

Responsibility

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JT recognizes that prompt and proper decision-making and business execution are vital to increasing our corporate value and responding appropriately to new challenges to come in the future, as the business and social environments change. Based on this recognition, JT has been striving hard to enhance corporate governance as a top management priority.

The JT Group strives to make contributions to society through a variety of corporate activities. We work to find harmony with our business environment and global environment, and aim to coexist with society as a good corporate citizen. We conduct continuing activities from this viewpoint.

Corporate Governance

I Basic Concept of Corporate Governance and Basic Information Including Capital Structure and Corporate Attributes

Corporate Governance

1. Basic Concept

JT recognizes that prompt and proper decision-making and business execution are vital to increasing our corporate value and responding

appropriately to new challenges to come in the future, as the business and social environments change. Based on this recognition, JT has been striving hard to enhance corporate governance as a top management priority.

2. Capital Structure

Combined equity stakes of foreign shareholders: between 20% and 30%

MAJOR SHAREHOLDERS

As of March 31, 2011

Name	No. of shares held	Equity stake (%)
The Minister of Finance	5,001,345	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	256,502	2.57
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank, Ltd., settlement division)	224,116	2.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	222,931	2.23
Mizuho Trust and Banking Co., Ltd., re-trusted to Trust & Custody Services Bank, Ltd., as retirement benefit trust assets	169,000	1.69
Chase Manhattan Bank 385036 (Standing Agent: Mizuho Corporate Bank, Ltd., settlement division)	85,107	0.85
Mellon Bank N.A. as Agent for Its Client Mellon Omnibus U.S. Pension (Standing Agent: Mizuho Corporate Bank, settlement division)	80,675	0.81
State Street Bank and Trust Company (Standing Agent: Hongkong and Shanghai Banking Corporation, Tokyo branch)	78,317	0.78
HSBC BANK PLC A/C THE CHILDRENS INVESTMENT MASTER FUND (Standing Agent: Hongkong and Shanghai Banking Corporation, Tokyo branch)	68,367	0.68
State Street Bank and Trust Company 505225 (Standing Agent: Mizuho Corporate Bank, Ltd., settlement division)	61,888	0.62
Total	6,248,248	62.48

(Note) In addition, 478,526 own shares are held by JT.

3. Corporate Attributes

Listed on	First sections of the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange and the major sections of the Sapporo Securities Exchange and the Fukuoka Stock Exchange
Closing month of the annual account book	March
Business sector	Foods
Number of employees (consolidated basis)	1,000 or more
Net sales (consolidated basis)	¥1 trillion or more
Presence or absence of parent company	None
Number of consolidated subsidiaries	Between 100 and 300

4. Other Factors which May Materially Affect Corporate Governance

The Japan Tobacco Inc. Law (the “JT Law”) obligates the government to hold JT shares. As of the end of March 2011, the government held 50.01% of all outstanding JT shares.

The Minister of Finance has the authority to supervise JT under the JT Law and Tobacco Business Law.

Torii Pharmaceutical Co., Ltd. (hereinafter referred to as “Torii Pharmaceutical”), which engages in the pharmaceutical business, is a

consolidated subsidiary of JT and is listed on the Tokyo Stock Exchange. While JT is responsible for R&D, Torii Pharmaceutical undertakes production and sales. In order to perform these different functions efficiently, the two companies maintain a cooperative relationship. JT respects the need to ensure a certain degree of independence for Torii Pharmaceutical by refraining from undermining the company’s business judgment.

II Status of Business Management Organization Concerning Business Decision-Making, Execution and Supervision and Other Corporate Governance Systems

1. Matters Concerning the Organizational Structure and Organizational Management

Form of organization	A company with auditors
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MATTERS CONCERNING DIRECTORS

Number of directors as set forth in the company’s articles of incorporation	15
Term of office of directors as set forth in the company’s articles of incorporation	2 years
Chairman of the Board of Directors	Chairman
Number of directors	8
Number of outside directors	None

The reason for the adoption of the current organizational system: While there is no outside director, JT selects persons suitable for the post of director in light of the candidates’ personality, judgment and experiences. In addition, in order to ensure the appropriate exercise of the function of providing advice from the perspective of an outsider that is expected of an outside director, JT has established the Advisory Committee, which comprises 5 outside experts and advises the management team from a broad perspective with regard to how the company should operate in the medium to long term, and other issues of similar importance. In addition, JT has established an objective and neutral management monitoring system based on audits conducted by auditors (the majority of the auditors are outside auditors (all of the three auditors have the status of an independent executive)) from an independent and fair standpoint. There are also the Compensation Advisory Panel and the Compliance Committee, both of which include

outside members with expert knowledge.

In light of the above, we believe that the existing systems enable adequate monitoring of the execution of business. Although JT does not have any outside directors at the moment, we will continually consider the role to be played by outside directors and suitable candidates.

Members of Advisory Committee (as of June 30, 2011)

Hiroyuki Itami	Professor, Graduate School of Innovation Studies, Tokyo University of Science.
Kazuo Inamori	Founder and Chairman Emeritus, Kyocera Corporation
Sakutaro Tanino	Former Japanese Ambassador to India and China/ Vice President, Japan-China Friendship Center
Tomijiro Morita	Senior Advisor, The Dai-ichi Life Insurance Company, Limited
Sakue Mizukoshi	Corporate Adviser, SEVEN & i Publishing Co., Ltd.

MATTERS CONCERNING AUDITORS

Presence or absence of Audit Board	The Audit Board is in place.
Number of auditors as set forth in the company’s articles of incorporation	4
Number of auditors	4

Cooperation between auditors and an independent auditor:

While auditors and the independent auditor (Deloitte Touche Tohmatsu LLC) conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits and, as necessary, exchange information and opinions with each other.

Cooperation between auditors and the internal audit division:
While auditors and the Operational Review and Business Assurance Division conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits and, as necessary, exchange information and opinions with each other.

INFORMATION CONCERNING OUTSIDE AUDITORS

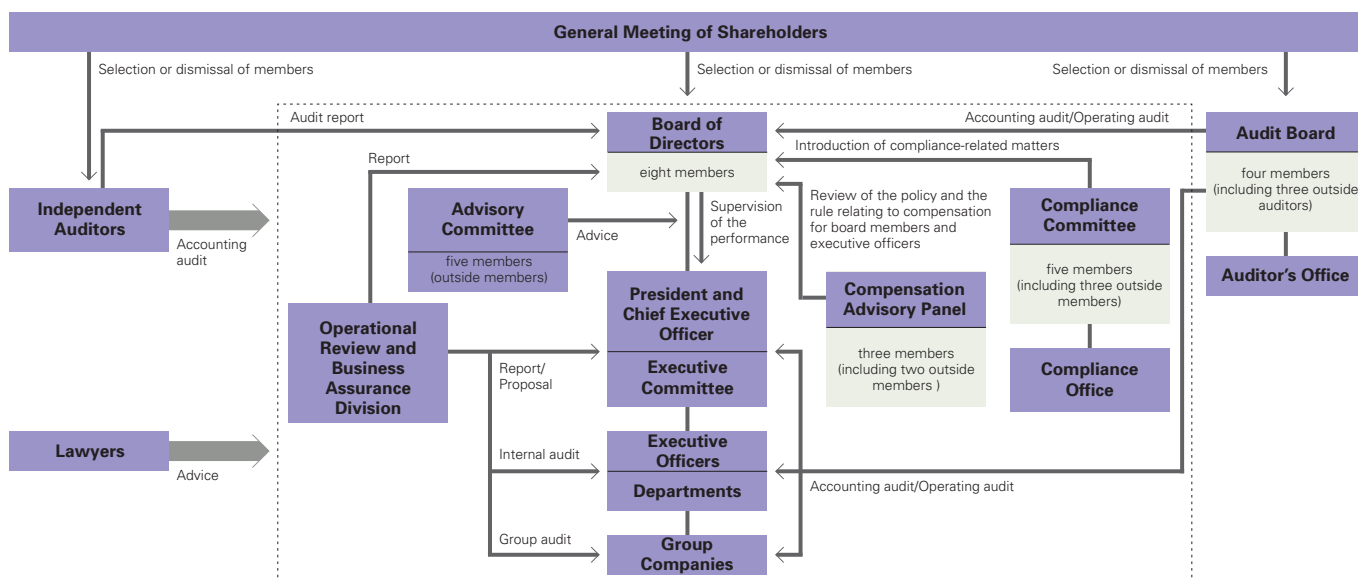
Appointment of outside auditors	There are outside auditors.
Number of outside auditors	3
Number of outside auditors also appointed as independent executives	3

There are three outside auditors at JT. Those outside auditors are appointed in light of their experiences and broad perspective in their respective backgrounds.

Although one of them, Mr. Koichi Ueda, is the representative director of the Resolution and Collection Corporation, this corporation does not have any business relations with JT. Therefore, Mr. Ueda himself has no direct interest in JT. As well, neither of the other two outside auditors has any direct interest in JT.

At JT, auditors including outside auditors exercise an objective and neutral management monitoring function based on audits conducted from an independent and fair standpoint. JT has designated all of the three outside auditors as independent executives based on its judgment that in light of the attributes of them and their close relatives, there is not any risk of conflicts of interest arising between them and ordinary shareholders.

OUR CORPORATE GOVERNANCE SYSTEM



MATTERS CONCERNING INCENTIVES

Provision of incentives for directors	Introduction of a performance-linked remuneration system and a stock option
Officers eligible for stock options	Directors, Executive Officers

Supplementary information concerning incentives:

Remuneration for directors is linked to JT's business performance for each year and the company's medium- and long-term corporate value.

Specifically, remuneration for directors who concurrently serve as executive officers comprises basic monthly pay and an executive bonus linked to the company's business performance in the relevant year, and stock option grants, the value of which is linked to the medium- to long-term corporate value of JT, as they are expected to achieve targets of their assigned business through their daily execution of business. Remuneration for directors who do not concurrently serve as executive officers comprises basic monthly pay and stock

Information concerning remuneration for senior officers:

The remuneration payments to senior officers made in FY3/2011 are as follows:

<Total remuneration amount by officer type and by remuneration type and the number of officers concerned>

Officer type	Total remuneration amount (in millions of yen)	Total remuneration amount by remuneration type (in millions of yen)			Number of officers concerned
		Basic monthly pay	Executive bonus	Stock option grants	
Directors	583	372	107	103	10
Auditors (excluding outside auditors)	33	33	—	—	1
Outside officers	56	56	—	—	3
Total	673	463	107	103	14

(Note 1) The amount of executive bonus is the amount of executive bonus that will be paid to directors.

(Note 2) The amount of stock option grants is the total amount of stock option grants that was given to directors within FY3/2011.

The following information is disclosed in the 26th annual securities report. Total amount of consolidated remuneration paid to persons who received consolidated remuneration of ¥100 million or more each.

<Policy concerning the remuneration amount and the remuneration calculation method and the method of determining the policy>

JT's basic concept of executive remuneration for senior officers is as follows:

- Setting the remuneration at a level sufficient to secure personnel with superior capabilities
- Linking the remuneration to business performance so as to motivate senior officers to enhance performance.
- Linking the remuneration to medium and long-term corporate value
- Ensuring transparency based on an objective perspective and a quantitative limitation

option grants, as they are required to participate in decision-making regarding companywide business strategies aimed at increasing the corporate value of JT and to perform their audit-related duties.

As part of remuneration for directors and executive officers, JT introduced a stock option scheme in order to enhance the motivation to contribute to an increase in the corporate value and boost corporate morale.

MATTERS CONCERNING REMUNERATION FOR DIRECTORS

Means of disclosure	Annual securities report, business operation report (business report), etc.
Disclosure status	The total amount and its breakdown of remuneration payments to all directors is disclosed. The total amount of consolidated remuneration payments to persons who received consolidated remuneration of ¥100 million or more each.

In accordance with the above concept, remuneration for senior officers comprises (1) "basic monthly pay," (2) an "executive bonus" linked to the company's business performance in the relevant year, and (3) "stock option grants," the value of which is linked to the medium- to long-term corporate value of JT.

	Duties	Remuneration
Directors also serving as executive officers	Achieve targets of their assigned business through their daily execution of business	Basic monthly pay Executive bonus Stock option grants
Directors not serving as executive officers	Participate in decision-making regarding companywide business strategies and perform their audit-related duties	Basic monthly pay Stock option grants

Remuneration for auditors basically comprises basic monthly pay alone, in light of their major duty of conducting compliance audits.

Based on deliberation by the Compensation Advisory Panel, whose members include outside experts, the amount of remuneration for directors is determined in consultations held by the Board of Directors and that for auditors is determined in consultations held by the Audit Board. In this process, the Compensation Advisory Panel conducts monitoring of the remuneration standards adopted by the major Japanese manufacturing companies operating on a global basis, which are on a par with JT in terms of the business scale or profit level.

The performance and corporate value-linked remuneration system is as follows.

“Executive bonus” is linked with JT’s consolidated and sectoral business performance for each year. “Stock option grants” are linked with JT’s medium- and long-term corporate value. With regard to directors also serving as executive officers, who are eligible to receive an “executive bonus,” if the amount of “executive bonus” is a standard amount, the total amount of “executive bonus” and “stock option grants” accounts for slightly more than 70% of the amount of “basic monthly pay.”

SUPPORT FOR OUTSIDE AUDITORS

JT is striving 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 and establishing an adequate information communication system so that auditors, in their capacity as independent agents with a mandate from shareholders, can adequately audit the execution of business by directors and executive officers in order to ensure sound and sustainable growth and maintain and enhance public trust in the company.

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. Moreover, when directors and employees detect any evidence of malfeasance in financial documents or serious breaches of laws or the company’s articles of incorporation, they are due to report it to the Audit Board, along with other relevant matters that could affect the company’s management.

Auditors are allowed to attend not only meetings of the Board of Directors but also other important meetings. When directors and employees are asked by auditors to compile important documents available for their perusal, to accept field audits and to submit reports, they are due to respond in a prompt and appropriate manner. Directors are due to cooperate with audits and ensure the provision of funds necessary for covering audit-related expenses so as to secure their effectiveness. The Operational Review and Business Assurance Division and the Compliance Office maintain cooperation with auditors by exchanging information.

2. Matters Concerning Functions such as the Execution of Business, Audit and Supervision, Nomination, etc.

The Board of Directors meets once a month in principle and on more occasions if necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters, to supervise business execution and to receive reports from the directors on the status of business execution.

In order to maintain a high quality of business execution, JT has 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 companywide business strategy decided by the Board, by exercising the authority delegated to them. In addition, the Chairman of the Board has been positioned as a non-executive director in order to concentrate on the function of supervising management.

Moreover, as part of its efforts to enhance corporate governance, JT has established the Advisory Committee, which comprises five outside experts and advises the management team from a broad perspective with regard to how the company should operate in the medium to long term, and other issues of similar importance.

Meanwhile, the Executive Committee, comprising the company’s President and other members appointed by the President, discusses important management issues—particularly management policy and basic plans regarding overall business operations in addition to matters to be referred to the Board of Directors.

JT has adopted the Audit Board System, under which auditors, in their capacity as independent agents 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 and enhance public trust in the company. It should be noted that Mr. Gisuke Shiozawa, one of the auditors, has a significant level of knowledge concerning financial and accounting affairs due to his experience as the head of JT’s financing division.

In its articles of incorporation, JT provides that directors and auditors shall be exempt from the liability to the extent allowed under the Companies Act. This is a measure intended for enabling directors and auditors to play their roles as expected and for securing personnel qualified for these posts from within and outside the company. In addition, JT has concluded agreements with outside auditors for their limited liability.

The Operational Review and Business Assurance Division, which is responsible for overseeing internal audits, examines and assesses the system for internal management, including the management of group companies, from its objective standpoint as an organization independent from the organizations involved in business execution with due consideration of such viewpoints as relevance, legal compliance, and risk and submits reports and proposals to the President.

The division also reports to the Board of Directors. Furthermore, the division is promoting efforts to enhance the audit system for the entire JT Group by cooperating with group companies both in Japan and abroad.

JT has employed Deloitte Touche Tohmatsu LLC (DTT) as its independent auditor, and DTT has conducted audits based on the Company Act and the Financial Instruments and Exchange Act.

The certified public accountants who audited JT's financial statements for FY3/2011 and the persons who assisted the auditing work are as follows:

(Certified public accountants)

Tatsuo Igarashi (six years), Satoshi Iizuka (four years), Koji Ishikawa (one year) * Figures in parentheses represent the number of consecutive years in which the certified public accountants have engaged in the accounting audit of JT.

(Assistants for the audit work)

Certified public accountants: 12 persons, Junior accountants: 10 persons, Others: 8 persons

While auditors, internal audit organizations including the Operational Review and Business Assurance Division, and independent auditors conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits.

As for the nomination of candidates for the posts of director and auditor, the Board of Directors makes a decision by taking into consideration the personality, judgment and experiences of the candidates, and then the nominated candidates are proposed at a General Meeting of Shareholders.

III Implementation of Measures Related to Shareholders and Other Interested Parties

1. Status of Efforts to Invigorate General Meetings of Shareholders and Facilitate the Exercise of the Voting Right

	Supplementary information
Sending the notice of a General Meeting of Shareholders at an early date	The notice of a General Meeting of Shareholders for 2010 was sent on June 2 of the year and that for 2011 was sent on June 6 of the year.
Avoiding scheduling a General Meeting of Shareholders for a date on which many other companies' shareholders' meetings are concentrated	A General Meeting of Shareholders for 2010 was held on June 24 of the year and that for 2011 on June 24 of the year.
Allowing the exercise of the voting right through electromagnetic means	JT allows the exercise of the voting right via the website designated by the company (E-voting).
Participating in the electronic platform for the exercise of the voting right and implementing other measures for facilitating the exercise of the voting right by institutional investors	JT participates in the electronic platform for the exercise of the voting right for institutional investors that is operated by ICJ, Inc.
Providing the abstract of the notice of a General Meeting of Shareholders in English	JT discloses the English version of the abstract of the notice on its website.

2. IR-Related Activities

	Supplementary information	Presence or absence of a briefing by the representative director
Creation and publication of the disclosure policy	JT makes its disclosure policy public on its website.	—
Periodic briefings for individual investors	JT participates in a convention of earnings briefings sponsored by securities exchanges and other organizations several times every year.	Not provided
Periodic briefings for analysts and institutional investors	JT holds briefing sessions after the announcement of earnings at its offices or neighboring facilities.	Provided
Periodic briefings for overseas investors	JT holds teleconferences for overseas investors after the announcement of earnings, and JT officials visit overseas investors several times every year to provide briefings.	Provided
Publication of IR materials on the website	JT publishes information concerning earnings, other timely disclosure materials, materials used at earnings briefings, annual securities reports or quarterly securities reports, and notices of invitation to General Meetings of Shareholders.	Provided
Establishment of a division (appointment of an officer) in charge of IR	JT has appointed an officer dedicated to IR at the Media & Investor Relations Division who reports to the executive in charge of communications.	—

3. Status of Efforts to Respect the Standpoint of Stakeholders

	Supplementary information
Establishment of internal rules, etc. concerning the respect of the standpoint of stakeholders	The JT Group has set itself the mission of “creating, developing and nurturing its unique brands to win customer trust, while understanding and respecting the environment and the diversity of societies and individuals,” and there is a group-wide consensus on the mission.
Implementation of environment protection activity, CSR activity, etc.	From the viewpoint of achieving the JT Group Mission, JT engages in such activities as reducing the burden on the environment, making contributions to local communities, tree-planting and forest preservation, and youth education and development, and it publishes the contents of those activities through an annual CSR report.
Formulation of the policy concerning the provision of information to stakeholders	In order to clarify the authorities and responsibilities concerning the handling of various corporate information, JT has established rules concerning information disclosure and strives to ensure timely and appropriate information disclosure.

IV Basic Concept of the Internal Control System and Development of the System

JT has been endeavoring to ensure appropriate business operations through efforts to enhance compliance, internal audits and risk management, and implementing measures to ensure the effectiveness of audits, such as improving arrangements and procedures for reporting the necessary matters to auditors, as is required of a company adopting the Audit Board System.

We will continue these efforts while reviewing and revising the current system as necessary, and ensure appropriate business execution by taking the following steps:

1. System to Ensure that Directors and Employees Perform their Duties in Accordance with Laws, Regulations and the Company’s Articles of Incorporation

With regard to the compliance system, JT has established the Guidelines for Conduct based on internal rules concerning compliance in order to ensure that directors and employees comply with laws, regulations, the company’s articles of incorporation, social norms, etc., and set up the Compliance Committee as an organization responsible for ensuring thorough compliance. This committee, headed by the company’s Chairman, includes outside experts among its members and reports directly to the Board of Directors.

Meanwhile, the Compliance Office is charged with overseeing efforts to improve the company-wide compliance system, identify compliance problems and enhance the effectiveness of the compliance system by enlightening directors and employees about compliance through various compliance education programs.

Regarding the internal reporting system (whistle-blower system), JT has a counter through which employees may report any misconduct they have detected. The Compliance Office is charged with investigating reported cases and implementing company-wide measures to prevent the recurrence of misconduct after holding consultations with the departments and divisions concerned.

Matters of particular importance shall be referred to the Compliance Committee for deliberation.

In order to ensure the reliability of its financial reporting, JT is operating a relevant internal control system that it has established in accordance with the Financial Instruments and Exchange Act.

By allocating a sufficient level of staff to the task of evaluating financial results and reporting them, the company is striving to maintain and improve the reliability of its financial reporting.

The internal audit system is overseen by the Operational Review and Business Assurance Division, which examines and evaluates systems for supervising and managing the overall operations of the company and the status of business execution from the viewpoints of legality and rationality, in order to protect the company’s assets and improve management efficiency.

2. Procedures and Arrangements for Storage and Management of Information on the Performance of Duties by the Directors

JT makes sure to properly store and manage the minutes of the Annual General Meetings of Shareholders, meetings of the Board of Directors, and meetings of the Executive Committee, in line with laws, regulations and internal rules.

Information on other important matters relating to business execution and decision-making are stored and managed by the relevant departments and divisions as specified by internal rules on the allocation of responsibilities and authorities (hereinafter referred to as the “Responsibilities/Authorities Allocation Rules”), in accordance with rules on the supervision of the processes of decision making, procurement and accounting.

3. Rules on Management of Risk of Loss and Procedures/Arrangements for Other Matters

JT has established internal rules on the management of risk of loss relating to monetary and financial affairs, and ensures that relevant reports are made to the Executive Committee on a quarterly basis. With regard to risk of loss relating to other affairs, the relevant departments and divisions specified by the Responsibilities/Authorities Allocation Rules conduct proper management, identifying risk and reporting it to the Executive Committee or referring it to the Committee for deliberation, depending on the importance of the identified risk.

JT has assigned sufficient staff to the Operational Review and Business Assurance Division, which functions as the company's internal audit organization. This division examines and evaluates the internal control systems of JT and JT Group companies—in light of the importance of internal control procedures and arrangements and the risks involved—from an objective viewpoint, in its capacity as an entity independent of the organizations responsible for business execution, and reports its findings and present proposals to the President, as well as reporting to the Board of Directors.

To prepare for possible emergencies, JT has produced a manual for crisis management and disaster response. In the event of an emergency or a disaster, JT is ready to establish an emergency project system under the supervision of the Corporate Strategy Division, and make prompt and proper responses under the leadership of senior management and through close cooperation between the relevant departments and divisions.

4. System to Ensure that Directors Perform their Duties Efficiently

The Board of Directors meets once a month in principle and on more occasions as necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters and to supervise business execution. Meanwhile, the Executive Committee, comprising the company's President and other members appointed by the President, discusses important management issues, particularly management policy and basic plans regarding overall business operations of the company, in addition to matters to be referred to the Board of Directors.

JT has 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 company-wide business strategy decided by the board, by exercising the authority delegated to them.

Moreover, in order to ensure that business operations are managed in ways that contribute to the business efficiency and flexibility of the company as a whole, basic matters concerning the company's organization, allocation of duties to officers and staff and the roles of individual divisions are specified by the relevant internal rules. Meanwhile, in order to enable prompt decision-making, the departments and divisions responsible for business execution are specified by the "Responsibilities/Authorities Allocation Rules."

5. System to Ensure the Appropriateness of Business Operations within the JT Group

The JT Group has set itself the mission of creating, developing and nurturing its unique brands to win customer trust, while understanding and respecting the environment and the diversity of societies and individuals, and there is a group-wide consensus on the mission. We have specified the functions and rules necessary for group management based on a group management policy, in order to optimize the operations of the JT Group as a whole.

Moreover, we have been enhancing our systems for compliance (including the internal reporting system), internal audits, financial affairs management, etc. in cooperation with JT Group companies.

6. System for Assisting Auditors and Reporting to Auditors, and Other Systems to Ensure Effective Auditing

JT has allocated sufficient staff to the Auditor's Office as an organization supporting the auditors in performing their duties. In addition, the company makes sure to review and reform the staffing structure as necessary based on consultations with the Audit Board. The Audit Board is involved in the selection of personnel of the Auditor's Office in order to ensure the office's independence from directors.

When directors or executive officers detect any matter that may cause substantial damage to the company, they are due to report it to the Audit Board. Moreover, when directors and employees detect any evidence of malfeasance in financial documents or serious breaches of laws or the company's articles of incorporation, they are due to report them to the Audit Board, along with other relevant matters that could affect the company's management.

As auditors are allowed to attend not only meetings of the Board of Directors but also other important meetings, they usually attend meetings of the Executive Committee. When directors, executive officers or employees are asked by auditors to compile important documents available for their perusal, to accept field audits and to submit reports, they are due to respond to the request in a prompt and appropriate manner.

Furthermore, directors are due to cooperate with audits and ensure the provision of funds necessary for covering audit-related expenses so as to secure their effectiveness. The Operational Review and Business Assurance Division and the Compliance Office maintain cooperation with auditors by exchanging information.

V. Basic Concept and Efforts for the Exclusion of Anti-social Elements

JT's basic concept on the exclusion of anti-social elements and its efforts to exclude such elements are as follows:

- 1) Basic concept on the exclusion of anti-social elements JT is resolved not to have any relations with, and to fight against, anti-social groups and organizations that pose a threat to the order and safety of civil society, and organizations involved in tobacco smuggling or counterfeiting.

The company will also never engage in practices that would promote the activities of antisocial elements. If it faces a problem involving such elements, JT will devote company-wide efforts to dealing with it.

- 2) Efforts to exclude anti-social elements

The concept on the exclusion of anti-social elements described above is specified and fully communicated to all employees as part of the company's code of conduct. With the General Administration Division at JT's headquarters assuming the

responsibility for supervising efforts to exclude anti-social elements, the officers in charge of those efforts have been assigned to branch offices across Japan, and are cooperating with police, lawyers and other relevant organizations and parties to gather and share information in order to deal with such elements in an organized way.

The measures to be taken by JT in response to unjust and unreasonable demands from anti-social elements are specified in the company's manual for corporate defense, which is available for reference at all offices and plants. JT also consistently educates employees, including those working for its affiliates, about the importance of excluding antisocial elements by providing relevant training as necessary.

Activities Contributing to the Environment and Society

The JT Group strives to make contributions to society through a variety of corporate activities. We work to find harmony with our business environment and global environment, and aim to coexist with society as a responsible corporate citizen. We conduct continuing activities from this viewpoint.

Our Approach to Protecting the Global Environment

Protecting the global environment is critical to our efforts to fulfill our social responsibility and is a top priority for our corporate management. In accordance with the JT Group Environmental Charter, the JT Group has acted as a responsible corporate citizen in all of the countries and regions in which it operates and promoted company-wide initiatives to further reduce the environmental impact of its activities. Moreover, we established the JT Group Environmental Action Plan (2009–2012) as a medium-term plan for concrete environmental protection activities, with the aim of realizing the philosophy outlined in the JT Group Environmental Charter. The operational divisions of JT, as well as subsidiaries and affiliates, have been striving to achieve the targets set forth under this medium-term plan.

Group Environmental Management

The JT Group recognizes that in order to deal with challenges with which the international community as a whole is confronted, such as the preservation of the environment and sustainable utilization of resources, we have to further enhance environmental management of the entire JT Group. Therefore, under the JT Group Environmental Action Plan (2009–2012), we have expanded the scope of environmental management

to cover all consolidated subsidiaries, both in Japan and abroad, as we work together to build an environmental management system for the entire JT Group. In addition, we have made all consolidated subsidiaries subject to environmental management targets—reduction targets for the emission of greenhouse gases, the water usage and the generation of waste—and aim to steadily achieve them.

Fight Against Global Warming

By setting the target of reducing overall greenhouse gas emissions by 10% in 2012 compared with 2007, we are making active reduction efforts. In 2010, facilities with less burden on the environment were introduced, energy savings made by improving the management of the energy usage and efficiency in transportation facilitated. As a result, in Japan, JT achieved a 49.5% reduction compared with 1995, and as JT Group, a 7.4% reduction compared with 2007.

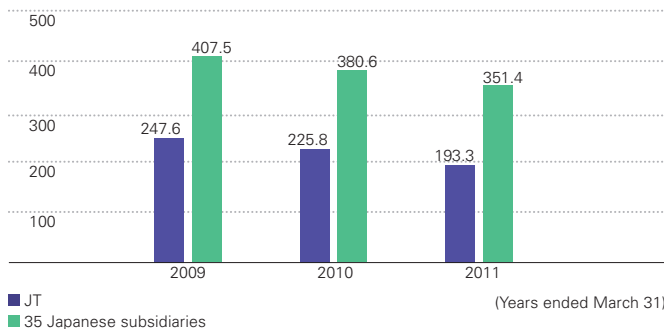
Effective Use of Resources

In order to preserve the limited natural resources available, the JT Group is striving to reduce the water usage and the generation of waste and is promoting the reuse and recycling of used materials.

TRENDS IN GREENHOUSE GAS EMISSIONS

JT/Japanese subsidiaries

(1,000t-CO₂)

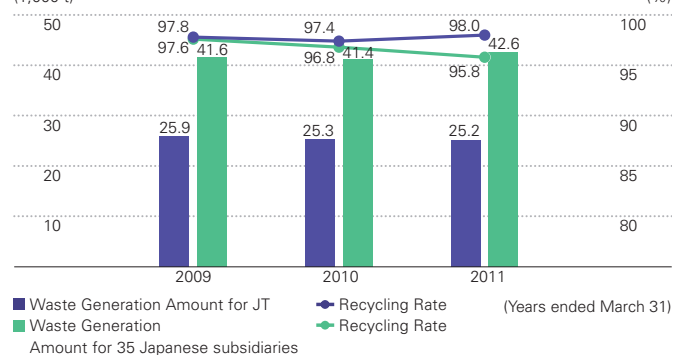


TRENDS IN WASTE GENERATION AND RECYCLING RATE

JT/Japanese subsidiaries

(1,000 t)

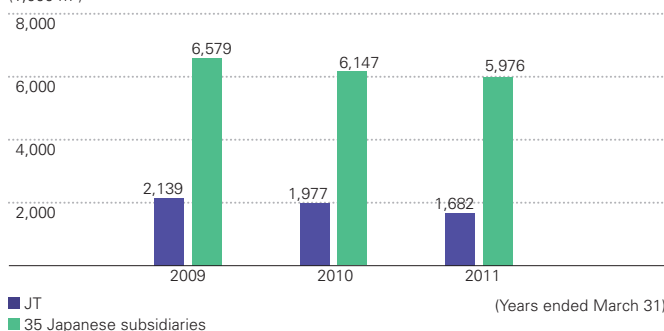
(%)



TRENDS IN WATER USAGE AMOUNT

JT/Japanese subsidiaries

(1,000 m³)



At factories, “NAS Batteries,” a power storage system was introduced, in order to charge electric power during night-time when the electricity demand is low and discharge power during day-time when the demand is high, thereby reducing power demand fluctuation.

Toward Better Smoking Manners and a More Favorable Smoking Environment

(This section only describes activities in Japan.)

We aim to help create a society in which smokers and nonsmokers can coexist in harmony. Enshrined in this goal is our wish to see our valued customers fully enjoy smoking at their own discretion and, at the same time, to make sure they avoid causing inconvenience to nonsmokers. By engaging in various initiatives, we will fulfill our social responsibility as a tobacco company.

Examples of the Various Initiatives

SETTING UP SMOKING AREAS

We work closely with local governments and facility managers in setting up smoking areas in public facilities such as railway stations and airports, in order to promote coexistence between smokers and nonsmokers.



Public smoking area in front of Kawasaki Station, Kanagawa



THE SOHO (Minato-ku, Tokyo)

ADVICE ON SEPARATION OF SMOKING AND NONSMOKING AREAS

We provide consultation on how to separate smoking and nonsmoking areas within public facilities, commercial facilities and offices in a manner suited to the characteristics of the respective facilities and the needs of users. In our consulting service, which is free of charge, we offer our knowhow and put forward proposals to achieve the kind of separation that would satisfy smokers while giving due consideration to the concerns of nonsmokers.

“SMOKING MANNERS” CAMPAIGN ADVERTISING

Since JT believes that improving the “smoking manners” of individuals is essential to improving those of society as a whole, we are constantly engaged in a campaign to raise awareness about the need for appropriate smoking manners, under the slogan “Pay attention, and you can change your manners.” The advertisements used in this campaign describe specific everyday situations in which smokers should show good manners, in order to prompt them to pay attention, think, and act appropriately.



Campaign Advertising

COMMUNITY CLEAN-UP EVENT

JT has been engaged in the “Pick Up and You Will Love Your City” initiative since May 2004 in an effort to eradicate public littering by raising awareness of the problem and organizing rubbish collection. This initiative is aimed at occasions such as community festivals and other public events and is conducted in cooperation with local governments, companies, and volunteers. Since these activities began in May 2004, community clean-up events have been held a total of 1,202 times in all of Japan’s prefectures as of March 3, 2011, bringing the number of participating parties to 2,390 and the number of individual participants to approximately 1.20 million.



Community Clean-up Event “Pick Up and You Will Love Your City”

For further information about JT’s efforts to improve the smoking environment, please access our website.

URL: <http://www.jti.co.jp/sstyle/index.html>



JT Website

JT Group's Social Contributions

The JT Group has strived to make contributions to society in all of the countries and regions in which we operate, building our relationships with local communities by acting as a good corporate citizen. We have established various key areas for social contribution activities in the JT Group Social Contribution Policy.

1. JT Group's Social Contributions Policy

The JT Group will fulfill its corporate responsibility through making sustained contributions to the communities in which it operates. As a good neighbor, the JT Group will support the regeneration and revitalization of local communities, focusing on:

- Social Welfare
- Environmental Protection
- Arts and Culture
- Disaster Relief

The JT Group will contribute to the development of the local communities in which we operate by selecting the most critical of these four priority areas for each and providing support. Based on this policy, the JT Group will engage in a variety of activities that contribute to society, so that we can build and maintain harmonious relations with local communities while encouraging employees to be involved in such activities themselves.

2. Contributions to Japanese Society

SOCIAL WELFARE

As part of our efforts to contribute to the regeneration and revitalization of local communities as a good neighbor, the JT Group is implementing a variety of social welfare programs.

The JT Group's major activities in the field of social welfare are as follows:

- Implementing the NPO Support Projects for Youth Development
- Providing the Scholarships for Students from Asia
- Sponsoring the JT Shogi Japan Series Tournament for Kids
- Sponsoring the JT "Honobono" concert
- Organizing volleyball coaching
- Making company-owned facilities available for public use



The NPO Support Projects for Youth Development



The JT "Honobono" concert

ARTS AND CULTURE

The JT Group engages in activities that contribute to the development and advancement of arts and culture.

The JT Group's major activities in the field of arts and culture are as follows:

- Operating the Tobacco & Salt Museum
- Supporting the training of musicians
- Operating the Affinis Arts Foundation
- Operating the JT Biohistory Research Hall
- Organizing JT Forum cultural events



The Affinis Arts Foundation
(Summer Music Festival)
(Photo: K. Miura)



The JT Forum

ENVIRONMENTAL PROTECTION

In appreciation of what our natural environment brings to our business and out of consideration for its preservation, the JT Group engages in environmental protection activities such as reforestation, forest preservation and street cleanup campaigns.

The JT Group's major activities in the field of environmental protection are as follows:

- Conducting reforestation and forest preservation activities
- Organizing the "Pick Up and You Will Love Your City" community cleanup campaign
- Conducting local community cleanup activities



Reforestation and
Forest Preservation Activities



DISASTER RELIEF

The JT Group conducts disaster relief activities by providing assistance to the affected areas through group-wide cooperation. For the regions devastated by the Great East Japan Earthquake that took place in March 2011, the JT Group provided relief goods, such as processed foods and drinking water, as well as a ¥300 million donation from JT.

JTI contributed by founding a "Japan Disaster Relief Fund" to receive donations from employees and business partners to support the affected people of Japan.

JTI Corporate Philanthropy

In alignment with the JT Group's Social Contribution Policy, JTI is committed to making a positive difference in the communities in which it operates. We do this by helping less-advantaged people to improve their quality of life, and by supporting the arts. In parallel to this, the JTI Foundation is helping victims of catastrophes all over the world: it has been active in disaster relief and disaster risk reduction since it was created in 2001.

CHARITY

JTI supports adults and older people in more than 40 countries. This includes, for example, computer literacy programs in Canada and Korea, programs for those marginalized by society in Tanzania and Ireland, an adult literacy scheme in Holland, neighborly aid in Poland, and residential programs in the Czech Republic. A concrete example of how JTI's programs are making a difference can be found in Taiwan. In this country, older people already account for 10% of the population, and the government forecasts that this rate will climb to 30% within 50 years. JTI Taiwan has therefore developed a partnership with the Hondao Senior Citizens Welfare Foundation to carry out projects that fulfill both the physical and psychological needs of the elderly and find new ways to increase social inclusion: in 2010, the 'Move to Music' and 'Dreams Never Get Old' programs were accomplished.



Dreams Never Get Old program in Taiwan

ARTS

JTI supports contemporary art in addition to being a key supporter of a number of renowned cultural institutions worldwide including the Louvre in Paris, the Prado in Madrid, the Rijksmuseum in Amsterdam, the Royal Academy of Arts in London, the Royal Hibernian Academy in Dublin and the Teatro alla Scala Museum in Milan. In many countries, such as France, Georgia, Jordan, Kazakhstan, Malaysia, Romania, Serbia, and Ukraine, JTI is a supporter of Japanese art and heritage. In Russia, JTI partners with the Pushkin Museum of Fine Arts, the Hermitage, the Bolshoi Theatre and continues its long-term partnership with the Mariinsky Theater led by Valery Gergiev: JTI specifically supports the 'Moscow Easter Festival' and 'Stars of the White Nights Festival' in Saint Petersburg.



Sleeping Beauty at the Mariinsky Theater

THE JTI FOUNDATION

The JTI Foundation's mission is to help victims of natural and man-made disasters and to engage in projects that help reduce the potential risk of these occurring. In 2010, it supported operations following the terrible devastations in Haiti and Pakistan in cooperation with one of its main partners, the Turkey-based Search and Rescue group GEA. In addition to this, the Foundation has supported emergency operations in Romania and Moldova after severe floods and in Serbia after an earthquake that left some of the most vulnerable members of the community homeless. For more information visit <http://www.jtifoundation.org>.



GEA search and rescue operations in Haiti