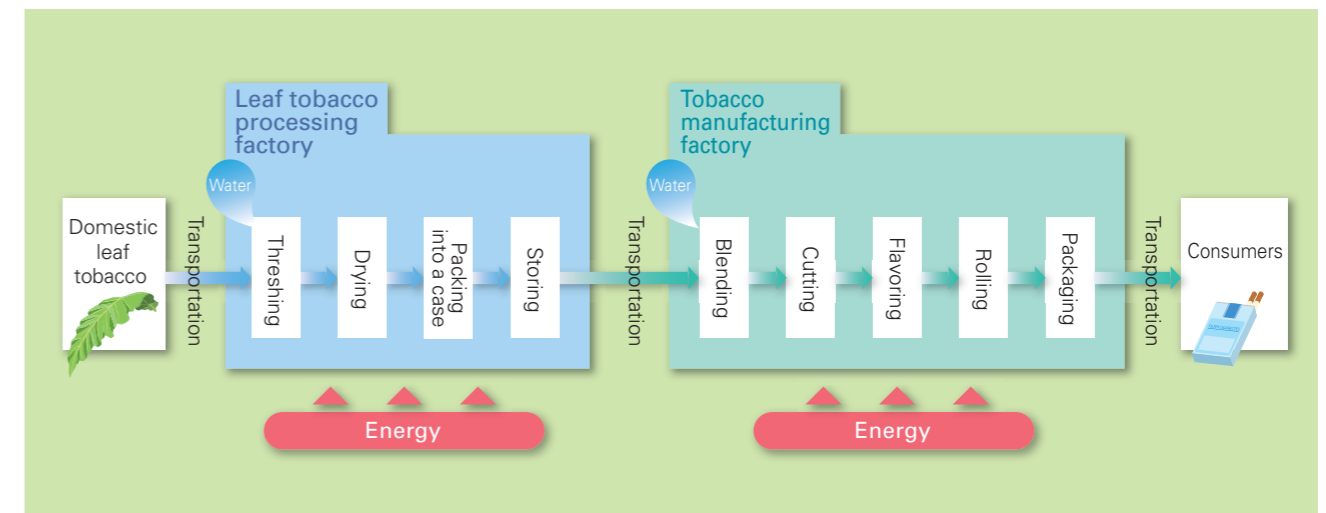
[Calculation of Environmental Load]

- **Energy**
Conversion factor, based on the Law Regarding the Rationalization of Energy Use (revised on May 30th, 2008)
- **Greenhouse gases**
Conversion factor, based on the Law Concerning the Promotion of the Measures to Cope with Global Warming (revised on June 13th, 2008)
- **NO_x (nitrogen oxides)**
Based on the Environmental Activity Evaluation Program (issued in September 1999 by the Environmental Agency)
- **SO_x (sulfur oxides)**
Emissions are calculated, with their amount converted into SO_x, based on the sulfur content and density of the fuel used as well as on the efficiency of desulphurization equipment, while a factor of 0.00024kg/kWh (the results in 1999, the Federation of Electric Power Companies of Japan) is used for purchased electricity.

Use of Energy and Water in Tobacco Manufacturing

At leaf tobacco processing factories, leaf tobacco is heated with water to remove the vein from the mesophyll (threshing); the latter is homogenized and heated to adjust its water content to the levels required for storage and ripening. At tobacco manufacturing factories, processed leaf

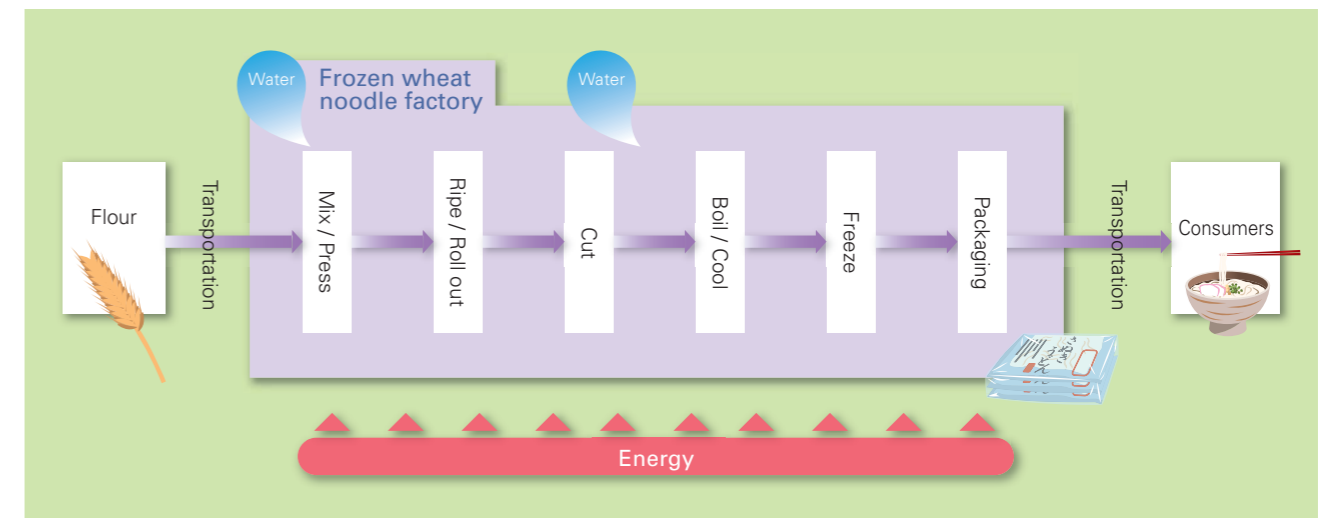
tobacco is heated again with water and then mixed with flavours and shredded into pieces, which is followed by heat-drying and rolling into cigarettes. All these automated processes use electricity.



Use of Energy and Water in Frozen Wheat Noodle Manufacturing

Frozen wheat noodles are made primarily from flour and water, which are mixed into dough. The dough is then ripened and cut into noodles, followed by boiling, cooling in cold water, and quick freezing — a process required to

maintain the flavor and texture of the noodles. Boiling and cooling consume heat energy and water, while freezing and other automated processes use electricity.



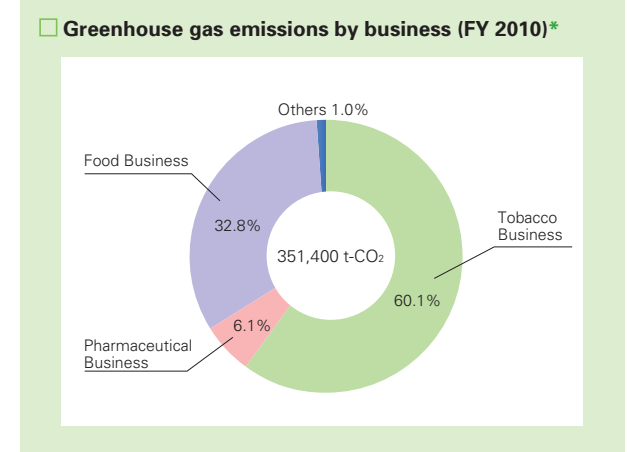
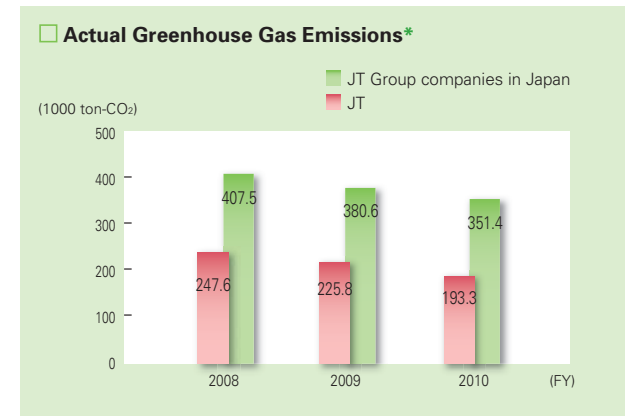
Approaches to Preventing Global Warming (Domestic)

Approaches to Reducing Greenhouse Gas Emissions

The JT Group set goals for reducing greenhouse gas emissions, which cause global warming, at its factories, laboratories, and offices.

In fact, JT reduced its CO₂ emissions by 32,500 tons from FY 2009 levels (or by 49.5% from FY 1995 levels) in FY 2010. Likewise, the JT Group companies in Japan reduced its CO₂ emissions by 29,200 tons or 7.7% from FY 2009 levels in FY2010.

The JT Group will step up efforts to reduce greenhouse gas emissions from its value chain, ranging from R&D to manufacturing, transportation, and sales.



*Targets: 35 domestic JT Group companies
Figures in March for some companies, including Japan Filter Technology, Ltd. (the Tagajo Factory), are estimates as actual figures are not available because of the Great East Japan Earthquake.

Energy-Saving Measures

Energy Saving Measures at Manufacturing Establishments

When building new plants or retrofitting existing ones, the JT Group considers introducing energy-efficient equipment and optimizing operation management systems in order to further improve the thermal efficiency of the energy-intensive manufacturing sector.

In FY 2010, high-efficiency turbo freezers were introduced and the use of energy was "visualized," with its data analyzed to optimize operations, which together contributed to reducing energy consumption. Such energy saving measures will be promoted.

Energy Saving in Food Manufacturing

TableMark's Uonuma Mizunosato Factory

TableMark's Uonuma Mizunosato Factory, which started operation in November 2010, consists of environment-conscious facilities that are in harmony with the rich natural environment around it. It produces frozen wheat noodles and packaged rice.

The factory uses natural gas to fuel boilers, which provide heat to manufacturing processes. Natural gas is a clean energy source that produces about 30% less CO₂ emissions than heavy oil in addition to only small amounts of nitrogen oxides.

In order to use energy efficiently, moreover, thermal energy is recovered from hot wastewater and fed to heat pump water heaters producing both hot and cold water. Other energy saving measures include the use of insulation interior walls, which together are expected to reduce CO₂ emissions by about 3,500 tons annually.

In addition, natural refrigerants are used for freezers, air conditioners, and cold storages, instead of CFCs, which deplete the ozone layer and play a part in global warming.

Related page p9-10

Special Topic 1: Uonuma Mizunosato Factory Has Come on Stream



TableMark's Uonuma Mizunosato Factory

Energy Saving Measures at Offices

The JT Group is working on energy saving programs at offices and laboratories as well as at manufacturing establishments. Specific measures include controlling room temperatures, optimizing operation hours, turning off lights during lunch hours and practicing COOL BIZ and WARM BIZ, with each employee taking part in these activities and facilities being improved.

Rooftop Gardening

Contributing to Mitigating the Heat Island Effect and Saving Energy

Rooftop gardening not only mitigates the heat island effect in urban areas, but also insulates the building from heat, contributing to saving energy. The JT Group is thus working on rooftop gardening at its establishments.

For example, the rooftop of the Central Pharmaceutical Research Institute (Takatsuki City, Osaka) with an area of about 870 m² and that of the Koto Branch of Japan Beverage Tokyo (a beverage vending machine operator) with an area of about 1,000 m², are covered with trees and plants. Combined with energy-efficient air conditioning and lighting systems, they contribute to saving energy.



Koto Branch of Japan Beverage Tokyo

Optimization of Transportation

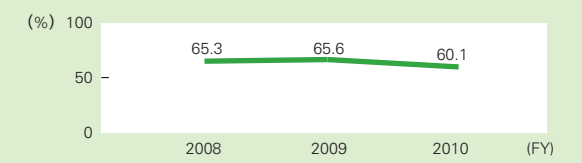
The domestic distribution division is promoting modal shift and increasing the loading rate of trucks to reduce greenhouse gas emissions. Because of its aggressive approaches to switching to environmentally friendly rail freight transportation, JT was certified in November 2010 as an "Eco Rail Mark Company."

The "Eco Rail Mark" program — administered by the Ministry of Land, Infrastructure, Transport and Tourism — is designed to recognize companies using rail freight transportation at a certain rate, with the mark put on their products to communicate their environmental activities to consumers.



Eco Rail Mark

Modal Shift Rates* (Domestic Tobacco Business)



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

Introduction of Fuel-Efficient Vehicles

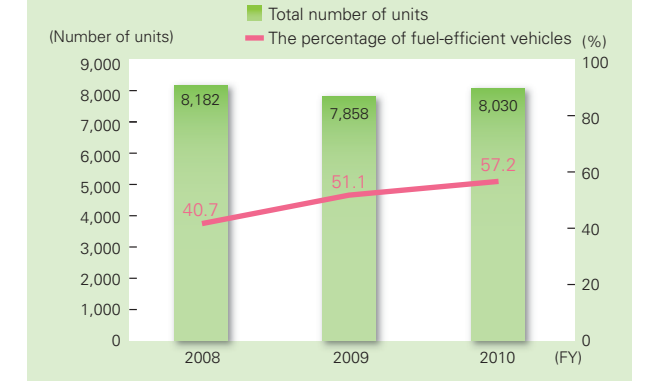
The JT Group's fleet of sales vehicles and delivery trucks is switching to low emission vehicles. With an additional program launched in FY 2009 to introduce fuel-efficient vehicles, they account for 57.2% of the total fleet of vehicles (or 4,595 units out of 8,030) as of the end of March 2011.

At the same time, employees are practicing eco-driving to reduce the environmental impact of their vehicles.



Hybrid truck

The Percentage of Fuel-Efficient Vehicles



Environment-Conscious Vending Machines

The JT Group is also reducing power consumption of vending machines.

For example, a new beverage vending machine is equipped with a heat pump to use the heat absorbed from the cold compartment to heat the hot compartment, which reduces power consumption by 40%, compared to conventional vending machines. Another 5% can be saved by replacing fluorescent lamps with LED lights.

Tobacco vending machines are also equipped with LED lights, while fluorescent lighting is optimized to reduce power consumption by a maximum of 11%, compared to JT's conventional tobacco vending machines.

Heat Pump System

Efficient use of heat for the cold and hot compartments to reduce power consumption

LED Lighting

Long-life, energy-efficient lighting

Peak Cut System

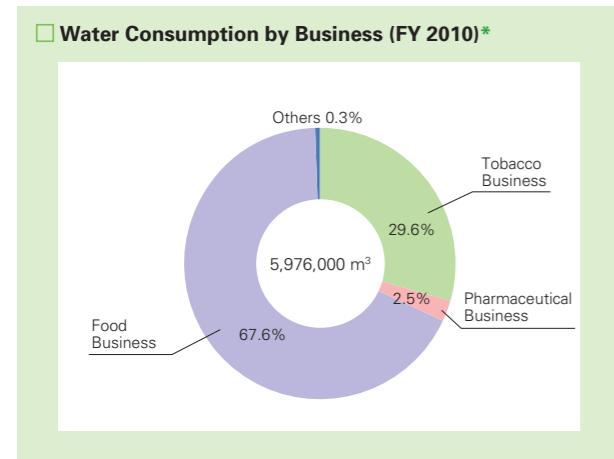
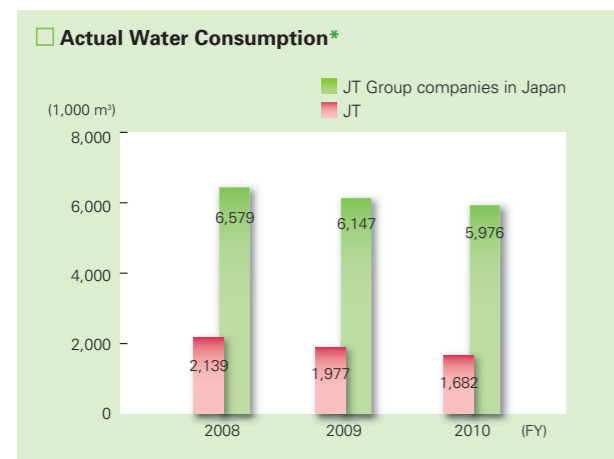
The peak-cut function, where the compressor is shut down during peak load hours in summer, to save power



Approaches to Creating a Recycling-Based Society (Domestic)

Approaches to Reducing Water Consumption

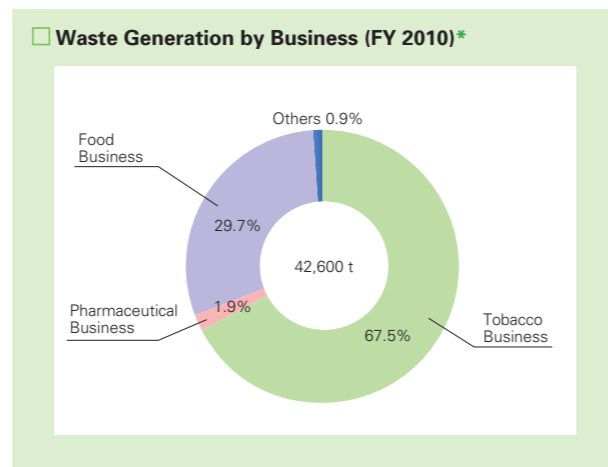
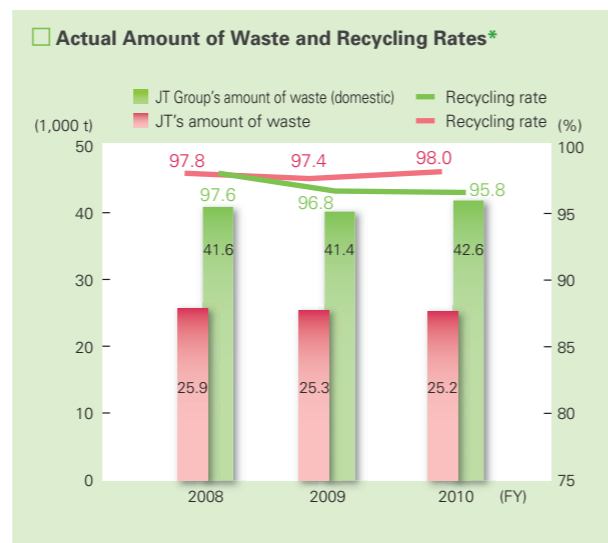
In addition to conserving water quality through measures such as wastewater management, the JT Group is working on reducing water consumption and recycling wastewater. At tobacco factories, for example, efforts are underway to reduce water consumption by improving manufacturing processes, reviewing the use of water and retrofitting facilities. There are also programs to reduce the use of water in day-to-day operations by retrofitting water-saving automatic faucets, saving flush water, and using recycled water. In fact, JT's water consumption decreased by 295,000 m³ year on year (or 71.1% from FY 1995 levels), and the JT Group's water consumption (domestic), by 171,000 m³ or 2.8% year on year, both in FY 2010.



*Targets: 35 domestic JT Group companies
Figures in March for some companies, including Japan Filter Technology, Ltd. (the Tagajo Factory), are estimates as actual figures are not available because of the Great East Japan Earthquake.

Reduce Waste Generation and Promote Recycling

The JT Group is promoting 3R (Reduce, Reuse, and Recycle) in an effort to create a recycling-based society. JT's waste generation decreased by 96 tons year on year (or 19.7% from FY 1995 levels) in FY 2010, while the JT Group's waste generation (domestic) increased by 1,218 tons (or 2.9%) year on year, as new factories started operation. Tobacco factories continue to reuse packing materials, with 255 tons of packing materials for raw material reused in FY 2010, while each establishment segregates waste materials and review services of waste disposal companies. As a result, 24 factories have achieved zero emission with a recycling rate of over 99.5%. The amount of waste materials includes those sold or transferred as resources.



Containers and Packaging Materials

The JT Group designs products, taking into account the environmental impact of their containers and packaging materials, in order to manufacture environmentally friendly products. It also takes part in the activities of the Paper Packaging Recycling Council to promote 3R of containers and packaging materials.

TableMark Co., Ltd., a JT Group company, for example, made improvements in the packaging of "Sanukimen Ichiban Niku Udon" (Sanuki wheat noodles with meat) in FY 2009, which was applied to six other products in FY 2010. With plastic trays eliminated, the use of packaging materials in each product was reduced by some 50%, while noodles are packed more densely to reduce transport energy consumption and for space saving in household refrigerators.

Used containers and packaging materials originating from the JT Group's products are sent to the Japan Containers and Packaging Recycling Association for recycling in compliance with the Containers and Packaging Recycling Law.



Ingredients are placed in the dent in noodles to eliminate the plastic tray

JT Group Definitions

- **Zero Emissions**
The JT Group's "zero emission" refers to a recycling rate of over 99.5%
- **Recycling**
The JT Group's "recycling" refers to "recycling use," which is stipulated in the Basic Law for Establishing the Recycling-Based Society, and "recycling use" refers to "reuse, recycling and heat recovery."
"Reuse" is to use recyclable resources as they are (including the use of repaired products), or to use all or part of recyclable resources as parts or in the form of other products.
"Heat recovery" (thermal recycling) is to use all or part of recyclable resources, and can be or could be used as fuel to produce heat. The JT Group's heat recovery includes waste heat recovery from incinerators, processing into solid fuel, and gas recovery from gasification melting furnaces.

Approaches to Conserving Biodiversity

The JT Group revised the "JT Group Environment Charter" in May 2010 to announce its policy on biodiversity. JT, meanwhile, worked on a one-year ecological survey at JT Forest Shigetomi (JT's forest in Shigetomi, Kagoshima prefecture) from July 2010 to monitor its condition. On the basis of the charter, JT is stepping up efforts to conserve biodiversity, giving due consideration to it and maintaining JT's forests.

Related page p11-12
Special Topic 2: Passing Rich Forests on to Future Generations

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 monitored. The PRTR Law, meanwhile, applied to 27 establishments in FY 2010.

Proper Management of PCB Wastes

The JT Group companies in Japan have a system in place to properly store and manage PCB wastes (transformers, capacitors, fluorescent lamp ballasts, etc.) in accordance with the "PCB Waste Management Regulations," details of which are reported every year. The number of PCB-containing capacitors detoxified in FY 2010 is 283.

Soil Pollution Countermeasures

JT had completed checking records of the soil of its property in FY 2007, while soil surveys are conducted as needed. Any chemical substances, whose concentrations exceed the levels established in the Soil Contamination Countermeasures Law, are reported to the authorities and made public, with remedial measures taken.

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 now has more than 30 manufacturing operations in 23 different countries. JTI is a truly international and multicultural business, employing more than 26,400 people around the world.

In 2009, JTI acquired leaf supply companies in Africa and South America, and established a joint-venture with two leaf suppliers in the United States. These expansions in JTI's business were made to stabilize and improve the security of supply of high quality tobacco and to develop closer, mutually beneficial relationships with tobacco growing communities. In 2010, JTI completed the integration of these new acquisitions into the company.

JTI EHS Summary

Since 2003, JTI has followed a plan to improve EHS performance — predominantly focused on our manufacturing operations and company sales fleet. JTI has implemented strong EHS management systems, set challenging EHS targets annually and executed programs that provide performance improvement year-on-year.

In 2009, JTI established a target to achieve certification of all cigarette and tobacco product factories to the international standards ISO 14001 and OHSAS 18001 under a single certification company. This target was set to embed JTI's global EHS standards and ensure consistent implementation of good EHS practices. In 2010, this target was achieved.

In early 2010, JTI carried out a fundamental review of EHS expectations across the business, including the newly integrated 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, which will ensure



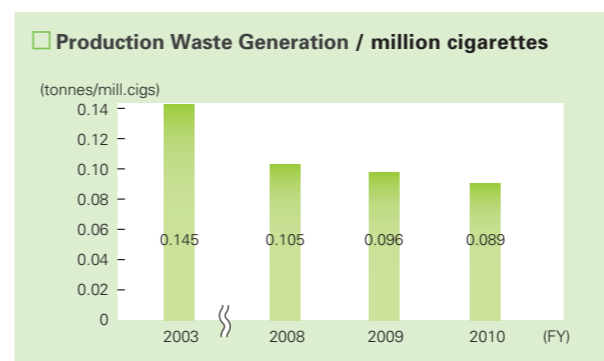
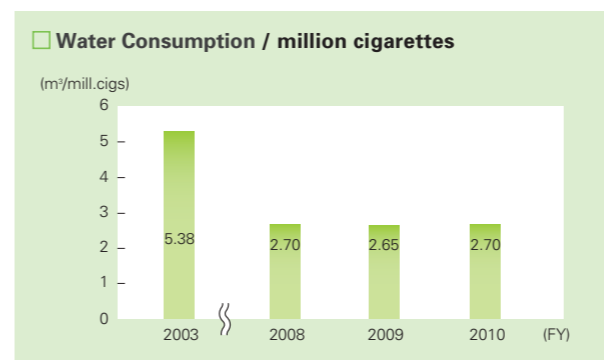
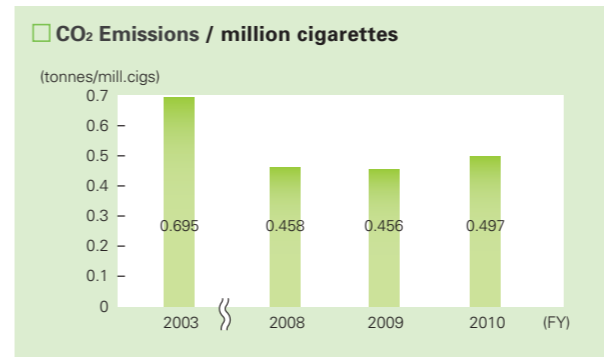
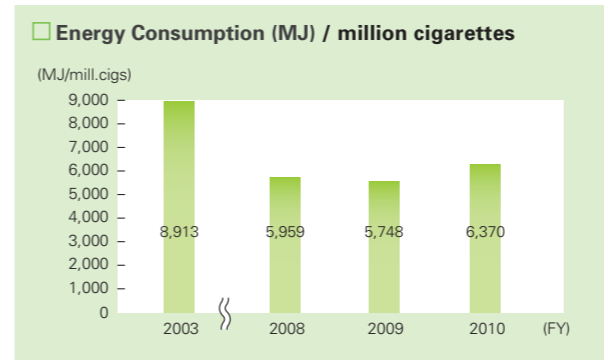
that EHS management systems and programs will be integrated fully across JTI's business activities over the period 2011-2013.

Environmental Performance

Using 2003 as a baseline year, JTI has made significant improvements in environmental performance. Between 2003 and 2010, the five environmental key performance indicators (energy, CO₂, waste and water intensity and recycling) improved. Energy by 29%, CO₂ by 28%, waste by 39%, water by 50% and recycling by 10%. However, looking specifically at 2010, our energy and water efficiency increased, as did our emissions of CO₂. There were two key reasons for this. The global economic crisis resulted in a decline in manufacturing volumes, which impacted the efficiency of our factories. Furthermore, a new technology was introduced into the manufacturing process, which delivered improved quality and reduced waste, but which also increased energy consumption.

It was known in advance that the results in 2010 were unlikely to follow the long-term reduction trend. Therefore, action was planned in 2009 and started in 2010 to minimize the impact of the new technology by working with the manufacturers to improve energy efficiency of the newly installed equipment. Energy reduction programs continue in JTI and it is planned that energy intensity will once again reduce from 2011 onwards. A key program to achieve this continued reduction was launched in 2010. Energy experts from within JTI visited a number of factories in the second half of the year. Through detailed analysis of the theoretical and actual energy requirements of the factories, a number of significant opportunities to reduce energy consumption were identified. Several of these projects are now in the implementation phase, and the results will show through in the coming years.

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. With the acquisition and integration of Global Leaf facilities, the opportunities to extend this program further will be explored in 2011.



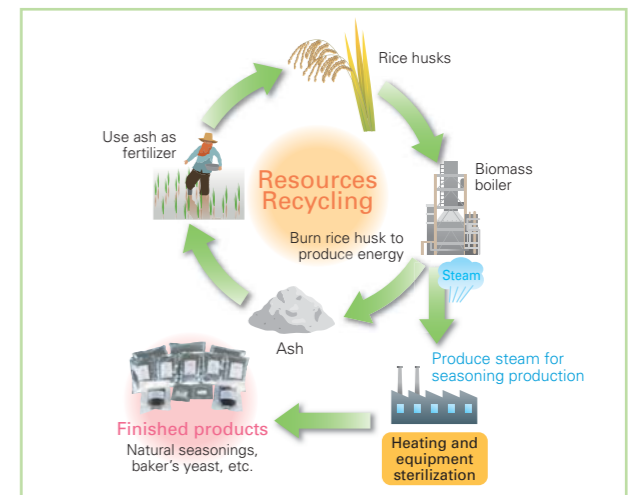
Activities in the Food Business (Overseas)

Coexisting with Local Communities through Resource Recycling Thai Foods International Co., Ltd.

Thai Foods International Co., Ltd. produces yeast extracts and other natural seasonings, playing a part in the JT Group's seasoning business.

Its localized measures to curb global warming and recycle resources include the use of biomass-fueled boilers, where rice husks originating from local rice mills are used as fuel in the production process. The resulting ash, meanwhile, is reused as a fertilizer for rice cultivation. Its plants are equipped with three biomass-fueled boilers, which produce almost all the steam required for seasoning production.

In FY 2010, moreover, a heat exchanger was installed to harness waste heat from the boilers, which in turn reduced the consumption of rice husks by 10%, with a new monitoring program in place to further improve the efficiency of energy use.



Environmental Communication

JT Group's Information Services

The JT Group communicates its approaches to global environment conservation to the public through the CSR Report and website; they include initiatives to reduce the impact of its operations on the environment and resulting achievements, afforestation and forest conservation programs, and cleanup activities.

The JT forest initiatives to nurture rich forest with local communities are posted on the website, while the JT Forest newsletter communicates forest conservation activities, the function of forests, and the significance of maintenance work. In addition, the group's activities are broadly advertised through newspapers and magazines.

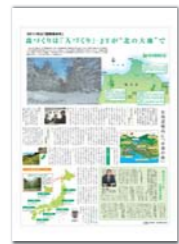


CSR Report

JT Forest newsletter



Article in the March issue of the magazine Square (The Earth Today...)



Advertisement on the Mainichi Newspapers

At the same time, individual environment-conscious activities are communicated to employees through the intranet "SQUARE."

Communicating with Local Communities

While expectations are running high for corporate activities to curb global warming and conserve biodiversity, the JT Group are communicating with local communities through a variety of channels.

TableMark's Uonuma Mizunosato Factory, for example, set up a committee with Uonuma City and a local fishermen's union to exchange information and maintain the water quality of the rivers nearby.

The JT Group's activities are also presented at environmental events and symposiums. For example, the JT forest activities were exhibited at a tree-planting commemoration symposium held in Wakayama prefecture (For the Future of the Green Planet: Recommendations from the Tree Country), followed by exchange of opinions.

The JT Group is committed to communicating with local communities through occasions such as events and symposiums.



National Tree-planting Commemoration Symposium

Giving Lectures at Schools to Raise Environmental Awareness

Japan Beverage Group

Recycle Plaza JB, run by the Japan Beverage Group, is engaged in intermediate disposal of used beverage containers (aluminium cans, steel cans, PET bottles, etc.) for recycling purposes.

Recycle Plaza JB not only shows recycling processes, but also provides the public including students from nearby schools with opportunities to learn about environmental conservation, the importance of recycling, and the effective use of resources.

There is also a regular program to give lectures at elementary and junior high schools to raise environmental awareness of students; three lectures were held in FY 2010 in cooperation with the Saitama prefectural government for a total of 164 students at elementary and junior high schools, for which the prefectural government sent a certificate of gratitude.



Lecture at an elementary school

Environmental Accounting FY2010

Targets: All JT establishments

Period: FY2009 (April 1, 2009 to March 31, 2010), FY2010 (April 1, 2010 to March 31, 2011)

Environmental Conservation Cost

Unit: million yen

| Category | Key Measures in FY2010 | Results in FY2009 | | Results in FY2010 | |
|---|--|-------------------|-----------------------|-------------------|-----------------------|
| | | 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) | — | 1,203 | 1,365 | 656 | 2,017 |
| Breakdown | ① Pollution prevention costs | 37 | 463 | 120 | 555 |
| | ② Global environmental preservation costs | 1,163 | 115 | 534 | 140 |
| | ③ Resource circulation costs | 3 | 787 | 2 | 1,322 |
| (2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs) | Recycling of containers and packaging materials, etc. | — | 70 | — | 102 |
| (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. | 5 | 457 | — | 532 |
| (4) Environmental preservation costs involved in R&D (R&D costs) | Survey of the environmental impact of products, etc. | — | 10 | — | 20 |
| (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. | — | 3,541 | — | 3,912 |
| (6) Costs of dealing with environmental damage | Pollution impact levies; soil pollution survey and remedial measures, etc. | — | 407 | — | 1,018 |
| (7) Other environmental costs | Asbestos survey and remedial measures, etc. | — | 369 | — | 49 |
| Total | | 1,208 | 6,218 | 656 | 7,650 |

Environmental Conservation Effect

| Actual Effects | Item | Results in FY2009 | Results in FY2010 | Year-On-Year Reduction | |
|--|---|------------------------|-------------------|------------------------|---------|
| Effect on resources invested in business activities | Amount of electricity purchased | 1,000kWh | 336,104 | 313,009 | -23,095 |
| | Fuel consumption (crude oil equivalent) | kℓ | 31,371 | 26,887 | -4,484 |
| | Vehicle fuel consumption (crude oil equivalent) | kℓ | 4,017 | 3,857 | -160 |
| | Amount of water used | 1,000m ³ | 1,977 | 1,682 | -295 |
| Effect on environmental impact and waste produced by business activities | SO _x emissions* | t | 82 | 62 | -20 |
| | NO _x emissions* | t | 116 | 99 | -17 |
| | Amount of CO ₂ emitted* | 1,000t-CO ₂ | 226 | 193 | -33 |
| | Amount of waste water* | 1,000m ³ | 1,240 | 1,072 | -168 |
| | Amount of waste, etc. | 1,000t | 25 | 25 | 0 |

*Actual data at factories

Economic Benefit

Unit: million yen

| Actual Effects | Results in FY2009 | Results in FY2010 |
|--|-------------------|-------------------|
| Income from recycling (sale of by-products) | 24 | 36 |
| Cost reduction by saving energy (year-on-year) | 1,293 | 182 |

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.