JT's history dates back to 1898 when the Japanese government formed a monopoly bureau to operate the exclusive sales of domestic tobacco leaf

Since then, the company has undergone four government share offerings, diversified into pharmaceutical, beverage and processed food business, and executed two large acquisitions, extending our global platform and our position as a leading international tobacco company.

174 History of the JT Group
178 Regulation and Other Relevant Laws
182 Litigation
184 Members of the Board, Audit & Supervisory Board Members and Executive Officers
185 Corporate Data

History of the JT Group

Before 1985

JT's history in Japan dates back to 1898, when the Government formed a monopoly bureau to operate the exclusive sale of domestic tobacco leaf.

The JT Group's overseas history began with the founding of Austria Tabak in 1784. Roughly 70 years later, Tom Gallaher started out in business in Northern Ireland, laying the foundations for the Gallaher Group. Meanwhile, R.J. Reynolds Tobacco Co. (RJR), which would subsequently create the Camel and Winston brands, was established in 1874 in the U.S. In this manner, the current JT Group can trace its origins to many different countries and regions such as Austria, Northern Ireland, the U.S. and Japan. The JT Group has a long history and extensive experience in the tobacco business.

History in Japan from the early 20th century to 1984, when the Japan Tobacco Inc. Act was enacted.

Our history in Japan dates back to 1898, when the Government formed a monopoly bureau to undertake the exclusive sale of domestic leaf tobacco. In the early 1900s, the Government extended this monopoly to all tobacco products in Japan and to the domestic salt business. On June 1, 1949, the bureau was established and duly named the Japan Tobacco and Salt Public Corporation, or JTS. This corporation helped to ensure the stable supply of tobacco and secure fiscal revenues for the Government.

The growth in demand for cigarettes in Japan began to slow in the mid-1970s as a result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the domestic tobacco market opened up substantially to foreign suppliers, triggering competition between domestic and foreign tobacco products in Japan.

Foreign countries stepped up pressure on Japan to take further measures to open the market that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of Government-run public corporations, a Government panel was established in March 1981 to conduct research into the public corporation system. In its third report (July 30, 1982), the panel proposed drastic reform of the monopoly and public corporation systems. In response to this proposal, the Government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law to liberalize tobacco imports and establish a tobacco business law to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as a joint stock corporation so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Act, which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year. In April 1985, JT was founded as an entity that took over the whole of the business operations and assets of JTS.

JT is a joint stock corporation that was incorporated in April 1985 under the Commercial Code of Japan, pursuant to the Japan Tobacco Inc. Act, or the JT Act.

1784
Austria Tabak is founded by Emperor Joseph II.

1857
Tom Gallaher sets up his business in Londonderry, Northern Ireland.

1874
RJR is founded by Richard Joshua Reynolds in Winston, North Carolina.

1879
Sobranie is registered in London, to become one of the oldest cigarette brands in the world.

1891
The Moscow-based Ducat factory is founded.

1898
The Japanese Monopoly Bureau is established for the sale of domestic leaf tobacco.

1913
Camel is launched.

1931
Cellophane is introduced by RJR in order to preserve the freshness of tobacco.

1949
The Monopoly Bureau becomes the Japan Tobacco and Salt Public Corporation.

1954
Winston is launched.

1955
Benson & Hedges is acquired by Gallaher.

1956
Salem is launched.

1957
HOPE (10) is launched as Japan's first domestically produced filter cigarettes.

1964
Silk Cut is launched.

1968
Gallahar is acquired by the American Tobacco Company.

1969
Seven Stars is launched, featuring Japan's first domestically produced charcoal filter.

1977
Mild Seven is launched (Japan).

1981
Mild Seven is launched internationally.

1984
Japan Tobacco Inc. Act is enacted.

History of the JT Group *continued*

In and after 1985

1985

April
Japan Tobacco Inc. is established. (Japanese tobacco market opened to foreign tobacco manufacturers).

The Business Development Division is established to promote new businesses.

The Business Development Division is later reorganized into operational divisions engaged in the food and pharmaceutical businesses, finishing in July 1990.

1987

April
Import tariffs on imported cigarettes are abolished.

1988

October
JT communication name is introduced.

1992

Acquisition of Manchester Tobacco Company Ltd.
Acquisition OF AS-Petro (Russia).*

1993

September
The Central Pharmaceutical Research Institute is established to enhance in-house research capabilities.

1994

October
Government releases first tranche of outstanding JT shares for initial public offering (394,276 shares offered at ¥1,438,000 apiece).

JT stock is listed on the first sections of stock exchanges in Tokyo, Osaka and Nagoya.

November
JT stock is listed on the stock exchanges in Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo.

Acquisition of Yelets (Russia).*

1995

May
Head office is moved back to Minato-ku from Shinagawa-ku following completion of new head office building.

Peter I is launched (Russia).*

1996

June
Government releases second tranche of outstanding JT shares (272,390 shares offered at ¥815,000 apiece).

Acquisition of Tanzanian tobacco production facility.*

1997

April
JT ends its salt monopoly business in line with abolition of the salt monopoly system.

The Tobacco Mutual Aid Pension scheme is integrated into the Employees' Pension scheme.

American Brands spins off Gallaher which becomes Gallaher Group Plc and is listed on the London and New York stock exchanges.**

1998

April
JT signs an agreement with Unimat Corporation (currently, Japan Beverage Holdings Inc.) on a tie-up regarding beverage business. JT later acquires a majority stake in Unimat.

December
JT acquires a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.

1999

May
JT acquires the non-U.S. tobacco business of RJR Nabisco Inc.

July
JT acquires the food business of Asahi Kasei Corporation, including Asahi Foods and seven other subsidiaries.

October
Under a business tie-up between JT and Torii Pharmaceutical Co., Ltd., the two companies' R&D operations related to medical pharmaceuticals are concentrated at JT, while their promotion operations are combined at Torii Pharmaceutical.

LD launched (Russia).**

2000

Acquisition of Liggett-Ducat (Russia).**

2001

Acquisition of Austria Tabak.**

2003

October
JT repurchases 45,800 of its own shares to increase its management options.

2004

June
Government releases third tranche of outstanding JT shares (289,334 shares offered at ¥843,000 apiece), reducing its stake in JT to the minimum level allowed under law.

November-March 2005
JT repurchases 38,184 of its own shares to increase its management options.

2005

April
JT terminates a licensing contract under which it had exclusive rights to produce and sell Marlboro brand products in Japan and use the Marlboro trademark in the country.

June
Acquisition of CRES Neva Ltd. (Russia).
Glamour is launched (Russia, Ukraine, Kazakhstan).**

2006

April
JT implements a five-for-one stock split in order to expand the investor base, effective April 1, 2006.

May
Acquisition of AD Duvanska Industrija Senta in Serbia.

2007

April
JT acquires all outstanding shares of Gallaher Group Plc.

* Topics of RJR Nabisco's non-US operations before participating in the JT Group.
** Topics of Gallaher before participating in the JT Group.

2008

January
JT acquires a majority stake in Katokichi Co., Ltd. through a tender offer.

April
JT acquires a majority stake in Fuji Foods Corporation.

July
JT concentrates its processed food operations, including frozen food and seasonings operations, at the Katokichi Group.

2009

May
JTI celebrates its 10th anniversary.

June
JTI Leaf Services (U.S.) LLC is established.

October
Acquisition of leaf suppliers Kannenberg & Cia. Ltda. (Brazil) and Kannenberg, Barker, Hail & Cotton Tabacos Ltda. (Brazil).

November
Acquisition of leaf suppliers Tribac Leaf Limited (UK).

2010

January
Katokichi Co., Ltd. is renamed TableMark Co., Ltd.

May
Smokeless tobacco product Zerostyle Mint is launched.

2011

March
JT repurchases 58,630 of its own shares, as part of its shareholder return measures.

November
Acquisition of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (South Sudan).

2012

July
For the purpose of enlarging Company's investor base, a 200-for-1 stock-split is conducted. At the same time, JT adopts the share unit system, setting a share trading unit at 100 shares.

August
Acquisition of Gryson NV, a Belgium Fine Cut maker.

2013

February
The name change of Mild Seven to MEVIUS in Japan.

February–March
Government releases fourth tranche of outstanding JT shares (333,333,200 shares offered).

On February 27, JT repurchases 86,805,500 shares through ToSTNeT-3, including 80,071,400 shares from the Government.

Excluding the share repurchased by JT, 253,261,800 shares are offered by the Government in March.

March
Acquisition of Al Nakhla Tobacco Company S.A.E. and Al Nakhla Tobacco Company – Free Zone S.A.E., a leading Egyptian water-pipe company.

The corporate history of JT is summarized in the table to the left. For the international tobacco business, the history before JT's acquisitions of RJR Nabisco's non-US tobacco operations and Gallaher is included.

The operating environment for JT changed drastically in just two years after the foundation of the Company, with the yen's strong appreciation following the Plaza Accord in 1985, a tobacco tax hike in 1986 and the abolition of tariffs on imported cigarettes in 1987. Amid the yen's upsurge, a price increase for JT products due to the tobacco tax hike coupled with price cuts for imported cigarettes attributable to the tariff abolition eliminated the price advantage of JT products over imported products, which had stood at around ¥60 to ¥80 when JT was founded in 1985. As a result, competition between JT and foreign tobacco makers intensified in the Japanese market, leading to a decline in JT's market share from 97.6% in fiscal 1985 to 90.2% in fiscal 1987.

To cope with the rapid deterioration of the operating environment, JT implemented rationalization measures to enhance its cost-competitiveness and pursued diversification while taking measures to strengthen its marketing capability. In the 1990s, JT's competition with foreign rivals in the Japanese market intensified further. Furthermore, overall cigarette demand in Japan peaked in the latter half of the 1990s due to a contraction of the adult population and growing concerns with health problems associated with smoking. Amid the increasingly difficult operating environment for the Japanese domestic tobacco business, JT took additional rationalization steps, pursued consolidation of operations in its areas of business diversification and expanded the international tobacco business, thereby strengthening its business foundation.

JT significantly strengthened the international tobacco business by acquiring RJR Nabisco's non-U.S. tobacco operations in 1999 and Gallaher in 2007. With its international sales volume exceeding its domestic sales volume, the JT Group continues to grow as a global tobacco company. The international tobacco business is the engine of the JT Group's profit growth through its comprehensive brand portfolio which includes Winston, Camel and Mild Seven – MEVIUS as well as Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

Regulation and Other Relevant Laws

Tobacco Business

Regulation in the international markets

The World Health Organization (WHO) adopted the Framework Convention on Tobacco Control ("FCTC") at its 56th World Health Assembly held in May 2003. It came into force in February 2005 (Japanese Government accepted in June 2004). Since then, there has been a rising trend in regulations regarding sales promoting activities and the marketing of tobacco products and smoking in the international markets where JT Group's tobacco products are sold.

The purpose of the FCTC is to continuously and substantively control the proliferation of smoking. Its provisions include, among others, price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (such as protection from exposure to tobacco smoke, regulation of contents and emissions of tobacco products, regulation of disclosure of tobacco products, regulations on packaging and labeling of tobacco products, regulations on tobacco advertising, promotion and sponsorship), and measures relating to the reduction of the supply of tobacco (such as prevention of illicit trade and prohibition of sale of tobacco products to minors). Moreover, in November 2012, the protocol to eliminate illicit trade in tobacco products was adopted at the fifth session of the Conference of the Parties. As a general obligation, signatories to the protocol are to formulate, adopt, periodically update and review strategies, plans and programs for tobacco regulation. However, the content, scope and method of specific controls undertaken in these nations are ultimately legislated by each respective nation and are not necessarily unambiguous.

Regulation by country or region

In the EU, "EU Tobacco Product Directive (EU TPD)" came into effect in July 2001 by which all laws, regulations and ordinances of EU member countries regarding the amount of tar, nicotine and carbon monoxide, warning labels on individual packages and outer wrappers, ingredients appearing on individual packages and descriptive expressions such as "mild," "light," etc. would be harmonized in the EU region. Moreover, in December 2012, the European Commission adopted a proposal to revise EU TPD. The proposed revised legislation includes, among other aspects, regulation on packaging and labeling, restriction on the use of additives, and restriction on products which are similar to tobacco products. This proposal will require approval by the European Parliament and the Council of Ministers, and any final proposal including amendments is anticipated to be adopted in 2014, coming into effect from 2015 or 2016.

One of the most notable regulations adopted recently is the plain packaging (PP) legislation in Australia. In Australia, individual packages of tobacco products must be of a prescribed color, and product names must be displayed on the packages in a prescribed location, font size, color and style. In addition, visual warning labels must take up 75% of the front side and 90% of the reverse of packages. The legislation was passed in 2011 and came into effect in December 2012. Although we, along with several other tobacco manufacturers, challenged this PP legislation on constitutional grounds, the High Court of Australia upheld the constitutionality of the legislation in August 2012. A number of other countries are considering the implementation of similar measures.

The UK, one of our key markets, is currently considering PP regulation that would standardize tobacco packaging by prohibiting the use of logos, colors or brand images, leaving only brand and product names displayed in a uniform color and font, in addition to health warnings. Laws including "Restrictions on the in-store display of tobacco products" and "Ban on sale of tobacco products through vending machines" are already enforced in the UK.

In Russia, another of our key markets, legislation was passed in February 2013, which includes protection from exposure to tobacco smoke and other matters related to tobacco consumption. The legislation is expected to come into effect from June 2013 and to be implemented through to 2017. It contains a number of provisions including a display ban, restrictions on sales of tobacco products in certain retail stores, a ban on advertising, sponsorship and promotions, and the introduction of minimal pricing or a ban on smoking in public places.

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing and smoking, the JT Group expects regulations like the above and new regulations (including those of local governments) to spread across Japan and other countries where the Group sells its products.

Regulation in Japan

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health.

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting in July 2005, all tobacco products sold in Japan have been in conformity with the revised regulations. In addition, the Japanese Minister of Finance has indicated a "Guideline for Advertising of Tobacco Products" based on the Tobacco Business Act which, in March 2004, was revised with tougher language. The Tobacco Institute of Japan has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. All member companies, including JT, comply with these standards.

Recently, cases where smoking in public areas including restaurants and office buildings has been restricted by laws and regulations and the like are on the rise in Japan. From the perspective of passive smoking prevention, various measures are being implemented and promoted by the Government and governing bodies. Ministry of Health, Labor and Welfare established the Health Promotion Act, which imposes on the facility manager the obligation to make efforts to prevent passive smoking as well as the "Guidelines for Measures on Smoking in the Workplace" dealing with efforts at the workplace. We expect this trend to continue in the future.

Tobacco Business Act

Importers and wholesalers of tobacco products must register with the Minister of Finance. Retailers of tobacco products must obtain approval from the Minister of Finance. The Minister of Finance oversees all retail sales prices for tobacco products manufactured by JT and imported tobacco products. The Minister of Finance must approve the filed retail sales prices unless otherwise considered unfairly prejudicial to consumers. Subsequently, tobacco retailers are only permitted to sell tobacco products at the appropriate prices.

The Tobacco Business Act requires JT to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. JT must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When JT decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Deliberative Council (hatabako shingi kai), which consists of members appointed by JT with the approval of the Minister of Finance from among the representatives of domestic leaf tobacco growers and academic appointees. Much like many other agricultural products in Japan, production costs for domestically-grown leaf tobacco are higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former (before re-drying) is approximately four times that of the latter (after re-drying).

Prohibition of "mild," "light" and other descriptive labeling

The aforementioned FCTC includes provisions regulating descriptive labeling such as "mild" and "light." They stipulate that signatory countries must, within three years after entry into force within their country, adopt and implement effective measures to prevent promotion of tobacco products by any means that could create an erroneous impression about the characteristics, etc. of tobacco products including the use of terms, among others, that create a false impression that a particular tobacco product is less harmful than other tobacco products (these may include terms such as "mild" and "light"). Each signatory country is establishing various measures required by the FCTC.

Measures vary among signatory countries including prohibiting the use of target words or expressions such as "mild" or "light" specifically enumerated or illustrated, or the use of words that would create a false impression without specifying target words or expressions. In the future, measures over descriptive labeling, etc. such as "mild" and "light", which would include the measures to comply with the requirements under the FCTC, may prohibit the use of the word "mild" or "light".

Regulation and Other Relevant Laws *continued*

With respect to Japan, in accordance with the Ordinance for Enforcement of the Tobacco Business Act revised in November 2003, all tobacco products bound for the domestic market labeled with "mild," "light," etc. after July 2005 are subject to certain necessary measures. The JT Group plans to continue using words like "mild" and "light" in Japan in accordance with the above Ordinance.

Self-regulation on marketing

Prevention of youth smoking

Youth smoking prevention is an issue which must be addressed by society as a whole. The JT Group has a voluntary code, "Global Tobacco Products Marketing Standard", to govern its business and marketing activities in support of youth smoking prevention. The JT Group are working with the Government, and other relevant organizations to take steps towards preventing youth smoking in the countries in which it operates. For further details, please refer to the following website pages:

Initiatives taken in Japan:
http://www.jti.co.jp/corporate/enterprise/tobacco/responsibilities/activity/index.html

Initiatives taken in the international markets:
http://www.jti.com/how-we-do-business/regulating-tobacco-products/youth-smoking-prevention/

Global Tobacco Products Marketing Standards

The JT Group complies with all the national regulation and has implemented a "Global Tobacco Products Marketing Standard", a self-regulatory code, which governs the marketing of its tobacco products in every country. The key provision include "Strict minimum guidelines applicable to advertise tobacco products", and "Indication of health warnings in ads and other media", "Restrictions on sponsorships", among others.

Please refer to the following link for more information regarding the Global Tobacco Products Marketing Standards of JTI:
http://www.jti.com/how-we-do-business/regulating-tobacco-products/jti-global-marketing-standard/

Pharmaceutical Business

The pharmaceutical industry operates in a highly regulated environment. In many countries, R&D, manufacturing and sales activities are strictly regulated. Moreover, in recent years, the approval process for new drugs has been tightening due to the increased requirements to promote public health and safety. Today, compared with the past, pharmaceutical companies are required to spend more time to examine pharmaceutical safety issues and conduct a greater number of clinical trials on subjects to collect more data on the efficacy of new pharmaceuticals. Consequently, clinical trials are growing in scale, cost and time.

In Japan, marketing of pharmaceutical products is subject to the supervision of the Ministry of Health, Labor and Welfare, or MHLW, primarily under the Pharmaceutical Affairs Law, while part of its supervisory authority is undertaken by the relevant prefectural governor. Under the Pharmaceutical Affairs Law, in order to conduct the marketing business of pharmaceuticals, a person is required to obtain from the MHLW a renewable, generally five-year marketing business license. In addition, under the Pharmaceutical Affairs Law, in order to market pharmaceuticals, it is necessary to obtain marketing approval from the MHLW for each kind of product.

The national health insurance system covers virtually the entire Japanese population. To sell a pharmaceutical product in Japan, a marketing business license holder of pharmaceutical products must first have a new pharmaceutical product listed on the National Health Insurance Pharmaceutical Price List for coverage under the national health insurance system. Generally, prices on the price list are subject to revision once every two years as part of the Government's policy to control healthcare spending.

Beverage and Processed Food Business
As a producer and seller of food products, the JT Group's beverage business and processed food business are subject to regulations mainly under the Food Safety Basic Act, the Food Sanitation Act and the JAS Act.

The Food Safety Basic Act requires food-related companies to take necessary measures to ensure food safety in each process of the supply chain, as well as to make efforts to provide accurate information about foods and food-related goods in an appropriate manner. The Food Sanitation Act concentrates on prevention of sanitary problems arising from consumption of foods and beverages. This Act requires food companies to take necessary measures under their own responsibility to ensure the safety of foods, additives, appliances and packages. The measures discussed in the Act include the acquisition of knowledge and skills, assurance of the safety of raw materials and voluntary inspection. The JAS Act provides the quality standards, the so-called JAS Standards, for agricultural and forestry products including foods and beverage products, as well as standards for food composition and production, and distribution methods. The JAS Act also sets the quality labeling standards which define the labeling requirements to indicate quality-related items such as materials and origin. Manufacturers and others must comply with the standards in preparing their product labels.

The JT Group is striving to establish a high level of food safety control from the four perspectives – "food safety", "food defense", "food quality" and "food communication" – in addition to complying with these laws and regulations and ensuring thorough awareness of them.

Litigation

JT and some of its subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco products, or exposure to tobacco smoke. As of the fiscal year end date, there were a total of 28 smoking and health-related cases pending in which one or more members of the JT Group were named as defendant or for which JT may have certain indemnity obligations pursuant to the agreement for JT's acquisition of RJR Nabisco Inc.'s overseas (non-U.S.) tobacco operations. We believe it is possible that other similar smoking and health-related lawsuits may be filed in the future.

In addition, JT and some of its subsidiaries are also defendants in lawsuits other than the smoking and health-related cases. Please refer to "Note 38" to the consolidated financial statements (Contingencies Contingent Liabilities) for major lawsuits to which JT and some of its subsidiaries are named as defendants. Similar lawsuits involving us may be filed and contested in courts in the future.

To date, we have never lost a case or paid any settlement award in connection with smoking and health-related litigation. However, we are unable to predict the outcome of currently pending or future lawsuits. If a court ruling is unfavorable to us, whether the lawsuits are smoking and health-related or not, our financial results, production, sales and imports/exports of tobacco products may be adversely affected.

In recent decades, numerous, large-scale, smoking and health-related cases have been brought against tobacco product manufacturers in the United States of America, and some of the cases resulted in verdicts with massive damage awards.

For example:

- in Florida's Engle class action in 2000, a first instance court issued a punitive damages award of approximately US$ 145 billion in favor of the plaintiffs. At a higher court, the verdict was subsequently dismissed and the plaintiff's class was decertified in 2006 although common findings to be applied in individual cases were upheld. Individual Engle progeny lawsuits have been filed by over 7,000 former Engle class members in Florida, of which fewer than 100 lawsuits have been fully adjudicated at the trial court level and most such lawsuits are still subject to appeal.
- in a "lights" case in Illinois in which the class members alleged that use of the term "lights" constituted fraudulent and misleading conduct, an award was made of damages totaling approximately US$ 10 billion in 2003. While the tobacco product manufacturer won a reversal of this verdict in 2005, the courts have upheld the timeliness of the plaintiff's petition to re-open the prior judgment sought by the plaintiff in 2011. The case is still ongoing. A number of other "lights" cases have also been filed in the United States.

We believe that these cases partly reflect the unique nature of the judicial system in the United States of America arising from the jury trials, class actions, punitive damage awards and contingency fee arrangements for attorneys. While neither JT nor any of its subsidiaries is a defendant in any of the lawsuits mentioned above nor subject to any indemnity claims with respect to them, we continue to monitor closely these developments in the United States of America with particular attention. The tobacco business which JJT acquired from RJR Nabisco Inc. did not include brands in the United States of America and, even now, our current tobacco business scale in the United States of America remains very small. Accordingly, we consider its exposure to smoking and health-related litigation in the United States of America to be low, and we thus believe that situations under litigation in the United States of America will not materially affect our businesses in the near future. As of the fiscal year end date, there is no smoking and health-related litigation in the United States of America in which JT or any of its subsidiaries is named as a defendant or with respect to which any indemnity claims have been made against JT or any of its subsidiaries.

There are nine ongoing healthcare cost recovery cases in Canada pending against JTI-Macdonald Corp. and JT's indemnitees (RJR Nabisco Inc.'s affiliate), brought by the Provinces of British Columbia, New Brunswick, Ontario, Newfoundland and Labrador, Manitoba, Quebec, Alberta, Saskatchewan and Prince Edward Island. These provinces filed lawsuits under their own provincial legislation which was enacted exclusively for the purpose of authorizing the provincial government to file a direct action against tobacco manufacturers to recoup the healthcare costs the Government has incurred and will incur resulting from "tobacco-related wrongs". In addition, there are eight pending class actions in Canada including two brought in Quebec in which the class was certified by the court in February 2005. The trial began in March 2012 and no decision is yet made as to the liability of the defendants.

As for other jurisdictions, generally speaking, the smoking and health-related litigation is of a smaller scale in terms of the number of lawsuits and the amounts claimed compared with those in the United States of America and Canada. We do not believe that litigation such as in the United States of America will spread around the world in the near future since it developed in a unique judicial environment involving jury trials, class actions, punitive damages awards, and contingency fees for attorneys.

However, the business environment surrounding the global tobacco industry has become more severe due to smoking and health issues and because of the tighter regulations resulting from such issues. Considering the relationship between the tobacco industry and society, we, as a tobacco product manufacturer, continue to closely monitor the developments and trends of the litigation involving tobacco companies in the United States of America, Canada and elsewhere, with particular interest and attention.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

(As of June 21, 2013)

Members of the Board

Chairman of the Board
Hiroshi Kimura

Representative Directors
Mitsuomi Koizumi
Yasushi Shingai
Noriaki Okubo
Akira Saeki

Members of the Board
Hideki Miyazaki
Masamichi Terabatake
Motoyuki Oka*
Main Kohda*

* Outside Directors under the Companies Act of Japan.

Audit & Supervisory Board Members

Futoshi Nakamura
Tomotaka Kojima
Koichi Ueda*
Yoshinori Imai*

* Outside Audit & Supervisory Board Members under the Companies Act of Japan.

Executive Officers

President
Mitsuomi Koizumi
Chief Executive Officer

Executive Deputy Presidents
Yasushi Shingai
Compliance, Strategy, HR, General Administration, Legal and Operation Review & Business Assurance

Noriaki Okubo
Pharmaceutical, Beverage, and Processed Food Business

Akira Saeki
President, Tobacco Business

Hideki Miyazaki
CSR, Finance and Communications

Senior Executive Vice Presidents
Kenji Iijima
Chief Marketing & Sales Officer, Tobacco Business

Ryoji Chijiiwa
Compliance and General Affairs

Mutsuo Iwai
Chief Strategy Officer

Executive Vice President
Shinichi Murakami
Head of Domestic Leaf Tobacco General Division, Tobacco Business

Senior Vice Presidents
Kazuhito Yamashita
Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business

Yasuyuki Yoneda
Chief R&D Officer, Tobacco Business

Masahiko Sato
Head of Manufacturing General Division, Tobacco Business

Atsuhiro Kawamata
Head of China Division, Tobacco Business

Junichi Fukuchi
Head of Tobacco Business Planning Division, Tobacco Business

Muneaki Fujimoto
President, Pharmaceutical Business

Junichi Haruta
Head of Central Pharmaceutical Research Institute, Pharmaceutical Business

Ryoko Nagata
Chief CSR Officer

Chito Sasaki
Chief Human Resources Officer

Naohiro Minami
Chief Financial Officer

Haruhiko Yamada
Chief General Affairs Officer

Kiyohide Hirowatari
Chief Legal Officer

Shigenori Ohkawa
Chief Science Officer, Central Pharmaceutical Research Institute, Pharmaceutical Business

Goichi Matsuda
Head of Beverage Business

Yuki Maeda
Chief Communication Officer

Corporate Data

(As of March 31, 2013)

Head Office

2-1, Toranomon 2-chome,
Minato-ku, Tokyo 105-8422, Japan
Tel: 81-3-3582-3111
Fax: 81-3-5572-1441
URL: http://www.jt.com/

Date of Establishment

April 1, 1985

Paid-in Capital

¥100 billion

JT International S.A.

1, Rue de la Gabelle CH-1211 Geneva 26,
Switzerland
Tel: +41(0)22-7030-777
Fax: +41(0)22-7030-789
URL: http://www.jti.com/

Members of JT International Executive Committee
(As of July 1, 2013)

Pierre de Labouchere
President and Chief Executive Officer

Masamichi Terabatake
Executive Vice President and Deputy CEO

Thomas A. McCoy
Chief Operating Officer

Paul Bourassa
Senior Vice President Legal, Regulatory Affairs and Compliance

Stefan Fitz
Regional President Asia Pacific

Roland Kostantos
Senior Vice President Finance, Information Technology and Chief Financial Officer

Paul Neumann
Senior Vice President Global Leaf

Howard Parks
Senior Vice President Consumer & Trade Marketing

Fadoul Pekhazis
Regional President Middle East, Near East, Africa, Turkey and World Wide Duty Free

Eddy Pirard
Regional President Western Europe

Michel Poirier
Regional President Americas

Jörg Schappei
Senior Vice President Human Resources

Bill Schulz
Senior Vice President Global Supply Chain

Takehisa Shibayama
Senior Vice President Research & Development

Kevin Tomlinson
Regional President CIS+

Vassilis Vovos
Regional President Central Europe

Frits Vranken
Senior Vice President Business Development and Corporate Communications

OTHER INFORMATION

Japan Tobacco Inc.

2-1, Toranomon 2-chome,
Minato-ku, Tokyo 105-8422, Japan
Tel: (81) 3-3582-3111
Fax: (81) 3-5572-1441
URL: http://www.jt.com/

This annual report is printed using
ink that contains less than 1% Volatile
Organic Compounds (VOCs).

Printed in Japan