



CSR Report 2009

For the year ended March 31, 2009

JAPAN TOBACCO INC.

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JAPAN TOBACCO INC.

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■ Editorial Policy

JT first published the JT Environmental Report back in 1998, which was upgraded in FY 2005 to the JT Social and Environmental Report, with focus on its CSR activities including environmental activities. All these efforts culminated in the CSR Report in FY 2007.

This report covers the last year of the 2006-2008 CSR Promotion Plan, with emphasis on four priority areas set out in the JT Group CSR Promotion Policy (management base, business areas, global environment and social contribution) and focus on key activities in the CSR promotion plan.

On the international front, the report addresses the international tobacco business approaches to environmental conservation, safe and healthy, and social contribution activities.

Special topics, meanwhile, include those on the JT Group's ideas on food safety and specific safety measures in place, following a drastic change in its food safety control system.

At the same time, views and opinions of stakeholders on last year's report were taken into account in preparing this report.

■ Period Covered (in this report)

FY 2008 (April 1, 2008 to March 31, 2009)

Some JT policies, objectives and activities scheduled to take effect after FY 2009 are included in this report.

■ Scope of Report

JT activities primarily in Japan, and those of domestic and overseas group companies under the JT Group environmental management plan.

■ JT Group Companies under the JT Group's Environmental Management Plan (25 domestic companies and one overseas company)

Japan Tobacco Inc.	
TS Network Co., Ltd.	Torii Pharmaceutical Co., Ltd.
JT Logistics Co., Ltd.	Nihon Shokuzai Kako Co., Ltd.
Japan Filter Technology Co., Ltd.	Sunburg Co., Ltd.
Fuji Flavor Co., Ltd.	lipingshang Foods Corporation
Eastern Japan Plant Service Co., Ltd.	Asahi Shokuzai Co., Ltd.
Central Japan Plant Service Co., Ltd.	Japan Beverage Inc. and seven other subsidiaries
Western Japan Plant Service Co., Ltd.	JT A-Star Co., Ltd.
Kyushu Plant Service Co., Ltd.	JT Real Estate Co., Ltd.
JT Engineering Inc.	
Japan Tobacco International	As of April 1, 2009

■ Issuance Month

June 2009

(the 2008 CSR report was issued in June 2008 and the 2010 CSR Report is scheduled for issuance in June 2010)

■ Reference Guidelines

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

History of JT and its CSR Activities

- 1985 ● Establishment of Japan Tobacco Inc.
- 1988 ● Branched out into beverage business
- 1993 ● Established the Central Pharmaceutical Research Institute
- 1994 ● Established the Corporate Culture Division*1
- 1995 ● Established the Global Environment Division
● Set up the JT Global Environment Charter
- 1998 ● Branched out into processed food business
● Acquired the majority share of Unimat Corporation*2
● Acquired the majority share of Torii Pharmaceutical Co., Ltd.
● Released the first environmental report (The JT Environmental Report 1997)
- 1999 ● Acquired the non-U.S. tobacco operations of RJR Nabisco Inc.
● Acquired the food business of Asahi Kasei Corporation
- 2000 ● Set up the JT compliance system
- 2004 ● Set up the JT Group Environment Charter
- 2005 ● Launched the JT Forest activities (reforestation and forest conservation activities)
● Set up the CSR Division
- 2006 ● Reorganized the CSR Division (with approaches to the global environment conservation and social contribution activities combined)
● Set up the CSR Committee
- 2007 ● Launched afforestation and forest conservation activities in Africa
● Acquired all the issued shares of the Gallaher Group plc (U.K.)
- 2008 ● Acquired all the issued shares of Katokichi Co., Ltd.

*1 The present Corporate Citizenship Department
 *2 The present Japan Beverage Inc.

The report is posted on the website:
www.jti.co.jp

Financial information is posted on the website
www.jti.co.jp/investors

JT Corporate Profile

JT Corporate Information

<p>Corporate Name Japan Tobacco Inc.</p> <p>Communication Name JT</p> <p>Business area In addition to tobacco products, emphasis is placed on pharmaceuticals and foods to enhance the corporate value, with the aim of becoming a "company committed to global growth that provides consumers diversified value uniquely available from JT."</p> <p>Established April 1, 1985</p> <p>Capital 100 billion yen</p> <p>Headquarters 2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, JAPAN</p> <p>Number of Business Sites Area Sales Headquarters 25 Manufacturing Factories 13 Regional Leaf Tobacco Headquarters 6 Laboratories 3</p>	<p>Major Subsidiaries and Affiliates</p> <p>■ Domestic Tobacco Business TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.</p> <p>■ International Tobacco Business JT International S.A., JTI-Macdonald Corp., LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Gallaher Ltd., Austria Tabak GmbH, Liggett-Ducat CJSC</p> <p>■ Pharmaceutical Business Torii Pharmaceutical Co., Ltd., JT Pharma Alliance Co., Ltd., Akros Pharma Inc.</p> <p>■ Food Business JT Beverage Inc., Japan Beverage Inc., Katokichi Co., Ltd.</p> <p style="text-align: right;">As of March 31, 2009</p>
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Business Overview

Domestic Tobacco Business

The tobacco business is the core of JT Group operations. Its long-established, wide-ranging expertise in manufacturing, sales and research of tobacco products is among the best in the world. In addition to the line of products that meet the diversified needs of customers, the JT Group continues to develop and commercialize a variety of new products in a timely manner. With the sales force that outdistances those of competitors, moreover, it holds about two-thirds of the Japanese market, which is ranked fourth in the world.

International Tobacco Business

The JT Group, which sells more tobacco products abroad than at home, is growing steadily as a global cigarette manufacturer. In addition to global brands such as Winston, Camel and Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour joined the JT Group's world brands, following the acquisition of Gallaher Group plc. These brands together serve as a growth engine, helping the JT Group extend its reach worldwide.

Pharmaceutical Business

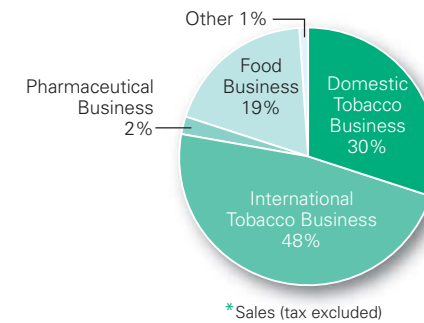
The pharmaceutical business is creating a unique, world-class, R&D-oriented business, while striving to increase its presence in the global marketplace through the development of original drugs. The JT Group is funneling its resources into the pharmaceutical business to develop it into "the core of JT Group future operations." The objective is to develop drugs that will benefit patients around the world and to put them on the market as early as possible so that patients and medical professionals may think that they could not have made it without JT's drugs.

Food Business

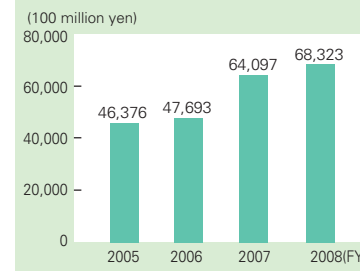
The food business is committed to providing customers with delicious and safe food based on a philosophy that can be best described as "to have what we produce eaten by our beloved ones." With focus on beverages, processed foods and seasonings, the JT Group continues to ensure the highest level of food safety control, while strengthening the business foundation to pave the way for future growth.

Financial Information

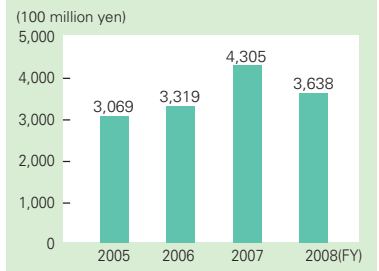
Sales Breakdown



Trends in Sales (on a consolidated basis)

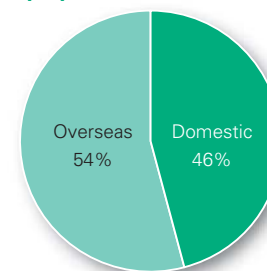


Operating income (consolidated bases)

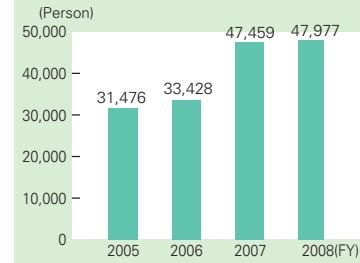


Number of Employees

Percentages of domestic and overseas employees



Trends in Number of Employees (on a consolidated basis)



**Respecting the diversity of society,
we continue to create,
develop and nurture JT's unique brands
to win consumer trust.**



Hiroshi Kimura

President
and Chief Executive Officer, JT

Top Message

The JT Group's CSR boils down to implementing the JT Group Mission

With the new medium-term management plan "JT-11" announced in April 2009, the JT Group revised the JT Group Mission. Specifically, while the principle of the JT Group Mission (JT Brand-ing Declaration) remains unchanged, it is now expressed in plain words designed to gain the confidence of a variety of stakeholders. The JT Group Mission 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."

The JT Group's CSR boils down to implementing this JT Group Mission. This world, in which the JT Group operates, consists of diversified nature, society and people. Respecting this diversification and recognizing its value, the JT Group is committed to creating, developing and improving a brand that is welcomed in our diversified world.

Doing what it ought to do as a matter of course

Since its foundation in 1985, the JT Group has been diversifying and globalizing its operations. During the medium-term management plan "JT 2008," for example, Gallaher Group PLC, Katokichi Co., Ltd. and Fuji Foods Corporation joined the group. Aiming to grow further, the JT Group established the new medium-term management plan "JT-11" for the next three years. The new plan can be achieved only by mobilizing the JT Group's diversified resources, a means to keeping up with the ever-changing business environment.

While the business environment keeps changing, the JT Group is committed to doing what a manufacturing company ought to do as a matter of course. In particular, in addition to striving for product quality, behaving responsibly and complying with standards, building up such down-to-earth efforts is essential in gaining the confidence of stakeholders.

The JT Group's CSR activities are making headway

The JT Group places a premium on gaining the confidence of stakeholders by "doing what it ought to do as a matter of course."

Accordingly, conserving the global environment is one of the highest priorities of its management policy. The JT Group shares the concept of the JT Group Environment Charter in an effort to harmonize business activities with the environment.

Social contributions have been underway both at home and abroad to act as a "good corporate citizen" in harmony with society. In Japan, for example, a variety of programs, such as subsidies to NPOs and a citizen participation cleanup activity dubbed the "Pick Up, and You will Love Your City" campaign, are in place to become a responsible member of society. On the international front, the JT Group plays a part in improving social welfare and supports cultural and artistic activities in all countries and areas in which it operates. In addition, reforestation and forest conservation activities are ongoing in eight areas at home and two areas abroad.

The JT Group is also promoting CSR initiatives through its businesses. The tobacco business, for example, is working on two themes to fulfill the responsibility of a tobacco manufacturer: creation of an environment where smokers and non-smokers live in harmony, and prevention of youth smoking.

With a strong awareness of the nature of its business, which has a direct impact on human life, the pharmaceutical business strictly abides by medical regulations and standards.

The food business has been emphasizing the safety of its products to retain consumers' trust, while further strengthening its safety control system in the wake of the frozen foods products contamination.

As society is paying increased attention to corporate social responsibility, including preventing global warming and contributing to local communities, the JT Group continues to fulfill its responsibilities in meeting societal expectations.



The foods business, which is one of the JT Group's core businesses, holds regular meetings with external experts, who are food safety advisers, to ensure food safety and meet consumer expectations. Food adviser Nobuko Hiwasa talked to representatives of the Foods Business. (Interviewed by Ayako Sonoda, president of Cre-en Inc.)

Special Topic 1: Working with external experts to ensure food safety and consumer's comfort

Ensuring food safety and consumer's comfort

Sonoda: First off, what principles or guidelines does the JT Group, as a food company, follow to meet the expectations of consumers who are increasingly concerned about the safety of what they eat?

Furuya: This spring the JT Group announced its action guidelines, "JT Group Way." The guidelines are particularly applicable to the food business.

These guidelines focus on three issues: responsible, customer-oriented action, striving for quality, and consolidation of diversified resources. As a food manufacturer, we must naturally give the highest priority to customer satisfaction, adherence to quality, and deliver safe and delicious foods at reasonable prices. We also need to place a premium on diversity as Katakichi Co., Ltd. joined the group last year. Based on "JT Group Way,"



Nobuko Hiwasa
Director, Snow Brand Milk Products Co., Ltd.
Managing Director, Yokohama Consumer's Association

we continue to listen to customers and work on specific programs such as disclosure of information about the place of origin.

In the event of an incident, meanwhile, we must address any problems from the standpoint of customers, not from our standpoint, to minimize any impact. That is, we must do what we ought to do. That's our policy.

Sonoda: Doing what you ought to do may not be as easy as it sounds. What are you actually doing to implement such a policy?

Oyama: About a year has passed since the pesticide contamination incident. We have thoroughly reviewed our food safety control system. Specifically, we're now strengthening safety control measures, focusing on three issues. First, we aim to reduce food safety risks, which cannot be eliminated but can be minimized by strengthening control measures and inspections. Second, we're creating a system to better serve customers. We should be more sensitive to the opinions of customers, quickly respond to their concerns and proactively disclose information. Third, we're strengthening our organization, involving external experts to keep us from being self-righteous and objectively evaluate our plans. The three food safety advisers, including Ms. Nobuko Hiwasa here with us today, are such external experts who help us strengthen our organization.

Sonoda: How are you going to ensure consumer's comfort through such efforts?

Hiwasa: Ensuring consumer's comfort is no easy task. The only possible way would be to promote information disclosure through media such as websites and CSR reports. This all comes down to how you keep in touch with consumers. Plant tours, I think, are one good way to reach out to consumers.

Promoting disclosure of information about place of origin

Sonoda: Speaking of information disclosure, how are you going to address traceability, which is attracting the attention of consumers?

Oyama: We have a system in place to check not only direct suppliers but also raw material producers. For major raw materials such as vegetables and meat, we inspect fields and breeding farms to select and source safe materials. In addition, the information on ingredients, place of origin and place of processing are indicated on product packages, posted on the website and provided through the Customer Service Center upon inquiry.

Sonoda: Ms. Hiwasa, what do you think about their approaches to traceability and information disclosure?

Hiwasa: I think such approaches are very important. However, ensuring the supply of raw materials constantly from one source is difficult, which makes it difficult to indicate the place of origin. In addition, we need to think about how we should let consumers know that ensuring safety costs a certain amount of money. Ingredient labeling, meanwhile, should be clear and accurate to disseminate appropriate information and to prevent misunderstanding among consumers. What's important here is to disclose all information that is relevant or requisite to consumers even if the information is detrimental to JT.

Companies tend to go too far, saying that "we've done this much" for traceability and other issues. Such efforts, however, are not cost free. You need to have a clear picture of what is really needed, with cost-effectiveness in mind.

Sensitivity to customer opinion

Sonoda: Mr. Ohyama, you mentioned a system to better serve customers. Specifically, what measures are in place?

Oyama: We're now more sen-



Anchor **Ayako Sonoda**
President, Cre-en Inc.



Sadao Furuya
President, Foods Business



Minoru Oyama
Vice President,
Total Quality Management,
Foods Business

sitive to customer opinions, paying particular attention to issues that could have an impact on human health. Should any incidents take place, we share the information with all parties concerned and respond to them quickly, while tracking down the root causes. Now the Customer Service Center is on call 365-day-per-year, as closing the center on holidays would simply delay our response time.

Hiwasa: Actually, I visited the center. The atmosphere was cheerful and welcoming, and employees were pleasantly and sincerely responding to customers. However, addressing customers' inquiries, opinions and complaints is a stressful job. The staff seems to have its own way to relieve such stress, which I think is very important.

Furuya: When Ms. Hiwasa visited the center, she advised us on how we should reflect customer opinion in our products and services. The Customer Service Center plays a key role in collecting valuable opinions and suggestions from customers, which are taken into account in designing products and improving their quality. Such improvements, meanwhile, should be made public. We're now creating a better system for communication to increase trust with customers.

The awareness of employees, the key to improving safety

Sonoda: The awareness of each individual employee, I think, is the key to addressing safety and consumer's comfort issues. Ms. Hiwasa, I understand that you also visited JT's factories as an advisor. What impressions about JT's employees did you have?

Hiwasa: I toured a factory producing sterilized rice. First off, I was impressed to see the manager working with great enthusiasm. Those who are working at that factory have the rice they produce for lunch, which is very important, as there're many factory workers out there who've never eaten what they produce.

Special Topic 1: Working with external experts to ensure food safety and security

Sonoda: How does the JT Group educate and train its employees in food safety control?

Oyama: We have a group-wide system in place to motivate and raise the awareness of employees. One of our focuses is compliance. Specifically, we use a variety of educational materials and hold workplace meetings to ensure compliance with quality and safety standards as basics. While the quality of products is believed to be perfected in the course of manufacturing, the foundation of manufacturing needs to be strengthened to confidently deliver products to customers. Our human resource development program is designed to put this concept into practice. In addition, we have the "Food Safety Week" program, which encourages employees to review their work from the viewpoint of food safety.

Furuya: The point is how we communicate the group's principles and code of conduct, including "JT Group Way," to employees and put them into practice. For that matter, we need to have a common understanding of what is really important.

Hiwasa: There's no such thing as a one-stop solution for food safety and consumer's comfort issues, which should instead be addressed in a variety of ways. What matters most is the validity of corporate rules. As legislative rules are not comprehensive, corporate rules usually specify and regulate legislative rules. Corporate rules tend to be impracticably rigid. As a result, employees might overlook minor rule violations as long as the violations are not illegal. These violations could discourage employees from observing rules, which is a very dangerous situation.

Consequently it is important to establish appropriate but not unduly rigid rules and review them as needed for improvements, which must be strictly observed by each employee. I think this is the only way to raise the awareness

about compliance among employees. Also important is to improve internal communications so that employees offer their views when they spot something unusual.

Oyama: The JT Group is now gearing up for ISO 22000 certification. As you pointed out,

such certifications mean nothing without a corporate culture that places a premium on observing rules. This is possible only through continuous training programs and creation of a positive atmosphere in the workplace.

Furuya: As the JT Group merged with Katokichi last year, we hope to create a better corporate culture based on the

two different corporate cultures. Our challenge is to further strengthen the strong points of the two companies.

Hiwasa: I think Katokichi and JT are totally different in terms of management style, which could be a boon rather than a bane to both parties. Each can improve by learning from the other, while respecting the advantages of the other.

To have what we produce eaten by the people we love...

Sonoda: I understand that the philosophy of the JT Group's foods business can best be described as "to have what we produce eaten by those we love." Will you please elaborate on this philosophy?

Furuya: We all care most about those we love and we want them to eat safe and delicious food. The words expressing our philosophy describe our mission, that is, to provide those we love with safe and delicious food. We're going to share this philosophy with each other through these words and make never-ending efforts to deliver better products to customers. Our greatest pleasure is to satisfy our customers with such products.

Hiwasa: Indeed, the words in the message are superb and easy to understand.

Sonoda: Lastly, will you tell us how the JT Group is going to address safety and consumer's comfort issues based on that philosophy?

Oyama: The key is to reduce risks. We continue to review our system to minimize risks, while carefully listening to the opinions of external experts and customers.

Furuya: Safety is an absolute requirement for those are engaged in the food business which concerns consumers' diets. A common understanding is that we give the highest priority to safety when producing frozen foods, beverages and seasonings. The sense of consumer's comfort, however, is not something that we can determine; it must be evaluated by customers.

To provide customers with the sense of consumer's comfort, we must pursue safety no matter what we produce. This is a never-ending effort.

Hiwasa: While frozen foods play an important role in our diets, I'm very interested in the JT Group's food business that operates worldwide. I'm also looking forward to seeing how the food business develops further.



Special Topic 2:

From the procurement of raw materials to the delivery of products; approaches to the highest level of food safety control

To have what we produce eaten by those we love

The JT Group is committed to delivering safe, quality and delicious products to consumers, from farms to dining tables. Here are JT's approaches with the opinions of Kunio Morita and Kenji Isshiki, JT's food safety advisers.

Food safety advisors touring a factory

Raw Material Procurement

Production of safe foods starts from procurement of safe and quality raw materials

"To have what we produce eaten by those we love" comes down to delivering safe and reliable products to consumers – an effort that involves selection and procurement of raw materials.

In selecting raw materials, we do more than just check suppliers' quality certifications. Our quality control center monitors residual pesticides and antibiotics, and contract factories for raw materials are audited in accordance with rigorous standards

In China, Thailand, Vietnam and other parts of the world, the JT Group's staff regularly inspects contract farms, focusing on their management and pesticide residues in soil and water in farms.

Contract breeding/fish farms are also inspected, with a system in place to ensure the safety of raw materials, from their production to procurement.



A safety control manager touring a contract farm

Production Processes

With higher management standards, we manufacture products exclusively in the qualified factories

Factories manufacturing the JT Group's products have strict and extensive standards for production processes (from receiving raw materials to processing, packaging, storage and shipment) as well as for security and chemical management. These auditing standards apply to all factories, both domestic and overseas, while unannounced audits are conducted in addition to periodic ones conducted more than twice a year.

JT Group staff witness the production of frozen foods at contract factories in China.



JT Group staff auditing a factory

Special Topic 2: From the procurement of raw materials to the delivery of products; approaches to the highest level of food safety control
To have what we produce eaten by those we love

Production Processes



We aim to upgrade our safety control system in accordance with ISO 22000 certification

In addition to standard practices at food factories such as worker sanitation (pre-operative hand-washing and disinfection, removal of dust and dirt with adhesive rollers and air shower and others) and production process management based on product specifications, the JT Group aims to have all its factories certified by ISO 22000, which is a food safety management standard that incorporates the concepts of Hazard Analysis and Critical Control Points (HACCP) and quality control.

Based on the concepts of HACCP, we establish rules for scientifically proven hygiene control and critical control point management, while implementing the PDCA cycle based on ISO management systems to make continuous improvements. The highest level of food safety control is possible only through the implementation of these standard practices.

We are committed to further reducing risks through food defense programs

In addition to ensuring food safety, we are under contract with an external consulting firm to administer food defense

programs designed to address intentional attack on the safety of food.

Risks are analyzed from the viewpoint of food defense, with effective countermeasures implemented at all factories, both domestic and overseas, to strengthen our food safety control system.

We focus on raising employees' awareness of safety issues as well as improving the safety control system

The JT Group aims to establish the highest level of food safety control. To this end, all employees, from those manufacturing products to those engaged in distribution services, need to raise their awareness of safety issues. The JT Group, therefore, has a common food safety policy, and holds study sessions and discussions in the workplace.



Products are manufactured with strict hygiene control measures in place

Inspections



We inspect at every stage of production based on the highest level of standards

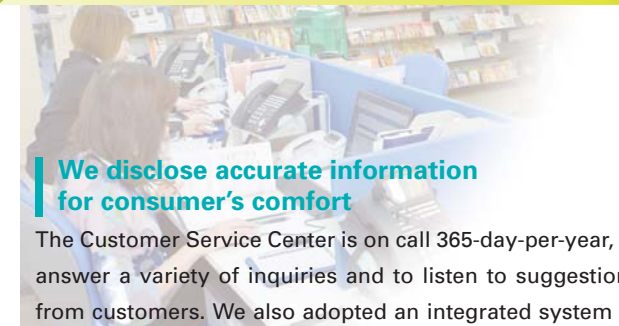
Besides various inspections of raw materials and unfinished products, we inspect finished products, based on strict standards to deliver safe products to customers.

Quality control centers in Japan and China have an advanced system and equipment to inspect microbe, taste, flavor, appearance, agrochemicals (450 formulations), animal drugs (100 compounds), food additives, heavy metals, allergens, DNA, and other items, while monitoring raw materials and quickly tracking down the root cause of problems should any occur. In addition, frozen foods manufactured in China are inspected both in China and in Japan for agrochemical residues. These centers take advantage of the highest level of inspection system.



Conducting inspections to ensure the highest level of quality

To customers



We disclose accurate information for consumer's comfort

The Customer Service Center is on call 365-day-per-year, to answer a variety of inquiries and to listen to suggestions from customers. We also adopted an integrated system to manage product information obtained through the center and quality information concerning products, raw materials, factories and inspections. This system plays a key role in promoting cooperation between relevant departments, thereby quickly and appropriately serving customers.

It is essential that information be proactively disclosed for customers to eat our products with a sense of comfort. We, therefore, present our approaches to food safety through our website and other media, while using the packages of frozen foods and the website to disclose information about where foods are produced and where their ingredients come from. At the same time, each product is tagged with a QR code designed to provide a wide range of information.



The Customer Service Center is on call 365-day-per-year to serve customers

Humans ensure the safety of food Each individual's understanding of safety and the action of each are key to manufacturing

One of the JT Group's factories I toured impressed me because this factory is making a number of efforts to manufacture quality products, not using necessarily the latest equipment and facilities.

Safety control involves full participation of those who are engaged in manufacturing, with each having a good knowledge of safety issues. Take hand washing procedures for example. Just following the procedures is not enough; all employees must understand why they need to follow the procedures. Such knowledge would encourage them to make improvements. I have been told that JT's factories hold voluntary meetings to discuss safety issues. These approaches should be promoted.

ISO 22000, which incorporates the concept of HACCP, is a system designed to ensure

safety at every stage of production, from raw material procurement to shipments of finished products. With this in mind, I give high marks to the JT Group's approaches to safety management involving both management and employees.

To ensure food safety, all employees engaged in manufacturing must have a good knowledge of safety issues and act responsibly, always paying attention to what matters most to customers. It is also important to promote horizontal cooperation between departments and factories, although this is no easy task. Information about failures is particularly important and therefore should be reported and shared across the company. The goal is to learn from mistakes and have a system where corrective measures are made on a company-wide basis.



Kunio Morita
Executive Director
Japanese Association of Fermented Milks and Fermented Milk Drinks

Carry out the responsibility of a food manufacturer, placing a premium on the food chain

I toured several factories of the JT Group, each of which seems to have its own advantages. As the JT Group recently merged with Katokichi, however, I had the impression that control systems vary from factory to factory. That said, an organization with great diversity will certainly grow. I hope the two companies upgrade their safety control systems by learning from each other.

While food safety and consumer's comfort are current topics, what food manufacturers can do is develop and carry out measures for food safety. It is consumers, not manufacturers, that feel a sense of comfort. So, I think it's important for the JT Group to disseminate accurate information through the Customers Service Center, its website and product packages so that consumers can judge on their own based on accurate infor-

mation.

Given Japan's low food self-sufficiency, I don't think it's rational to go to extremes with safety control and dispose of what is considered harmless. We should rather control food safety according to level of risk to secure food for the next generations. It's also important to secure the entire food chain, from farms to dining tables (raw materials, processing, distribution and consumers), while everyone should be responsible for its maintenance and development, or at least play a part in it. I hope the JT Group will be well versed in the food chain and carry out its responsibilities as a food manufacturer.



Professor Kenji Isshiki
Laboratory of Marine Biosafety Science and Technology
Graduate School of Fisheries Sciences Hokkaido University

JT Group Management

- Company that Embodies the JT Group Objectives
- Approaches to Promote CSR
- CSR-oriented Procurement
- Corporate Governance
- Risk Management
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Our mission

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.



Company that Embodies the JT Group Objectives

Medium-Term Management Plan "JT-11"

We expect that the business environment surrounding the JT Group will become increasingly more challenging. Under such conditions, in an effort to realize our long-term objective of becoming "a company committed to global growth that provides consumers diversified value uniquely available from JT," we have developed Medium-Term Management Plan "JT-11," which covers the three years through the fiscal year ending March 2012 and which builds on the strategies we have pursued until now.

During the period of "JT2008," we succeeded in earnings profits that far exceeded our targets by expanding our business foundation through the acquisition of external resources. "JT-11" covers a period during which the JT Group will aim to secure strong business momentum through investment for the future and continuous improvement in business operation in anticipation of possible changes in the business environment. The policies of the JT Group's core business, namely, tobacco (domestic and overseas), pharmaceuticals and food business can be summarized as follows:

[Domestic Tobacco Business]

The tobacco business is to serve as a stable profit base for

the JT Group amid a decline in overall demand due to the increasingly difficult social environment and tightening of various regulations.

[International Tobacco Business]

The international tobacco business also continues role as the profit growth engine of the JT Group, in an increasingly challenging operating environment.

[Pharmaceutical Business]

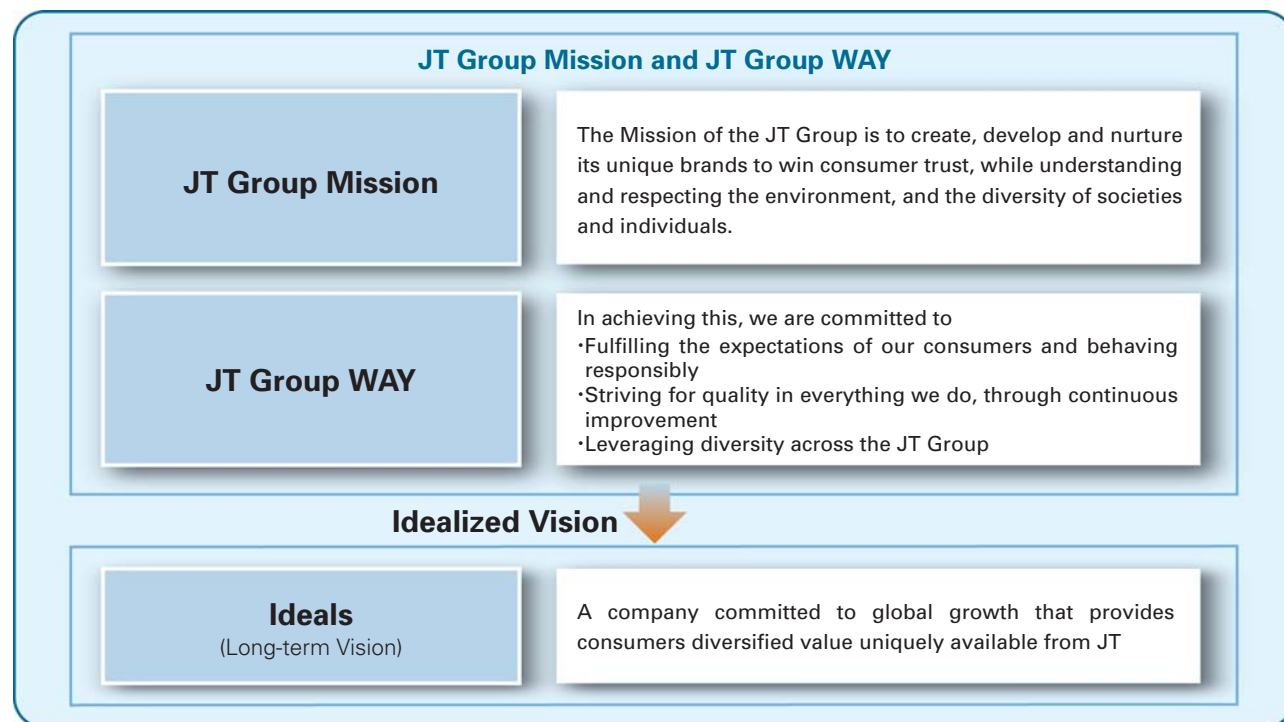
The pharmaceutical business aims to work toward building world-class R&D capabilities and increased market presence through the development of innovative drugs.

[Food Business]

The food business continues to focus on three areas: beverages, processed foods and seasonings, move toward the world's highest level of safety control, and further strengthen the business foundation for significant future growth.

JT Group Mission and JT Group WAY

The JT Group establishes the "JT Group Mission" to gain the confidence of a variety of stakeholders, thereby realizing its ideals – an effort that is based on the codes of conduct in "JT Group WAY."

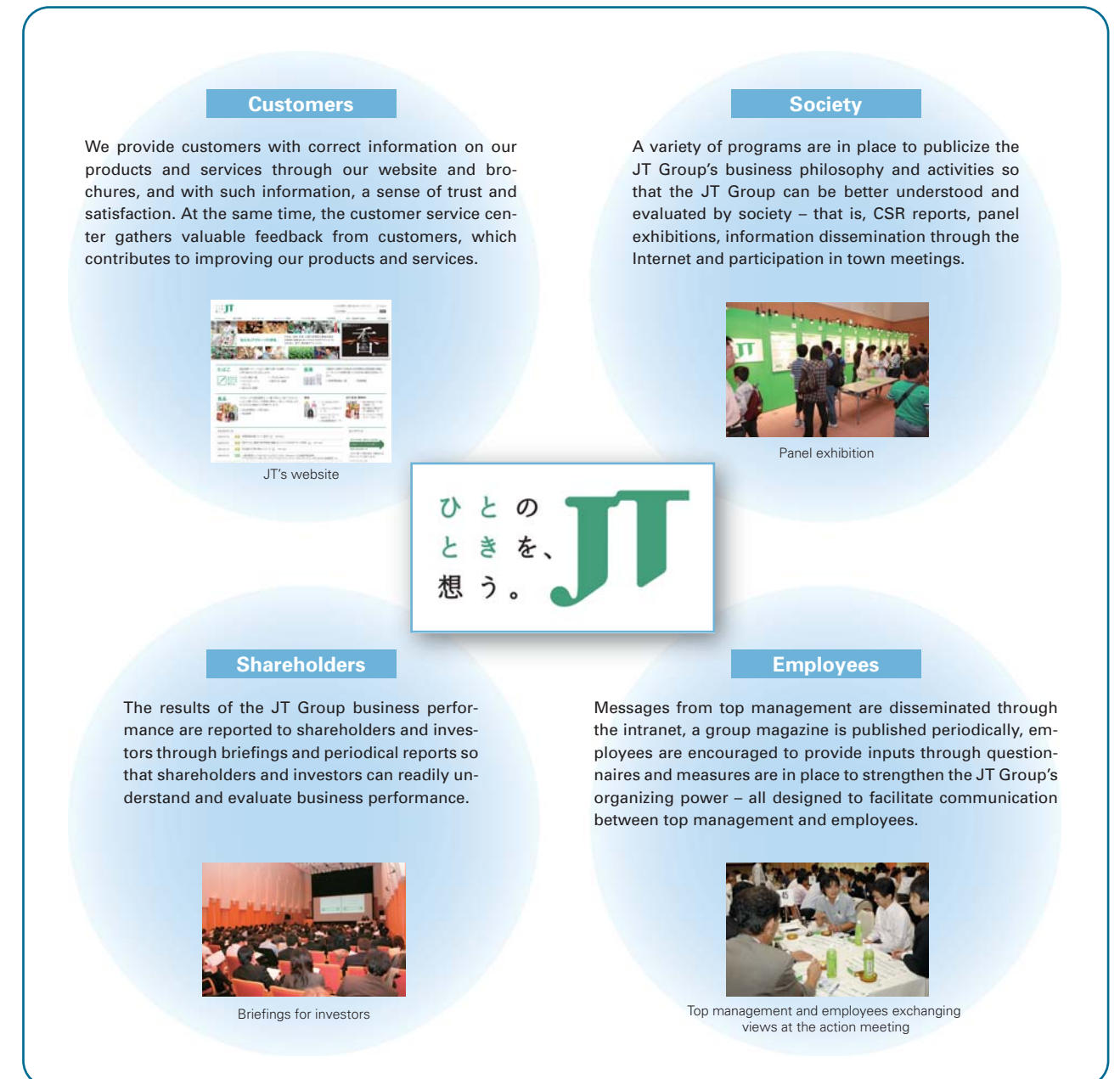


Communication with Each Stakeholder

While the JT Group interacts with a variety of stakeholders, such as customers, shareholders, society and employees, communication is the key to fulfilling the responsibilities, in

a high level and well-balanced manner, for all these stakeholders and gaining their confidence.

The JT Group communicates and discusses various aspects of its business with stakeholders, while their suggestions and opinions are reflected in its business and CSR activities.



Approaches to promote CSR (Corporate Social Responsibility)

CSR Principle

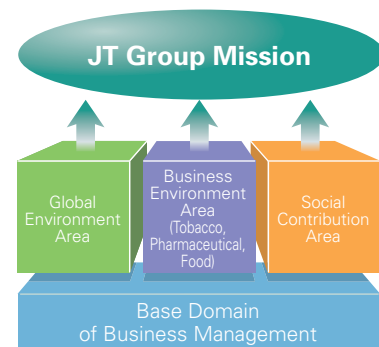
The JT Group's CSR boils down to implementing the JT Group Mission, which aims to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals. At the same time, the JT Group aims to fulfill its responsibilities to a variety of stakeholders, such as customers, shareholders and employees, in a high level and well-balanced manner to enhance their satisfaction, thereby gaining their trust.

With a CSR promotion plan in place, the JT Group is reviewing its CSR activities to improve and promote the activities on a group-wide basis.

JT Group's CSR Promotion Policy

The mission of the JT Group is to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals. To achieve the mission of the JT Group, the JT Group regards Corporate Governance, Compliance, Risk Management, Human Resource Management, Quality Control, etc. as "Base Domain of Business Management," and steadily approaches on CSR (A Social Responsibility).

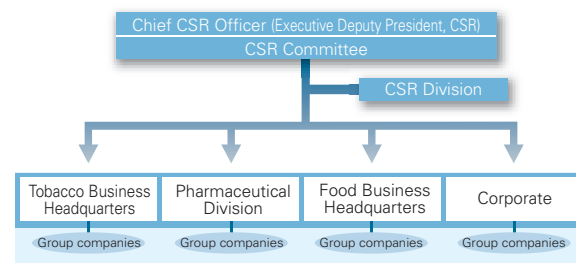
In addition, the JT Group promotes the harmony of the business environment and the global environment, and proactively drives toward more extensive CSR (A Social Responsibility) in "Business Environment Area," "Global Environment Area" and "Social Contribution Area" from the viewpoint aiming at coexistence with society as "A Good Corporate Citizen."



(Revised in April 2009)

CSR Promotion System

Recognizing the situation inside and outside the group, the JT Group has the CSR Division and the CSR Committee, both of which are working with other divisions to promote CSR activities on a group-wide basis.



Systematic Approaches to Promote CSR

To promote CSR on a group-wide basis, the JT Group established a three-year CSR promotion plan, focusing on priority activities in four primary areas. For example, a PDCA cycle was put into practice from FY 2006 to 2008 in accordance with the CSR Promotion Plan (2006-2008).

In FY 2009, the JT Group launched the CSR Promotion Plan (2009-2011), which succeeds the policy of the previous plan (2006-2008), while aiming to better meet societal expectations.

The base domain of business management – the plan is to further promote corporate governance and compliance, while setting guidelines for CSR-oriented procurement and strengthening human resource management.

The business environment area – the plan is to identify priority activities in the tobacco, pharmaceutical and food businesses respectively, and promote them accordingly.

The global environment area – the plan is to set the JT Group Environmental Action Plan (2009-2012), address global warming with clear policies and targets, and expand the implementation of the JT Group environmental management into consolidated subsidiaries – all designed to improve the JT Group's environmental performance.

The social contribution area – the plan is to promote social contribution on a group-wide and global basis, focusing on four priority areas set out by the JT Group Social Contribution Policy, and to become a good corporate citizen in each local community.

The JT Group CSR Promotion Plan (2006-2008)

Target Area	Key Activities	Related pages
Base Domain of Business Management	Appropriate approach based on the risk management system Promotion of Compliance Implementation Plan	P19 P20
	Human Resources Management Human resources management focusing on the growth of employees <ul style="list-style-type: none"> Realization of fair merit system Support for the self-sustained growth of employees Support for upgrading the level of leaders Promotion of diversification	P21~24
Business Environment Area	Tobacco business Promotion of Youth Smoking Prevention Approach <ul style="list-style-type: none"> Smooth introduction of cigarette vending machine with an adult identification system Coexistence between smokers and non-smokers <ul style="list-style-type: none"> Improvement of smoking manners Installation of smoking areas Promotion of the "Pick Up, and You will Love Your City" campaign 	P26 P27~28
	Pharmaceutical business Development and offering of new drugs based on the highest safety standard, strong sense of responsibility and high ethical standard <ul style="list-style-type: none"> Strict compliance with pharmaceutical-related laws and regulations Strengthening appropriate control of chemical substances Strict compliance with Promotion Code Activities to raise awareness in the medical field	P34 P34
	Food business Effort to provide safe and reliable products Upgrading and expanding of traceability Response to the social change	P7~12,P36
Social Contribution Area	Activities based on the JT Group Social Contribution Policy	P39~44
Global Environment Area	Activities carried out under the JT Group Environmental Action Plans 2005-2008 <ul style="list-style-type: none"> Reduce CO₂ emissions Reduce the amounts of natural resource and water consumption Reduce waste generation and promote recycling Promotion of afforestation and forest conservation activities 	P47~60

CSR-oriented Procurement

The JT Group Pursues CSR-oriented Procurement on a group-wide basis

While the JT Group has been promoting green purchasing and CSR-oriented procurement of indirect materials as part of its environmental conservation initiatives, efforts are underway to establish the JT Group Procurement Policy which will define its social responsibility for procurement.

This policy will stipulate the obligation to practice fair and impartial procurement, and also adopt supplier selection criteria which includes CSR-related issues such as environmental considerations, observance of laws and regulations, human rights protection, and information security.

The JT Group will brief suppliers on this policy to gain

their support and promote mutual understanding, while applying the policy to all group companies, domestic and overseas, to promote CSR-oriented procurement on a group-wide, global basis.

For Fair Procurement

The JT Group is committed to abiding by the relevant laws and regulations, including the Subcontract Law, to ensure fair procurement. For key laws and regulations, manuals are prepared for distribution to employees and posted on the intranet. At the same time, study sessions are held as needed to discuss critical issues concerning procurement.

Corporate Governance

Corporate Governance Policy

Quick, high-quality decision making and operations are both essential in keeping up with changes in the business environment and society, which is the key to increasing the corporate value. The JT Group, therefore, emphasizes corporate governance as one of its key management challenges with efforts underway to strengthen it.

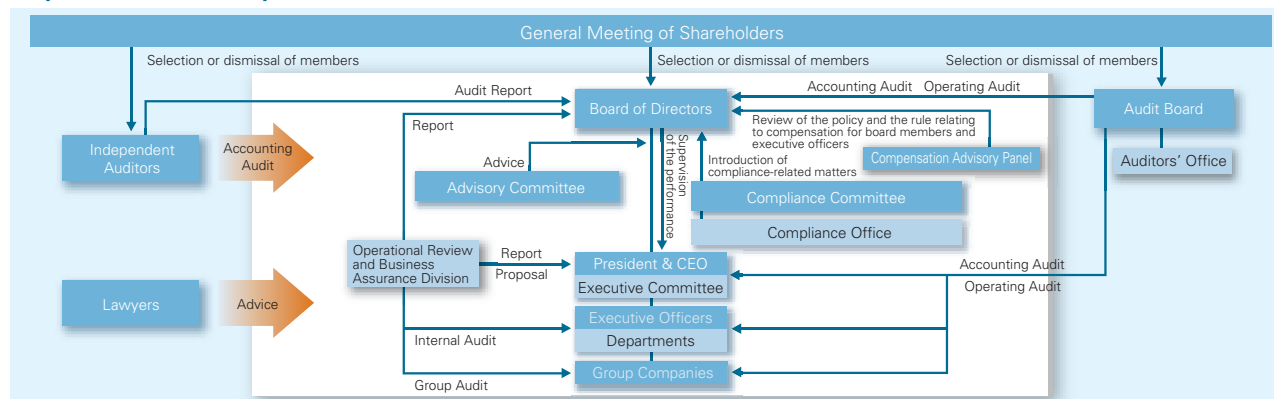
The JT Group adopted an executive officer system to accelerate the decision-making process and strengthen corporate governance, while downsizing the board of directors and separating the decision-making process from the business management process. In addition, the Advisory Committee, comprised of five outside experts, is in place to review and discuss medium- to long-term management objectives and other key issues from a broad perspective.

Internal Control over Financial Reporting (J-SOX)

In accordance with the Internal Control over Financial Reporting (J-SOX), JT Group launched a series of programs in 2006 including those of group companies, to establish a system for evaluating internal controls, documentation of procedures, assess trials and improve deficiencies.

In FY 2008, which is the year J-SOX came into effect, JT Group, as a whole, reviewed its internal control systems and performed improvement plans, with JT's internal audit division conducting independent evaluation - the results of the effectiveness of the Internal Control over Financial Reporting were summarized in the Internal Control Report and published for review by investors and other stakeholders.

Corporate Governance System



Risk Management

Risk Management System

The JT Group is committed to preventing and reducing risks. With the Risk Management Guidelines and the Disaster Preparedness Manual in place, efforts are underway to create a system to quickly and appropriately respond to crises and disasters through close cooperation between the divisions concerned.

The Risk Management Guidelines were revised in August 2008 to further raise awareness of crisis management among JT Group employees. In December 2008, the Safety Confirmation System was adopted to support tracking the safety of employees promptly in the event of disaster.

Strengthening Information Security

The JT Group has been following the rules of the Information Security Policy to protect its information assets from a variety of threats and facilitate their safe and effective use. In January 2009, the IT Division was established to further strengthen IT governance including information security.

Protection of Personal Data

In March 2005, JT prepared and announced a statement about the protection of personal data. Supplemental announcement is also made, to appropriately protect personal data, as needed for a variety of businesses. At the same time, in-house training is offered to employees to raise their awareness of personal data protection.

Statement about the protection of personal data

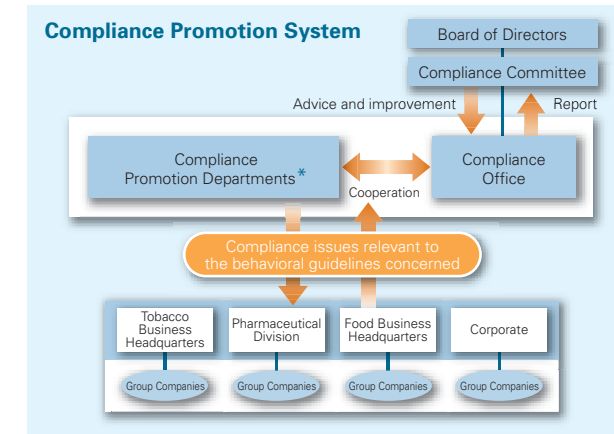
URL www.jti.co.jp/privacy

Compliance

JT Group Compliance Management

We at JT Group define "Compliance" as actions "for the shared JT Group Mission, based on the values and ethics we must hold in order to become better corporate employees and citizens," rather than merely defining it passively as "to comply with laws and not to disrupt public order." We are committed to realize it.

The JT Group is committed to implementing compliance management through the Compliance Committee, which includes external experts.



*A general term for the corporate and other departments supervising the guidelines for conduct

JT Group Principles of Conduct and Guidelines for Conduct

The JT Group has "Principles of Conduct" and "Guidelines for Conduct," which together stipulate the basic values and ethics required to act with integrity. They are summarized in the brochure "JT Group Compliance," which is distributed across the group to raise awareness of compliance among employees.



JT Group Compliance

Compliance Implementation Plan

To promote compliance activities, we develop the Compliance Implementation Plan every year and continue to improve the quality of its operations based on the PDCA cycle.

The Compliance Implementation Plan comprises a group-wide version and a department-specific version. The group-wide version stipulates priority issues to be addressed on a group-wide basis and the department-specific version is those to be addressed by each department concerned.

October is designated as Compliance Promotion Month to further promote the JT Group's compliance activities. Promotion programs include workplace meetings and questionnaire surveys for all employees, and seminars and self-evaluation based on checklists for management.

Compliance Education and Awareness Building

A variety of training programs are in place to increase awareness of compliance and promote its implementation, some of which include an advanced seminar for executive officers, and category specific programs, such as new employee education, new manager training and compliance activities leader training. In FY 2008, each business place offered an additional seminar to enhance compliance implementation and consulting capabilities.

At the same time, the intranet and DVDs are used as educational tools to help each employee raise awareness of compliance and implement it into practice.

Consultation and Reporting System

In accordance with the spirit of the Whistleblower Protection Act, the Compliance Office offers consultation services such as compliance consultation and reporting counters to listen to employees' problems, take preventive measures and improve the company's ability to govern itself. In FY 2008, external consultation and reporting counter was improved to include all employees of the JT group companies, with the "Consultation and Reporting Counter Handbook" and other tools distributed to help employees use the services.

Human Resources Management

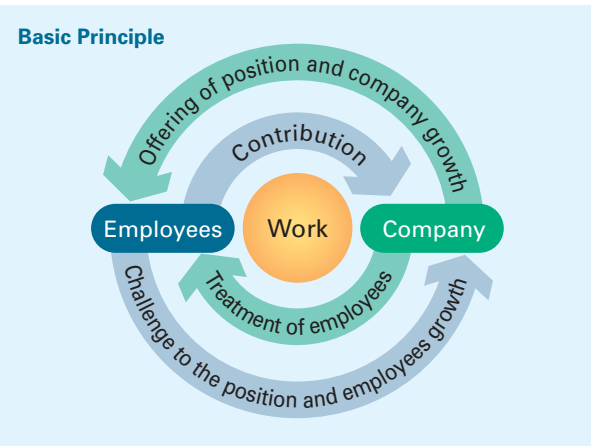
Human Resource Management Policy

JT believes it is important for a company to always go ahead of the environmental changes and continue proactive self-improvement on its own will. Human resources play a key role in such efforts.

Based on the recognition that human resources are the biggest asset of any company, JT is striving to strengthen its human resources to ensure future growth.

Management Focusing on Employee Growth

JT launched the new Human Resources Management system in 2006 based on the concept that employees contribute to the company through their work and the company treats them fairly, thereby growing together. The system focuses mainly on clarifying the difference and significance of each job, establishing a compensation system in accordance with role and responsibility by emphasizing skill and specialty, treating employees fairly based on the performance-based appraisal system, and supporting employees to achieve self-sustained growth.



Number of employees

As of the end of March 2009

	FY 2006	FY 2007	FY 2008	
Number of employees	Male	7,977	8,024	7,949
	Female	953	975	959
	Total	8,930	8,999	8,908
Average age	41.6	42.1	42.6	
Average service years	20.5	21.0	21.6	
Consolidated number of employees	33,428	47,459	47,977	

Establishment of a Fair Merit System and Human Resource Development

JT pursues a transparent human resource management that is agreeable to both employees and management, based on a shared recognition of its importance. Accordingly, all employees are treated fairly so that they can improve their skills and demonstrate their abilities.

Performance-based Appraisal

JT has a job-specific grading system that takes into account the scale and nature of each job and its specialty. Qualified graders hold meetings in each department and workplace to maintain appraisal standards and promote a fair merit system. At the same time, OJT training programs are offered, while appraisal results are communicated to employees through interviews to help them develop their abilities.

Employee Training Programs

To support growth for employees, efforts are underway to improve and upgrade training programs. For example, many employees participate in optional seminars and training programs to acquire basic knowledge and skills necessary for their jobs. To help employees develop their careers, a variety of support programs are in place such as the Career Management Training (tailor-made to the career stage of each employee) and job information and annual career interviews with their supervisors.

Career Challenge System

The Career Challenge System started in FY 2007, where employees are entitled to apply for jobs they aspire to; those who are qualified can directly apply for such jobs once a year, with their applications examined by the departments concerned for approval. Some applicants have already attained their wishes, thus this system provides employees with opportunities to advance their careers through the jobs they want.

Upgrading the Skill of Leaders to Enhance the Organizational Strength

As upgrading the skills of leaders is essential in promoting a fair merit system and helping employees develop on their own, the Leader Training Program is regularly scheduled for incumbent managers who are expected to develop a leadership mindset and skills to help their subordinates, in addition to the New Manager Training Program designed for newly-appointed managers.

Recruitment of Next-generation Human Resources

JT is recruiting motivated individuals to ensure sustainable growth. In recruiting new graduates, for example, we give priority to their motivation and abilities rather than to their educational background, gender or nationality, while disseminating information on JT through the website, job seminars and internship programs. We are also recruiting mid-career personnel who are expected to bring in their expertise and experience.

Recruitment Results

		FY 2007	FY 2008	FY 2009
Recruitment	University graduates (including those with graduate school degrees)			
	Main career track	113	124	157
	R&D personnel	33	46	40
	Technical college and high school graduates	26	28	32
	Mid-career personnel (main career track, R&D personnel)	24	15	—
Job separation rate (within three years of employment)*		5.61%	3.77%	5.70%

*Job separation rate refers to the percentage of those who have left a job within three years of employment as of April 1 each year.

Promotion of Diversity

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

Support for Female Employees

JT has a variety of programs to create an environment in good time, where female employees can fully and continuously display their talents and abilities.

At the same time, efforts are underway to improve and support raising children and short time working programs to help women continue their employment as they experience life events, such as becoming a parent and raising children.

Efforts are underway to recruit female workforce, which currently stands at 10 percent. The percentage of women in new recruits is on the rise, as is the number of female managers. In FY 2008, the first female executive officer was appointed.

Capitalizing on Global Human Resources

The workforce of JT International (JTI), a subsidiary of JT,

is employees with over 90 nationalities. JT and JTI, therefore, encourage the employee exchanges to develop global human resources. At the same time, JT and JTI jointly held the JT/JTI Exchange Academy in Japan (October) and in Switzerland (January), where participants from around the world (including Japan) communicated in English and worked on group studies. This program is designed to deepen mutual understanding by bridging language and cultural barriers, thereby helping employees develop global perspectives.



Participants engaged in serious discussions

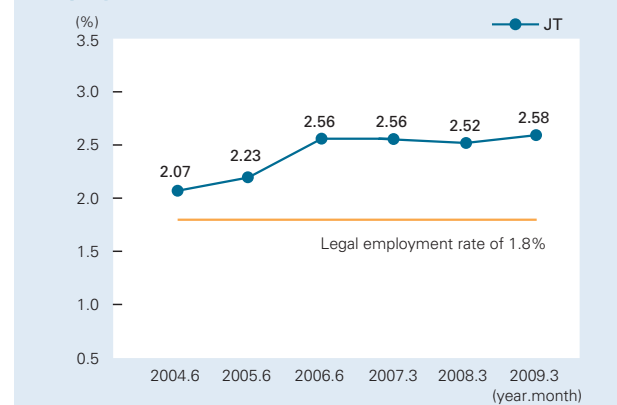
Re-employment System

With the minimum age for receiving the public pension raised, JT has a reemployment system in place that offers employees an option to extend their employment, targeting those in their early 60s.

Employment of Persons with Disabilities

Efforts are underway to create better workplaces for employees with disabilities. To help them make the most of their capabilities, for instance, they are assigned duties for which they are qualified, while facilities and installations are being improved, with due consideration given to the convenience of commuting to and from their workplaces. JT's employment rate of persons with disabilities stood at 2.58% as of the end of March 2009, well above the legal employment rate of 1.8%.

Employment Rate of Persons with Disabilities



Creation of an Ideal Working Environment

Work-Life Balance

It is imperative that all employees achieve work-life balance and display their talents and abilities fully with high motivation and a sense of fulfillment. When faced with life events such as raising children and caring for someone sick or aged in the family, what employees need is a system where they can continue working with a sense of security, while doing what they ought to do as a member of their family. JT is creating and improving such systems to help employees achieve work-life balance.

Creation of an Environment Friendly to Employees Raising Children

As part of its efforts to help employees achieve work-life balance, JT is creating an environment and a system friendly to those who are raising children. Specifically, all employees, both men and women, are entitled to a baby break, with a program in place to help employees raise children and return to work. A short time working program, meanwhile, is applicable to those who have children in the third grade or younger. In May 2008, the Ministry of Health, Labour and Welfare certified JT as a company promoting next-generation nurturing support measures. In FY 2008, 80 employees took a baby break and 10 applied for the short time working program.

I value the time with my family, which in turn makes my work life more productive.

I used to work away from home, while my working wife lived in Yamagata. After the birth of our baby, I took a short parental leave to help her. I sought advice from my boss and colleagues immediately after the baby's birth because I needed support from my office. As I shared household chores with my wife for the first time in my life, taking care of two kids, I realized how hard it is to raise kids. I also realized the simple fact that I could concentrate on work because my wife managed our family. These experiences helped me return to work with a fresh spirit. I also learned to use time more wisely. All in all, I think I'm now working more efficiently than ever.



Masaki Omori
JT Human Resource Division

Employees' Social Participation

JT has systems in place to encourage employees to contribute to society. For example, employees are entitled to take leave to volunteer for disaster relief (Volunteer Leave), register themselves with a bone marrow bank, receive medical examinations and be hospitalized for bone marrow transplantation (Marrow Donor Leave) and participate in the Japan Overseas Cooperation Volunteers (JOCV Leave).

Welfare

The Cafeteria Plan is in place to promote the welfare of employees, meeting the diversified needs of each generation and employee fairly and impartially. This plan – which includes a variety of programs available on various occasions such as those for self-development, raising children, nursing care for someone in the family, health promotion and accommodations – helps employees broaden their knowledge, learn techniques, design a life plan and recharge themselves. Specifically, each employee is provided with a certain number of Cafeteria Points, which they can use to take part in these programs.

Creating Workplaces Where Employees are Gratified and Rewarded

A company is responsible for ensuring the safety and health of its employees at their workplaces. Recognizing this, JT set the JT Occupational Safety and Health Basic Policy in 2002, working on further improvement of safety and health management.

JT Occupational Safety and Health Basic Policy

1. Meet the requirements of the laws and regulations concerning occupational safety and health
2. Improve the safety and health management system and define the role, authority and responsibility of each staff member
3. Eliminate or reduce safety and health hazards
4. Implement proper health management and help employees maintain and improve their health
5. Implement education and training programs for occupational safety and health to increase awareness among employees
6. Evaluate the occupational safety and health management system regularly for its continuous improvement
7. Invest in occupational safety and health programs in an appropriate and systematic manner

To Eliminate On-the-job Accidents

JT set up its unique Industrial Accident Prevention Five-year Plan to eliminate on-the-job accidents, setting goals for maintaining and promoting employee mental and physical health and reducing the number of on-the-job accident casualties.

Accordingly, each business place is stepping up on-the-job accident prevention measures, setting key issues, goals and plans for occupational safety and health in accordance with JT Occupational Safety and Health Basic Policy and the Industrial Accident Prevention Five-year Plan. In addition, an elaborate safety and health education program is in place, while employees are encouraged to have an interest in and increase awareness of occupational safety and health.

Total Lost Time Incidents at JT's Factories

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Number of victims	2	9	1	6	3
Frequency rate*	0.33	1.90	0.25	1.48	0.75
Severity rate*	0.006	0.634	0.014	0.406	0.029

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

Health Management of Employees

Recognizing that each employee needs to stay healthy both physically and mentally to ensure continuous high performance, JT stations full-time medical personnel (13 physicians and 32 public health nurses) at 11 locations nationwide.

All employees undergo legal medical examinations, while additional examinations are annually conducted for those 35 years of age and older to prevent lifestyle-related diseases, with industrial physicians communicating the results to each employee, based on his/her medical records.

Approaches to Mental Health

JT is well aware of the importance of employees' mental health and therefore is striving to prevent mental illness.

With a counter in place, where specialists and counselors offer counseling services, while external specialized institutions listen to employees' problems either by phone or face to face. In addition, workshops and seminars on self-care ability and for administrators providing support for employees are held regularly, in accordance with the Guidelines for Mental Health Promotion at the Workplace established by the Ministry of Health, Labour and Welfare.

Respect for Human Rights

JT places a premium on creating and maintaining a working environment where each employee is respected as an individual and each trusts the others. Accordingly, JT developed the Basic Policy on Human Rights Education, while discussing human rights issues from an international perspective as its business goes global.

Basic Policy on Human Rights Education

1. Completely respecting and protecting human rights at the workplace
2. Establishing the Committee of the Promotion of Human Rights Education
3. Appointing members to the Committee of the Promotion of Human Rights Education for Fair Employment Procedures
4. Providing systematic and continuous training in human rights
5. Responding to "fake Dowa (antidiscrimination) Activity"
6. Exchanging ideas with our labor union regarding human rights issues
7. Promoting education in human rights among JT Group of companies
8. Respecting human rights, and introducing and distributing study materials in response to the internationalization of our business

To Create a Better Employee-Employer Relationship

It is imperative that employees and employers share a common view of the business environment and trends to ensure future growth and development. We, JT and its labor union, are thus working together to handle management issues, such as business environment, business plans, and financial management, respecting each other on an equal footing. At the same time, we review and discuss proposed measures with integrity before implementing them, with both parties held responsible for agreed terms and conditions. JT maintains productive employee-employer relationships based on mutual assurance.



Exchanging information on CSR issues with the JT Group Union



CSR Activities in JT's Business

CSR Activities in the Tobacco Business

We are committed to preventing youth smoking and creating an environment where smokers and non-smokers live in harmony.

The JT Group places a premium on fulfilling its corporate social responsibility as well as on delivering quality products to customers. This responsibility involves meeting expectations of a variety of people, both smokers and non-smokers.

The JT Group is thus rolling out campaigns for smokers to improve smoking manners and creating a better environment, recognizing the need to create an environment where smokers and non-smokers live in harmony.

For improving smoking manners, for example, a nationwide citizen participation cleanup campaign dubbed the "Pick Up, and You will Love Your City" is in place to help people develop a mindset for not throwing trash on the street through the experience of picking it up. At the same time, efforts with municipalities are underway to set up smoking areas and offer consulting services for smoke separation in various facilities including public places.

One of JT Group's priorities is to prevent youth smoking. In fact, the JT Group is working with the industry and all parties concerned, rolling out campaigns and placing ads in newspapers. Last year, cigarette vending machines with an adult identification system were installed across the country – a program that will be monitored and managed to prevent youth smoking.

The JT Group is committed to fulfilling its corporate social responsibility by creating an environment where smokers and non-smokers live in harmony and by preventing youth smoking.



Mitsuomi Koizumi
President, Tobacco Business

CSR Activities in the Tobacco Business

Promotion of Youth Smoking Prevention Initiatives

Minors should never smoke. In fact, minors are legally prohibited from smoking. They are in the process of development, both physically and mentally, with their personalities, lifestyles and discretion yet to be established.

Youth smoking is a problem that cannot be solved by tobacco industry alone. It is a social problem that needs to be addressed by society as a whole, including households. JT continues to work on youth smoking prevention, while promoting cooperation with concerned parties.

Community Youth Smoking Prevention Programs

In cooperation with municipalities, police stations, tobacco retailer association and other concerned parties in each community, JT organizes the "Youth Smoking Prevention Council," participates in a variety of seminars for educational campaigns.

The Japan Tobacconist Federation is rolling out a youth smoking prevention program, placing stickers and posters (designed and provided by the Tobacco Institute of Japan [TIOJ], of which JT is a member) in retail outlets, while promoting the "I Care About You" campaign.

In addition, TIOJ conducts additional youth smoking prevention campaigns during promotional months.

Educational Activities Through Newspaper Ads

JT supports industry-wide initiatives to prevent youth smoking and places ads independently in national and local newspapers.



Calling for youth smoking prevention in national and local newspapers

Voluntary Standards for Advertising and Sales Promotion

In an effort to further fulfill corporate social responsibility for youth smoking prevention, JT conforms to voluntary regulations for advertising and sales promotion in the domestic market. These regulations have been in place since the days of the Japan Tobacco & Salt Public Corporation,

with advertising through the media phased out from 1969.

In addition, the tobacco industry has been in compliance with voluntary regulations set by the Tobacco Institute of Japan (TIOJ) since its establishment in 1987. TV and radio advertising was discontinued in April 1998, followed by suspension of advertising on public transport in October 2004 and outdoor billboard advertising in April 2005 (visit the website of TIOJ for details of the voluntary regulations in the domestic market).

Website of TIOJ
URL www.tioj.or.jp

Promotion of Cigarette Vending Machines with an Adult Identification System

It is important for youth smoking prevention initiatives to prevent minors from buying cigarettes from vending machines. The tobacco industry, therefore, has been promoting programs such as voluntary restrictions on late-night sales through vending machines and the placement of campaign stickers. To further improve and strengthen these programs, the industry introduced cigarette vending machines with an adult identification system using IC cards, designed to limit purchasing cigarettes to adults.

Specifically, the Tobacco Institute of Japan (TIOJ), the Japan Tobacconist Federation (JTF) and the Japan Vending Machine Manufacturers Association (JVMA) played a key role in developing the vending machines, retrofitting existing vending machines with the system or replacing them with new ones, and promoting the "taspo" IC card.

The vending machines were first introduced in Kagoshima and Miyazaki in March 2008. After that taspo-introduced areas gradually expanded, and then nationwide in July 2008.

In addition, each taspo card has the name and photograph of the cardholder for identification purposes, which together prevent its transfer or use by others.

The tobacco industry continues to appropriately manage cigarette vending machines with an adult identification system to prevent youth smoking.



Taspo IC card

Cigarette vending machine with an adult identification system

Creation of an Environment Where Smokers and Non-smokers Live in Harmony

JT is promoting smoke separation in public places and the improvement of smoking manners, all designed to create an environment where smokers and non-smokers live in harmony.

For smoke separation, a variety of options should be offered to both smokers and non-smokers. To create a "society of smoking area separation," where such options are available, programs are in place to set up smoking areas in public places and offer expertise on the flow of cigarette smoke and examples of smoke separation.

Smokers, meanwhile, are expected to play a part in establishing harmony with non-smokers by observing smoking manners. To this end, JT and the parties concerned are working together to improve smoking manners.

Approaches to create an "environment where smokers and non-smokers live in harmony" are posted on the following website:

SMOKERS' STYLE

URL www.jti.co.jp/sstyle

Bun-en.com

URL bun-en.com



TV commercial showing JT's approaches to smoke separation



Example of smoke separation in public places (Koshigaya Lake Town, Koshigaya City, Saitama)

To Improve Adults' Smoking Manners

JT is calling for improved smoking manners through advertising campaigns that encourage smokers to make more consideration to non-smokers around them. For example, with the catch line "Pay attention, and you can change your manners," TV commercials are being aired as part of the "awareness of smoking manners" series, while public awareness campaigns are underway through newspapers and posters.

In addition, JT participates in the "Minato Tobacco Rule" program organized by the Minato Ward Office, Tokyo, cooperating with the office and local communities and companies in improving smoking manners, thereby reducing cigarette butt littering and preventing smoking while walking.



Calling for Improved Smoking Manners through TV Commercials



Advertising to improve smoking manners

Setting Up Smoking Areas in Public Places

JT and municipalities nationwide are jointly setting up smoking areas in public places to improve smoking manners and reduce cigarette butt litter.

The first smoking area was set up in August 2003 in the Shimbashi Station Plaza, with a total of 653 areas established as of March 2009 in cooperation with 140 municipalities nationwide. Some areas have seen a dramatic decrease in the littering of cigarette butts and trash.



Smoking area set up in Kawaramachi, Kyoto (along the Takase River)

Improving the Smoking Environment in Various Facilities

JT and a variety of parties concerned such as municipalities and facility administrators are working together to improve the smoking environment.

Specifically, consulting services are offered to terminal stations, airports and large-scale commercial facilities with many commuters, tourists, businesspersons, families and shoppers, with focus on expertise on the flow of cigarette smoke and examples of smoke separation.

Smoke Separation Consulting Services

JT houses a smoke separation test room where physical conditions such as exhaust air flow and layout can be adjusted to recreate various smoking environments. This smoke separation test room is a system to verify optimal smoke separation methods through experiments.

Based on the results from such experiments, and with due consideration to non-smokers, smoke separation methods that meet smokers' requirements are presented to facility administrators – which constitute JT's smoke separation consulting services.

In addition, the website, SMOKERS' STYLE, shows basic information and key points in smoke separation as well as details of smoke separation consulting services.



The website SMOKERS' STYLE

Comment from Staff on Smoke Separation Consulting Services

While a variety of facilities such as offices and restaurants ask for our consulting services, we are working with local staff to make suggestions for improvement. Good results reported by administrators of those facilities are very encouraging.

Shinsuke Iwakami
Social Environment Creation Division, JT

"Pick Up, and You will Love Your City" Campaign

JT has been rolling out a citizen participation cleanup campaign dubbed the "Pick Up, and You will Love Your City" since 2004 in sync with local events nationwide. This campaign, designed to help people develop a mindset of not throwing trash by picking it up, has been carried out along with approximately 750 events held in 47 prefectures, with a total of approximately 800,000 people participating as of March 2009; in fiscal year 2008[from April 2008 to March 2009], 284 events supported the campaign, with approximately 250,000 participants.

Local municipalities, companies, schools, voluntary bodies, and planning committees and organizations engaged in local events jointly organize the "Pick Up, and You will Love Your City" campaign. As of March 2009 the number of such groups totaled approximately 1,400.

Hoping to increase the number of people who do not throw trash, JT continues to promote the "Pick Up, and You will Love Your City" campaign with more participants and collaboration.

The website of the "Pick Up, and You will Love Your City" Campaign
URL www.jti.co.jp/sstyle/manners/clean



Environmental, Health and Safety Programs in the International Tobacco Business

JTI controls the production, marketing and sales of the JT Group's cigarette brands in more than 120 countries around the world and has more than 30 manufacturing operations in 25 different countries. JTI is an international and multicultural business, employing more than 23,000 people around the world.

JTI was enlarged in 2007 by the acquisition of Gallaher plc, which nearly doubled the production volume and number of employees.

This section provides a snapshot of how JTI has integrated EHS across the expanded business in 2008 and updates on its EHS performance and programs.

EHS

Over the last eight years JTI has been following an Excellence Plan designed to integrate EHS fully into its business activities.

JTI's current strategy is based on three key areas:

1. Continuing to strengthen its EHS management system foundations with consistent standards applied around the world.
2. Challenging targets with supporting programs to deliver improved performance across all our operations
3. Driving sustainability throughout its value chain from the sourcing of raw materials to the disposal of packaging and waste.

JTI made progress in all these areas, and has achieved a fifth year of improved EHS performance from its 2003 baseline. Indeed, EHS objectives are an integral part of the business's annual strategic planning process and targets were set in 2008 to deliver continuous improvement in EHS performance.

JTI has had robust Environmental and Health and Safety (EHS) management systems in place for a number of years, in accordance with the international standards ISO 14001 and OHSAS 18001. These systems, which include EHS policies, standards, tools and programs are being rolled out across the enlarged business.

Currently, sixteen factories are certified to the EHS international standards with a number of different certification companies. In 2008, a program was started to achieve certification of all factories, including the newly acquired factories, under a single certification company by 2010. This will drive integration and consistent implementation of EHS across JTI.

JTI continued to show strong improvement in EHS performance across the company as measured by Key Performance Indicators (KPIs). Six EHS KPIs have been applied across the factories and are reported on a monthly basis. JTI's market and office operations report four EHS KPIs every quarter.

Environment

For the fifth consecutive year, specific* CO₂ emissions and energy and water consumption showed improved performance; down 6%, 4% and 13% respectively versus 2007. Production waste fell and recycling increased in 2008, by 12% and 1%.

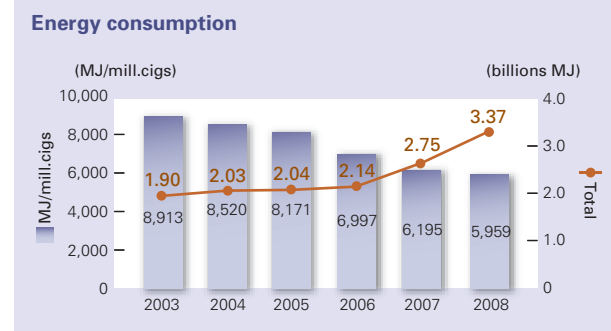
Factories continue to implement efficiency programs including enhanced energy metering, which will provide information for reduction projects and building climate control. The key waste reduction project in 2008 has been a global program to collect and re-use tobacco cases, which are used to transport tobacco around the company.

*per million cigarettes



The tobacco case re-use program has driven a significant reduction in waste

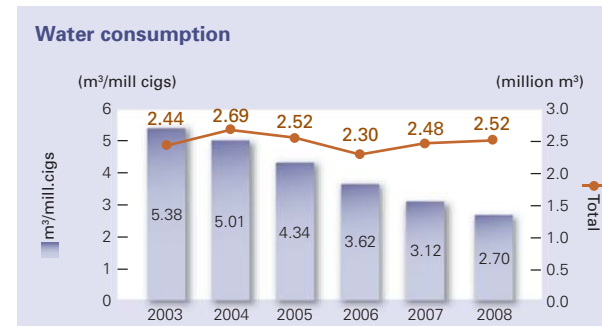
JTI Environmental Performance



Based on 2003, factory energy consumption per unit of production has been reduced by 33% in the cigarette factories.



Based on 2003, factory CO₂ emissions per unit of production has been reduced by 34% in the cigarette factories.



Based on 2003, factory water consumption per unit of production has been reduced by 50% in the cigarette factories.



Based on 2003, factory production waste per unit of production has been reduced by 28% in the cigarette factories



Based on 2003, factory production waste recycling rate has increased by 5% in JTI factories.

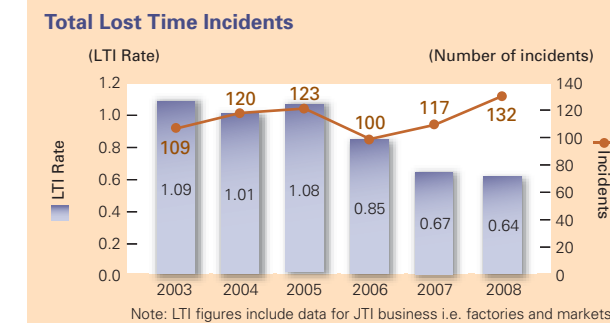
Safety

The Safety Change Program, started in 2006, continues to drive a reduction in accidents across all JTI factories. Over 1000 managers, nearly 10,000 employees and 1000 permanent contractors have received safety training. The program has been designed to change attitudes and behaviors toward safety. In 2008, the safety KPI (lost time incidence rate) in JTI factories improved by 19% compared to 2007.

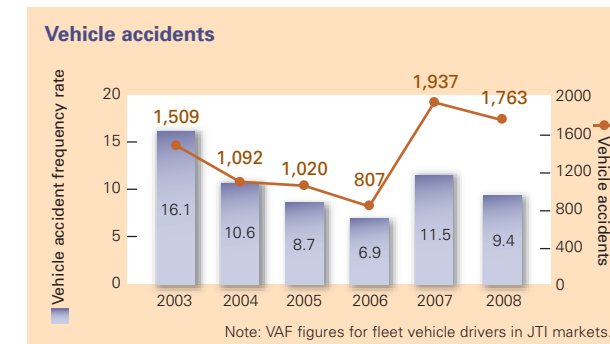


Safety training underway in JTI Tanzania as part of the safety change program.

JTI Health and Safety Performance



Based on 2003, lost time incidents per 200,000 hours worked has been reduced by 40%.



Based on 2003, vehicle accidents per million kilometers has been reduced by 42%.

*Further to data verification in 2008, values for years 2003 and 2007 have been revised against those published in the 2007 report.

Our Philosophy as a Tobacco Manufacturer

Based on the JT Group Mission, we define our recognition of tobacco products and principles in conducting tobacco business.

Our Recognition on Tobacco

We, as the JT Group, recognize our main product, Tobacco, as follows:

Tobacco for Customers

Almost one third of the adult population of the world smokes. People smoke for various reasons; some people smoke for pleasure, to enjoy tobacco's rich taste and flavor, others to relax and gain a peace of mind, or to focus. On the other hand, with smoking pleasure come real risks. There are many people who report difficulty with quitting.

We believe adults have the freedom to choose smoking as a personal pleasure, being fully informed about the risks.

Tobacco for Society

Tobacco has been commonly used as an item to promote communication between people; to break a moment of silence or sometimes to gain relief from tension.

However, people who do not smoke are often irritated by tobacco smoke. Smokers should at all times be courteous and pay full attention to non-smokers.

From a socio-economic standpoint, tobacco is the product of a wide range of industries, from growers to retailers. Many people in the world rely on tobacco for their livelihoods.

It should also be noted that tobacco taxes stemming from cigarette sales are borne by smokers and contribute to a significant part of government revenues across the world.



Leaf Tobacco Plantation

Tobacco in History

Tobacco has a long history going back to the days of the Mayan civilization. Many unique and interesting cultures can be traced back to its natural proximity to people's everyday lives.

In modern times, tobacco became an important agricultural product with significant economic value. The manufacturing of tobacco products, starting off as family-run businesses, went through rapid technological innovation and became one of the first industries to globalize at the end of the 19th century.

On the other hand, some countries have, from time to time, banned tobacco, considering smoking as an unnecessary pastime, and for various reasons. In recent years smoking has become controversial in terms of its effects on health.

While tobacco has been a controversial product through history, it is a product that people have enjoyed for more than 500 years.



Relief of God Smoking Tobacco (Mayan Civilization)

Tobacco Business Management Guideline

Tobacco is a controversial product, and public authorities have determined that with smoking come health risks. As a tobacco business operator, we therefore recognize that we must meet high social expectations of honesty and transparency.

We have established management guidelines by which we discipline ourselves in order to meet these expectations, and are committed to the following principles:

Openness about the risks of smoking

Public authorities have determined that smoking causes or is an important risk factor of a number of diseases. We support efforts to advise smokers accordingly. No one should smoke without knowledge about the risks of smoking.

Transparency about Our Product

Naturally, smokers want to have information about the cigarettes they smoke. We are thus committed to disclosing accurate information about tobacco additives.

Endeavoring to reduce the risks of smoking

We do not believe that smoking risks can be completely eliminated, but there are ways in which we may be able to reduce the risks. We are committed to developing cigarettes that have the potential to reduce the risks of smoking.

Youth smoking prevention

Minors should not smoke. Youth smoking is a societal problem and cannot be solved by tobacco companies alone. We are committed to playing a full role in the prevention of youth smoking.



Accommodation of smokers and non-smokers

People who do not smoke are often irritated by tobacco smoke.

Cigarette littering spoils the environment, can cause fires, and smoking in a crowd can be dangerous.

At all times, smokers should show more courtesy to non-smokers and to society.

We advocate reasonable solutions to accommodate smokers and non-smokers.



Mark Symbolizing the Harmonious Coexistence of Smokers and Non-smokers

JT's Perspective on Health and Smoking

Opinions about tobacco abound; however, the common conclusion of government authorities around the world is that smoking involves risks. We support their initiatives to provide smokers with advice about such risks.

In order to fulfill our corporate responsibility and meet the expectations of society, we have discussed various problems relating smoking and health, the results of which discussions are posted on our website.

SMOKERS' STYLE Website
 URL www.jti.co.jp/sstyle/





CSR Activities in JT's Business

CSR Activities in the Pharmaceutical Business

To Bring the Highest Level of Ethical Standards to the Pharmaceutical Business

Our raison d'être is to develop drugs and ease the pain of patients. With this in mind, we are striving to fulfill our primary mission – developing unique and innovative world-class drugs.

The pharmaceutical business involves a variety of systems as its products have a direct impact on human life.

In addition to observing such procedures and regulations, we always need to be clear in our minds that what we are doing has a direct impact on human life. That is, we always need to have a strong sense of ethics, duty and responsibility.

One of the CSR priorities for the pharmaceutical business, therefore, is to achieve the highest level of ethical standards, which form the basis of operations. Specifically, in addition to strictly complying with pharmaceutical laws and regulations, we have systems in place to 1) manage chemical substances, 2) conduct animal experiments in accordance with ethical standards, 3) observe relevant laws and regulations, standards, and operating procedures and 4) improve safety control.

Torii Pharmaceutical Co., Ltd., which manufactures and distributes the JT Group's pharmaceuticals, is committed to strictly complying with the Promotion Code and raising awareness of pharmaceutical issues among employees.

We continue to address these issues, as they are all essential in conducting pharmaceutical business.

We feel a sense of pride and challenge in taking up the development of world-class innovative drugs as our corporate mission. Our goal is to have patients and medical professionals think that "We could not have done without JT's drugs."



Noriaki Okubo
President, Pharmaceutical Business

CSR Activities in the Pharmaceutical Business

Strict Compliance with Drug related Laws and Regulations

Strict compliance with pharmaceutical-related laws and regulations

A number of laws and regulations apply to new drug development, some of which include verification of the safety of drug candidate compounds at the preclinical stage and assurance of safety of trialists during clinical development. In addition to improving the system in compliance with related laws and regulations, JT controls the safety of its drugs through strict in-house audits to check if the prescribed operating procedures are appropriately followed.

At the same time, a variety of measures are in place to provide patients with drugs in an effective and safe manner, based on data for their efficacy and side effects.

Proper Management of Chemical Substances

JT continues to comply with a variety of laws and regulations concerning the management of designated chemical substances, with rigorous in-house regulations and systems in place to educate employees on safety management.

The Central Pharmaceutical Research Institute, which spearheads JT Group new drug development, is striving to improve its chemical substance management system.

In accordance with chemical substance safety control standards and procedures, Torii Pharmaceutical Co., Ltd. systematically manages chemical substances, setting up management categories based on the characteristics of each chemical substance.

Strict Compliance with the Promotion Code

Medical representatives (MRs) – who provide, collect and convey information on pharmaceuticals – play a vital role in appropriate drug use. Meanwhile, the Japan Pharmaceutical Manufacturers Association (JPMA) sets forth the "JPMA Promotion Code for Prescription Drugs," a code of conduct for pharmaceutical companies in promoting medical supplies and prescription drugs, thereby strictly prohibiting drug abuse.

Torii Pharmaceutical Co., Ltd., tasked with the JT Group's MR activities, is educating and training qualified MRs, given the nature of their duties, while holding study sessions and seminars to strictly comply with its code of conduct.

Ethical Considerations for Experiments and Studies

Ethical Considerations for Animal Experiments

Animal experiments, an essential part of pharmaceutical development, play a vital role in determining the safety and efficacy of drugs. When conducting animal experiments, we always examine their scientific rationality, respect the lives of experimental animals and take into account the concept of animal welfare.

The Central Pharmaceutical Research Institute set in-house regulations for animal experiments in accordance with the Law of Humane Treatment and Management of Animals (Law 105, instituted in 1973) and its relevant guidelines (Notification 0601005, issued by the Ministry of Health, Labour and Welfare in 2006) to properly manage animal experiments and breed experimental animals.

Specifically, the animal experiment committee is in place to examine and ensure that experiments are conducted in accordance with the 3R concepts*.

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

Ethical Considerations for Human Genome / Gene Analysis

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

Awareness Raising Programs in Medical Care Field

Awareness Raising Programs in Medical Care

A variety of programs are in place to raise public awareness of medical care. For example, Torii Pharmaceutical Co., Ltd. provides tips for managing hyperuricemia and gout through brochures and videos on its website. Brochures on other diseases such as atopic dermatitis are also available to disseminate information on health issues to a wide range of people.



Brochure for Awareness Raising Programs

Torii Pharmaceutical's website
URL www.torii.co.jp



CSR Activities in JT's Business

CSR Activities in the Food Business

We Are Aiming at the Highest Level of Food Safety Control

We, the Food Business, operate in three primary areas: beverages, processed foods and seasonings, hoping to have what we produce eaten by those we love. We, therefore, are committed to delivering tasty, safe and comfortable products to customers.

Placing more emphasis on customers, the JT Group has been increasing efforts to control food safety; some of the efforts include procurement of safe raw materials, improvement of traceability, and technological development for the maintenance of hygiene and quality. We continue to aim at the highest level of food safety control, focusing on 1) reducing risks, 2) better serving customers and 3) strengthening the organization and management system.

In addition, the JT Group Food Safety Policy, which includes our corporate stance for gaining customer confidence, is shared among all employees.

We are also mobilizing the diversified resources of Katokichi and other group companies, learning from each other, pursuing every aspect of quality as a manufacturing company and doing what we ought to do as a matter of course. These efforts are essential for gaining customer and societal confidence and having the JT Group's products valued in the marketplace.



Sadao Furuya
President, Food Business

CSR Activities in the Food Business

We have the JT Group Food Safety Policy in place to ensure quality and deliver tasty and safe products to customers and to have our products eaten with comfort. This policy, which is our corporate stance, is shared across the JT Group, while serving as the basis for achieving the highest level of food safety control.

The JT Group Food Safety Policy

The JT Group Food Safety Policy, the very basis of the food business, defines our corporate stance, which can be summarized as follows:

- In addition to observing laws and regulations, we make our best efforts to ensure safety based on more stringent standards designed to provide customers with comfort.
- We incorporate the opinions of customers to improve the safety and quality of products.
- We proactively and appropriately disseminate information to meet the needs of customers and provide them with comfort, with focus on the origin of raw materials and location of manufacturing factories.
- We give the highest priority to minimizing harm to customers by taking quick and appropriate action in the event of any health hazard, while disclosing information obtained through investigations to prevent damage from spreading.

Approaches to Achieve the Highest Level of Food Safety Control

The JT Group controls the safety of food through the following three approaches:

Approaches to Reduce Risks

The quality control center has an advanced inspection system and performs strict audits on factories. In addition, efforts are underway to have all factories certified with ISO 22000, a food safety management system, while a contract is in place with an external consulting firm to administer food defense programs*.

*Food Defense Programs
Food defense programs are designed to address deliberate attack on the safety of food, such as pollution and contamination by foreign and poisonous substances.

Approaches to Better Serve Customers

The Customer Service Center is on call 365 days a year to answer a variety of inquiries and respond to suggestions from customers. A newly adopted information system plays a key role in promoting communications between relevant departments, thereby quickly and appropriately serving customers and further improving services. Information on manufacturing factories and the origin of raw materials is printed on product packages and posted on the website.

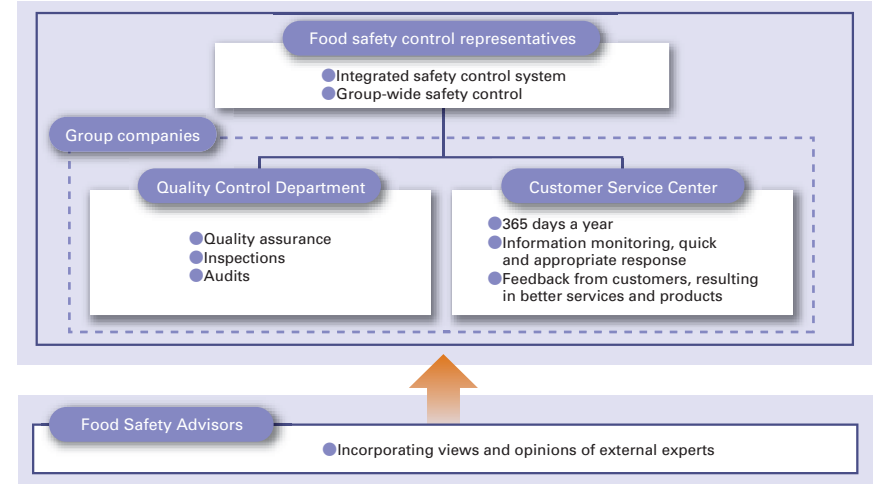
Approaches to Strengthening the Organization and Management System

In addition to strengthening each group company's safety control system, JT's food safety control representatives

play a central role in creating a group-wide safety control system. With the food development center expanded, there is a stronger link between R&D and quality control, resulting in improvements in the quality control system.

Meanwhile, we have Food safety advisers, consisting of external experts, regularly evaluate and advise on JT's approaches to food safety control, which is one of our programs to incorporate a variety of findings and viewpoints.

Food Safety Control System



Towards being a “Good Corporate Citizen” in Communities

- Social Contribution Activities of the JT Group
- Domestic Programs
- International Programs

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



Social Contribution Activities of the JT Group

The JT Group has been engaged in a variety of social contribution activities both on a group-wide and an individual basis, with contribution of each business place and factory rooted in the community in which it operates.

In 1994, a department tasked with overseeing the group's

social contribution activities was established. Currently, the JT Group committed itself to becoming a good corporate citizen both at home and abroad and set the JT Group Social Contribution Policy, promoting upgraded activities, in an effort to address critical issues in local communities.

JT Group Social Contribution Policy

As a good corporate citizen and a member of society, the JT Group will carry out its corporate social responsibility by contributing to the local communities it serves in a sustainable manner.

As a good neighbor, the JT Group will support the regeneration and revitalization of local communities, focusing on:

- "Social Welfare"
- "Culture and Arts"
- "Environmental Activities"
- "Aid for Disaster-stricken Areas"

The JT Group will select from these four areas those programs which best address the challenges of each local community, and in this way will contribute to the development of the communities we serve.

Based on this policy, the JT Group implements a wide variety of social contribution activities that in markets around the world. In doing so, the company actively encourages the participation of its employees, many of whom today volunteer their time and energy to this cause.

Towards being a "Good Corporate Citizen" in Communities
Goal: Regeneration and revitalization of the local community



Domestic Programs

In FY 2008 alone, the JT Group spent approximately 4.8 billion yen in rolling out domestic programs, focusing on four top priorities: social welfare, culture and arts, environmental activities and aid for disaster-stricken areas.

■ Social Welfare

As part of our efforts to promote the regeneration and revitalization of local communities and thus contribute to them as a good neighbor, the JT Group is implementing a variety of social welfare programs, including the NPO Support Projects, the JT Asia Scholarship and the JT Shogi Japan Series Tournament. At the same time, the JT Group's business operations across Japan contribute to local communities in a variety of ways while maintaining intimate relations with residents, for instance by supporting local festivals and sports events and providing company-owned sports grounds for use by local residents.



■ Environmental Activities

In appreciation of the benefits Mother Nature brings to our business and out of consideration for preserving the environment, the JT Group engages in environmental conservation activities. Activities include cleanup in the areas around JT's business operations and the "Pick Up, and You will Love Your City" campaign, which helps people develop a mindset for not throwing trash on the street through the experience of picking it up.

As its tobacco and food businesses use natural raw materials, such as leaf tobacco, vegetables and tea leaves, the JT Group is involved in afforestation and forest conservation (JT Forest activities), showing its appreciation for nature and fulfilling its corporate social responsibility.



■ Culture and Arts

The JT Group is involved in activities that contribute to the development and improvement of musical performances as well as other forms of culture and arts.

The JT Group engages in activities that contribute to the development and advancement of arts and culture. At the JT Art Hall Affinis, in Minato-ku, Tokyo, cultural events—mainly classical chamber music performances—are held on an ongoing basis, providing players with opportunities to develop their talents and offering an ideal venue for music lovers to creative and inspiring performances. Moreover, the JT Group has established the Affinis Arts Foundation to support professional Japanese orchestras, in an effort to foster talents and promote cultural development by offering assistance for orchestra players to study abroad and providing financial aid for orchestras to hold concerts.

In addition, the JT Group operates the Tobacco & Salt Museum in Shibuya-ku, Tokyo, which teaches the historical and cultural aspects of tobacco and salt through activities such as gathering materials and data, conducting research and survey and holding exhibitions and other events. Meanwhile, the JT Biohistory Research Hall, in Takatsuki City, Osaka, studies the biodiversity and provides people with a variety of opportunities to become familiar with the wonders of natural life, for instance by holding exhibitions and opening its laboratories to public. These approaches are all unique to JT.



■ Aid for Disaster-Stricken Areas

Upon the occurrence of a disaster in Japan and overseas, the JT Group conducts disaster relief activities by providing assistance to disaster-stricken areas through group-wide cooperation. These assistance includes donating emergency supplies, raising disaster relief funds and dispatching volunteers (employees). For example, the JT Group provided aid in several major disasters in the past two years:

June 2008	The Iwate-Miyagi Nairiku Earthquake
May 2008	China Sichuan Earthquake
July 2007	The Niigataken Chuetsu-oki Earthquake
March 2007	The Noto Hanto Earthquake

Example 1 Working with a local shopping mall to clean up the environment with flowering tobacco plants

In August 2008, the JT Musashino Sales Office in Musashino City, Tokyo, placed potted flowering tobacco plants (affinis) along the central avenue of Musashino City as part of a program to clean up the environment. Flowering tobacco, a species of tobacco, is an ornamental garden plant that usually flowers in the summer. Staff from both the JT Musashino Sales Office and a local shopping mall worked together in placing 54 potted flowering tobacco plants on the 2 km-long sidewalks along the central avenue, with each pot labeled with a sticker calling for not throwing trash on the street so as to improve manners. The local shopping mall welcomed this program, saying "We're very pleased that JT helps us clean up the environment and we hope this program will continue in the years ahead."



A potted flowering tobacco plant placed side by side with a planting (right) Employees from the JT Musashino Sales Office

Example 2 Contributing to local communities by providing children with opportunities to observe and experiment on plants

The JT Plant Innovation Center, Iwata City, Shizuoka, participated in the Youngsters' Science Festival that was held in Shizuoka in February and August 2008.

The JT Plant Innovation Center is developing advanced technologies that lead the bioindustry. One such example is the world's first gene-splicing techniques to program crops such as rice and corn. While there are concerns about children's aversion to science, JT researchers taught local children how to observe plants using a special microscope – an effort for children to experience first-hand the wonder of nature through experiments. The children appeared very interested in microscopic images of plant leaves and fruits as well as in DNA extracted from onions.



JT researchers teaching how to observe plants Communicating the wonder of science through experiments

Example 3 the JT Forest activities, a collaborative effort with local communities to restore forests in Japan

The JT Forest activities involve taking forestland on lease for a period of time to help local communities maintain their forests. Discussions are held with municipalities and forestry cooperatives on the functions and vegetation patterns expected for each forest, followed by specific activities such as planting and weeding thinning trees. While forestry management professionals (forestry cooperatives) take care of daily management and routines, JT Group employees and local residents volunteer for the services twice a year.

The JT Forest Activities, launched in FY 2005, have expanded to include eight areas nationwide such as JT Forest Yunomae (February 2009) and JT Forest Tsuruoka (March 2009).

JT Forest Nakahechi (Wakayama prefecture)	JT Forest Kosuge (Yamanashi prefecture)
JT Forest Nahari (Kochi prefecture)	JT Forest Chizu (Tottori prefecture)
JT Forest Nakatsugawa (Gifu prefecture)	JT Forest Shigetomi (Kagoshima prefecture)
JT Forest Yunomae (Kumamoto prefecture)	JT Forest Tsuruoka (Yamagata prefecture)

Working with local residents JT Forest Nakatsugawa, Nakatsugawa City, Gifu

The forest comprises approximately 80% of the Hirukawa district, Nakatsugawa City, Gifu, where the JT Group is engaged in the JT Forest activities. As residents have had water shortages for a long time, the community has been making a concerted effort to conserve the forest and safeguard water sources.

In JT Forest Nakatsugawa, which was launched in April 2008, thinning, pruning and planting broadleaf trees are underway to maintain the diversified functions of the forest, such as serving as a watershed, and to conserve ecosystems.

In October 2008, 150 local residents and 120 employees of the JT Group companies participated in pruning as part of forest conservation activities.



A number of elementary and junior high school students and their parents shared the meaning of the activities and worked with us. Through these activities, we hope to communicate the importance of forest conservation to the next generation.



Yohitaka Soga Ward Head, Hirukawa District, Nakatsugawa City

International Programs

In an effort to contribute to the development of the local communities in which it operates, the JT Group is involved in a variety of social contribution activities across the world.

Such activities are supervised by Japan Tobacco International (JTI), a JT Group international subsidiary controlling the production, marketing and sales of the group's cigarette brands in more than 120 countries around the world.

JTI is also proactively involved in social contribution activities as part of its responsibility for the local communities in which it operates.

In addition to its own activities, moreover, JTI is addressing challenging issues, such as promoting reforestation and forest conservation and preventing child labor in Africa, in these communities as a member of the JT Group.

Reforestation and Community Support Program in Africa

It is now two and a half years since the launch of the joint JT/JTI reforestation and community support program in Malawi and Tanzania.

In these two countries, woodlands and forests are under pressure because of deforestation. Tanzania and Malawi, meanwhile, are major leaf tobacco producers in Africa, both of which are closely related to the JT Group. In people's homes, wood is needed to provide fuel for cooking. It is also used in commercial activities, such as tobacco curing, for construction and as a fuel. The JT group program reduces pressure on natural woodlands allowing them time to recover. It helps people to establish sustainable alternative to the

natural woodlands, such as fast growing trees – and promotes more fuel efficient cooking stoves and curing barns. In the two years since the program started, a total of 7.7 million trees* have been planted, covering an area of 3900 hectares.

The program has an important social aspect, too. It provides clean water, hygienic pit latrines, equipment such as irrigation pumps, and teaches skills to increase farm output. Farmers have increased the number of crops harvested every year and grow a wider variety of crops – such as maize, tomatoes and beans. The program has helped to reduce disease, improve nutrition and incomes, enables farmers to become self-sufficient and provides a secure supply of food.

*excluding bamboo, which is also part of the program



planting of tree seedlings



Well with hand pump



irrigation pump



Approaches to the Child Labor Problem

Due to poverty, a significant number of children are forced to join the workforce, without receiving a decent education. JT, therefore, participates in the ECLT Foundation* to play a part in solving the child labor problem, offering educational opportunities to children in Africa, Asia and other parts of the developing world.

*Eliminating Child Labour in Tobacco-growing (ECLT) Foundation
The Eliminating Child Labour in Tobacco-growing (ECLT) Foundation is a nonprofit organization comprised of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), the International Tobacco Growers' Association (ITGA), leaf tobacco suppliers and tobacco manufacturers, with the International Labour Organization (ILO) as an advisor.

The website of the ECLT Foundation

URL www.eclt.org

JTI Corporate Philanthropy

JTI not only aims to be an excellent employer, but is also committed to supporting Corporate Philanthropy programs in the communities in which it operates. JTI's Corporate Philanthropy Policy and Guidelines are aligned with the JT Group's Social Contribution Policy, and have been shared with employees throughout the Company. JTI focuses its activities in three key areas: social welfare (charity), arts & culture, and disaster relief.

■ Social Welfare (Charity)

In the area of social welfare, JTI supports numerous projects focusing on the care of senior citizens and supporting adults with literacy difficulties. The following examples highlight just some of the activities the Company has supported in 2008.

In Canada, JTI has funded the distribution of refurbished computers as well as training to allow senior citizens to access the internet and use e-mail. In an age when there is increasing distance between families and friends, this technology has allowed the elderly community to stay in touch with their loved-ones.

JTI has a long history of supporting senior citizen projects in Romania to improve their daily quality of life. In 2008, we continued our work of actively engaging our employees to support the provision of meals, clothing donations and transport assistance to those in need.



JTI Romania supports the elderly citizens



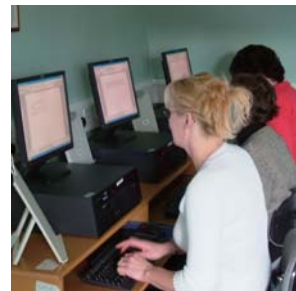
In Ireland, a group of professional actors and musicians, with JTI's support, performed live theatrical entertainment to enrich the lives of those living in residential care. The Company also funded a program of



JTI Ireland Serendipity Theatre Group

year-round literacy education and computer skills, targeted at disadvantaged adults to improve social inclusion and employment opportunities.

Following the theme of adult literacy, JTI has implemented a similar project relating to computer training in the Gostkow region of Poland - close to the JTI factory. In a region that has traditionally suffered from high unemployment, the project has allowed participants to improve their employment opportunities thanks to enhanced computer skills.



JTI Ireland Open Learning Centre

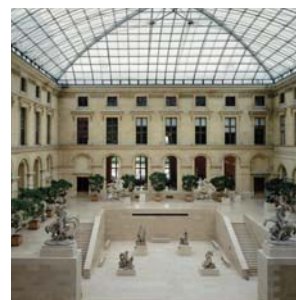


JTI Poland computer course participants

■ Arts and Culture

We continue to play an active role on the culture & arts scene, supporting numerous cultural projects and exhibitions across the globe.

In France, the world-renowned 'Louvre' museum has traditionally had strong bonds with the Japanese community, most notably through the 'Grand Louvre au Japon' program created in 2001. JTI has become a founding member of the 'Louvre Corporate Circle' and sits on its 'Sponsorship Direction Committee'.



The Louvre Museum supported by JTI France



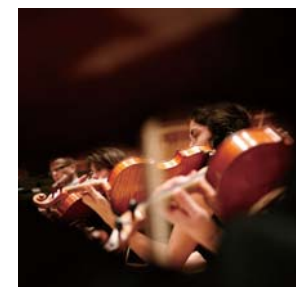
Japanese tourists are one of the largest national contingents visiting the Prado Museum in Spain. Since 1993, JTI has supported the museum to allow visitors to experience its great masterpieces. As part of this longstanding commitment, in 2008 we funded additional translations of the

Prado's Gallery Guides into Japanese, giving visitors in-depth information in their native language.

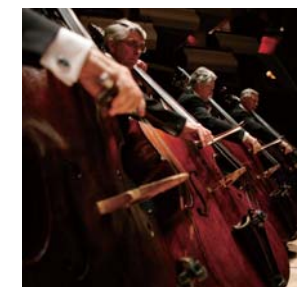


JTI Iberia Prado Museum Gallery Guides

JTI in the UK entered into a five year partnership with the London Philharmonic Orchestra. Founded in 1932, and recognized as one of the world's great orchestras, its residencies include the Royal Festival Hall in London, the Glyndebourne Festival Opera, as well as performing over fifty concerts internationally each year. Our support has safeguarded the future of the 'Friday Series' set of concerts, enabling the orchestra to maintain affordable ticket prices and ensure accessibility to a wide audience.



London Philharmonic Orchestra supported by JTI UK
(©Benjamin Ealovega)



In Russia, JTI has renewed for a further three-year term its partnership with the 'Mariinsky Theater'. As the oldest music theater in the country, it has been a national opera and ballet academy for more than two centuries. JTI's sponsorship follows a several year association with the Theater during which we have contributed financially to the construction of a new concert hall. As part of the new commitment, JTI will be the principal sponsor of the Theater's two major performances in 2009; the 'Moscow Easter festival' and the 'Stars of the White Nights festival'. Our partnership will also enable the orchestra of the theater to hold over 100 concerts with the goal of « bringing music to everybody », including charitable concerts for the elderly and the socially disadvantaged groups.

Following the successful partnership in Russia, the 'Mariinsky Theater Trust' has also received funding in the UK. The

Trust's main aim is to promote public understanding and awareness of the Mariinsky Theater's artistic activities. Our financial commitment has enabled the complete orchestra, and soloists from the Opera Company, to travel to the UK to perform concerts at the Barbican Theater, enabling the world-renowned performances to reach an international audience outside of Russia.



The Mariinsky Theater supported by JTI Russia

■ Disaster Relief

In 2001, JTI established the 'JTI Foundation'. Based in Switzerland, the Foundation supports underprivileged people around the world, with a particular focus on providing relief aid to victims of earthquakes and other natural disasters. The work of the foundation is conducted in cooperation with major relief organizations as well as governments and non-governmental agencies.

In 2008, the Foundation continued its support to develop a computerized modeling technique to estimate rapidly and precisely human and infrastructure damage caused by earthquakes. This ongoing work will significantly enhance the capability of international rescue missions. In tandem, the Foundation continues to support a specialist Turkish organization spearheading search and rescue missions across the globe, and most recently made a donation to the Vietnamese Red Cross to build houses for underprivileged and homeless people in the disaster stricken areas of Vietnam.



JTI Foundation Vietnam Red Cross houses



Approaches to the Global Environment

- JT Group Environmental Management
- Environmental Impact of the JT Group's Business
- Approaches to Preventing Global Warming
- Approaches to Resource Recycling
- Other Approaches
- Environmental Communication

We are committed to creating and passing on a healthy, rich environment to future generations.



JT Group Environmental Management

JT Group Environment Charter

To fulfill its social responsibility, JT established an environmental management policy called the "JT Global Environment Charter" in May 1995, giving the highest priority to conservation of the global environment.

As JT's business began to diversify and go global, the JT Global Environment Charter was upgraded to the "JT Group Environment Charter" in March 2004. Accordingly, group-wide efforts are underway to serve as a good corporate citizen in all countries and regions in which it operates and to strike a balance between business 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, with hoping to leave the healthy and productive environment to future generations, have active involvement in environmental 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 try to bring about harmony between our corporate activities and the environment.

Environmental Action Guidelines

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.

4. Process and Supply Chain

We will reduce the environmental impact and optimize the use of natural resources at all stages of our activities, from procurement of raw materials and manufacturing, through to sales and distribution.

5. Environmental Education

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

6. Environmental Communication

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

Revised in April 2009

The New JT Group Environmental Action Plans 2009-2012

The JT Group established the JT Group Environmental Action Plans in accordance with the JT Group Environment Charter, with efforts underway to achieve the group's targets for reducing the environmental impact.

As the JT Group Environmental Action Plans 2005-2008 ended in FY 2008, the JT Group Environmental Action Plans 2009-2012 were launched in FY 2009.

Through the JT Group Environmental Action Plans 2005-2008, the JT Group was able to meet reduction targets for three environmental impact issues (CO₂ emissions, water consumption and waste generation) in FY 2005. More ambitious targets were set in FY 2006 to further reduce the impacts.

The acquisition of Gallaher Group Plc (the international tobacco business) and Katokichi Co., Ltd. (the food business), however, increased the JT Group's environmental impact. Alternatively, there is a growing need for companies to establish efforts to conserve the global environment due to changes in social conditions, laws and regulations.

The JT Group Environmental Action Plans 2009-2012, therefore, aim to strengthen the group's environmental management and reduce its environmental impact, focusing on global warming prevention and natural resource saving, during the four years up to 2012, the final year of the Kyoto Protocol's first commitment period.

In addition, the JT Group continues to introduce fuel-efficient vehicles, reduce the environmental impact of its distribution services, promote green procurement and roll out afforestation and forest conservation programs at home and abroad.

Strengthening of the Group's Environmental Management

In addition to manufacturing and distribution group companies, the JT Group Environmental Action Plans 2009-2012 apply to all consolidated subsidiaries, which total 274 as of the end of March 2009, with environmental management systems phased in to improve the JT Group's environmental performance.

Reduction of Environmental Impacts (Global Warming Prevention and Natural Resource Saving)

Both JT and the JT Group have reduction targets for greenhouse gas emissions, water consumption and waste generation, while addressing global warming prevention and natural resource saving. At the same time, the tobacco, pharmaceutical and food businesses have their own reduction targets for unit energy consumption.

The JT Group's reduction targets, meanwhile, apply to JT and a total of 60 manufacturing and distribution group companies, whose operations have significant impact on the environment. The JT Group Environmental Action Plans 2009-2012, however, will impose these targets on consolidated subsidiaries as well, including non-manufacturing group companies.

*Greenhouse gases covered by the Kyoto Protocol: CO₂, CH₄, PFCs, HFCs, SF₆, N₂O

Environmental Impact Reduction Targets (2009-2012)

JT Group	
Global warming prevention	
Greenhouse gas emissions	Reduce by 10% below FY 2007 levels in FY 2012
Natural Resource saving	
Water consumption	Reduce by 12% below FY 2007 levels in FY 2012
Waste generation	Reduce by 15% below FY 2007 levels in FY 2012
Recycling	Continue with zero-emission activities at factories

JT	
Global warming prevention	
Greenhouse gas emissions	Reduce by 50% below FY 1995 levels in FY 2012
Resource saving	
Water consumption	Reduce by 70% below FY 1995 levels in FY 2012
Waste generation	Reduce by 35% below FY 1995 levels in FY 2012
Recycling	Continue with zero-emission activities at factories

In addition, the tobacco business, which is the core of the JT Group's operations, continues to control greenhouse gas emissions, with reduction targets in place. (Targets for FY 2012)

- Reduce greenhouse gas emissions per million cigarettes by 11% below 2007 levels at the JT Group tobacco factories
- Reduce greenhouse gas emissions per million cigarettes by 12% below 1995 levels at domestic tobacco factories (Long-Term Targets)
- Reduce greenhouse gas emissions per million cigarettes by 15% below 1995 levels at domestic tobacco factories in FY2020

Overview of the JT Group Environmental Action Plans 2005-2008

The JT Group has been striving to meet the targets established by the JT Group Environmental Action Plans 2005-2008 in an effort to reduce the environmental impact of its

operations. In fact, the JT Group was able to meet key reduction targets for CO₂ emissions, water consumption and waste generation in FY 2005. More ambitious targets were established in FY 2006, which resulted in further reduction in the impact.

CO₂ emissions: JT achieved a 37.9% reduction (from 1995

levels) and the JT Group (Japan), a 26.7% reduction (from 2003 levels), both in FY 2008, by switching fuels and retrofitting air conditioning systems at factories.

Water consumption: The JT Group factories achieved a 66.7% reduction (from 2003 levels, on a unit sales basis) in FY 2008 by improving manufacturing processes and pro-

moting resource saving.

Waste generation: The JT Group factories (Japan) achieved a 20.1% reduction (from 2003 levels) in FY 2008 by improving manufacturing processes and segregating waste in day-to-day operations.

Objective	Target (FY2005-2008)	Results (FY2008)	Results (FY2005-2008)	Self-evaluation	Target Companies	
Management System	Improve environmental management of the group	Expand the targets of group companies for environmental management	ISO14001: More business sites of Japan Beverage obtained the certification. ISO14001-conforming environmental management system: TS Network (the headquarters and one business place) introduced the system, while the JT Plant Innovation Center is working on it.	Helped business places establish management systems to obtain ISO 14001 certification •ISO 14001: all JT factories, 20 JT Group companies in Japan and 16 JTI factories obtained the certification. •ISO14001-conforming environmental management system: JT (the headquarters, area sales headquarters, regional leaf tobacco headquarters and laboratories) and three JT Group companies in Japan (As of the end of March 2009)	○	A
Products and Services	Promote development of eco-products	Continue to develop and launch eco-products	Continued to develop eco-products	Reduced the use of plastics •10 pack cartons: switched to parcel packaging using no plastics	△	B
			Promoted the wide use of paper trays for commercial frozen foods Reduced the thickness of shrink labels for PET bottles	Replaced plastic trays for commercial frozen foods with paper trays (two items) Reduced the thickness of shrink labels for PET bottles (30 items)		
Process and Supply Chain	Reduce CO ₂ emissions	JTG: Reduce total CO ₂ emissions by 20% below FY2003 levels	Decreased 2.6% year on year	Reduced by 26.7% below FY2003 levels Fuel shift (two factories), improvement of air conditioning systems, implementation of energy-saving programs	○	C
		JT: Reduce total CO ₂ emissions by 32% below 1995 levels	Decreased 3.3% year on year	Reduced by 37.9% below FY1995 levels		
		JTG: Increase the percentage of low emission vehicles to the fleet of company-owned vehicles to over 50%	Percentage of LEVs: increased 4.0% year on year	The percentage of LEVs increased to 81.2%, switched to LEVs upon termination of lease (6,641 units)		
		JT: Maintain the modal shift rate of long distance transportation (railroad and ocean) at over 50% (tobacco business)	Modal shift rate: increased 3.7% year on year	Achieved a modal shift rate of 65.3% Improved transportation efficiency through the use of containers		
	Reduce the amount of natural resources	JTG: Reduce water consumption by 40% below FY2003 levels (at factories on a unit sales basis)	Decreased 14.4% year on year	Reduced by 66.7% below FY2003 levels Improved manufacturing processes at tobacco factories, etc. through the promotion of energy-saving programs	○	B
		JT: Reduce water consumption by 56% below 1995 levels (total)	Decreased 7.7% year on year	Reduced by 63.5% below FY1995 levels		
	Proper management of chemical substances and reducing the amount used	Manage chemical substances properly in accordance with local laws and regulations in each country, sharing chemical substance management policy	Two business places audited by the environmental audit team, with no non-compliances identified	Thirteen business places audited by the environmental audit team between FY 2005 and FY 2008, with no non-compliances identified	○	B
		Comply with management classification determined by JT Group chemicals management guidelines, and reduce the amount of those substances used	Reduced the use of PRTR chemical substances by approximately 40% year on year	Reduced the use of PRTR chemical substances by approximately 83%	○	
	Reduce the waste generated and promote recycling	JTG: Reduce the total amount of waste by 14% below 2003 levels (at factories)	Decreased 2.6% year on year	Reduced by 20.1% below FY2003 levels Reused packing materials for raw materials	○	C
		JTG: Increase the recycling rate to over 90% (at factories)	Achieved a recycling rate of 85.0%	Achieved a recycling rate of 85.0% Switched from previous waste disposers to those capable of recycling wastes originating from factories	△	
JT: Achieve zero emissions at factories and Headquarters Increase the recycling rate to over 60% (at offices)		Factories: achieved zero emissions at 16 factories out of 17 Headquarters: achieved a recycling rate of 98.8% Offices: achieved a recycling rate of 92.1%	Factories: achieved zero emissions at 16 factories out of 17 Headquarters: achieved a recycling rate of 98.8% Offices: achieved a recycling rate of 92.1%			
JTG: Establish green purchasing standards and systems for office supplies, etc.		Registered 764 items for the green purchasing program	Registered more items for the green purchasing program Promoted opting for office supplies complying with green purchasing standards			
Promote green procurement of office supplies and equipment, and green procurement of raw materials	JT: Increase the green purchasing rate of office supplies, etc. to over 80%	The green purchasing rate decreased 12% year on year	Achieved a green purchasing rate of 75%	△	B	
	JTG: Establish green purchasing standards and goals for containers and packaging materials	Green purchasing standards for containers and packaging materials being established	The food and pharmaceutical businesses establishing green purchasing standards for containers and packaging materials, with those already in place for the tobacco business			
	JT: Set targets for green procurement of containers and packaging materials by FY 2005 (meet the targets by FY 2008)					
	Require that major suppliers for raw materials establish the environmental management system	The adoption rate of environmental management systems by raw material suppliers: increased 3% year on year (tobacco business)	The adoption rate of environmental management systems by raw material suppliers: 97% (tobacco business)	○		
Environmental Education	Raise awareness of the environment among employees	Develop and conduct environmental educational programs for employees and management	Offered educational programs for environmental managers Provided environmental information to all employees through the intranet	Offered educational programs for newly-appointed environmental managers, environmental auditors and on-site environmental auditing (with a total of 684 participants) Provided environmental information to all employees through the intranet	○	B
Environmental Communication	Support government and environmental organizations	Continue to work on environmental projects of the Administration, etc. and support environmental conservation groups	Continued to support environmental conservation groups	Continued to support environmental conservation groups		
	Afforestation projects	Conduct of afforestation activities for the conservation of ecosystems and forest resources	Domestic: Worked on reforestation and forest conservation at JT Forests, with agreements made for three additional areas	Domestic: Worked on reforestation and forest conservation at JT Forests (eight areas with a total area of 501.3 ha) Overseas: Worked on reforestation, agricultural productivity enhancement, and living standard improvement projects for two countries in Africa	○	E
	Appropriate disclosure of environmental information	Improve the contents of reports from the perspective of the entire JT Group	Renewed and improved the website and issued the 2008 CSR Report	Stepped up group-wide efforts in FY 2005 and issued the "JT Social and Environmental Report" Switched to the "JT CSR Report" in FY 2007		

【Target】 A: The entire JT Group B: Companies subject to environmental management (domestic and overseas)
C: Companies subject to environmental management (domestic) D: Companies subject to environmental management (major companies) E: JT
【Self Evaluation】 ○: Achieved △: Partially achieved X: Yet to achieve

*Sales refer to those exclusive of tobacco tax in to eliminate the effect of changes in the tax rate
*The CO₂ emission coefficient refers to the value set by the Environmental Activity Evaluation Program (issued by the Environmental Agency in September 1999). For utility power, however, the CO₂ emission coefficient for thermal power generation (0.55kg-CO₂/kWh) is applicable.

Promotion Systems of the JT Group Environmental Management

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

The CSR Committee, reviews developments in the JT Group Environmental Action Plans 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 Systems Based on ISO 14001 Standards

Based on ISO 14001, the JT Group is creating an environmental management system for each of its group companies, taking account of its business activities and environmental impact. Specifically, manufacturing establishments are encouraged to obtain ISO 14001 certification, while ISO 14001-conforming environmental management systems apply to non-manufacturing establishments (area sales headquarters, laboratories and distribution centers). Simplified environmental management systems are in place at small-scale business places.

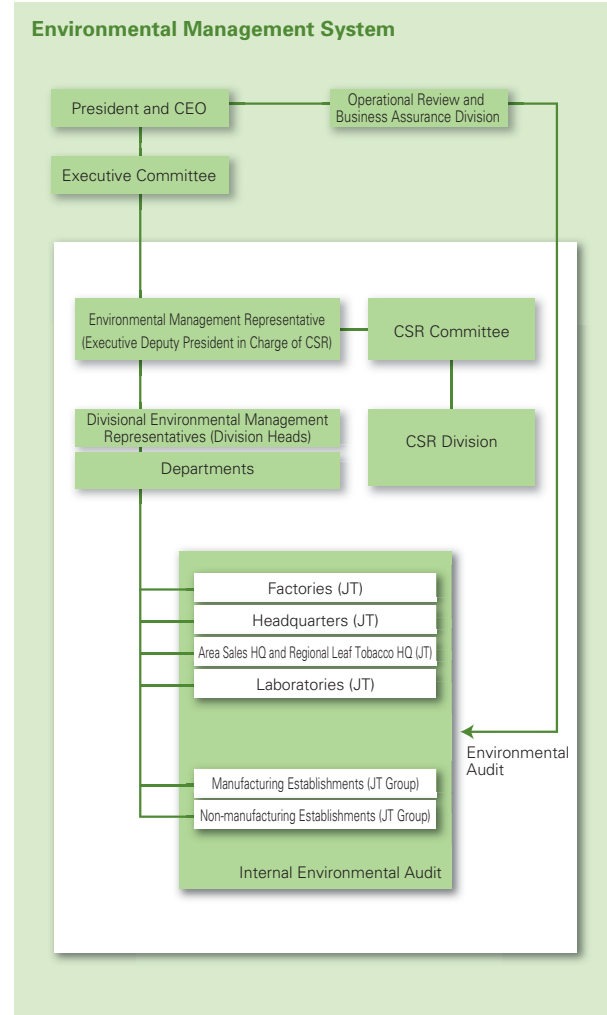
All JT's manufacturing establishments had obtained ISO 14001 by FY 2003. In addition, all its non-manufacturing establishments had created ISO 14001-conforming environmental management systems by FY 2004 and 24 domestic group companies, by FY 2008.

All consolidated subsidiaries are also expected to create their environmental management systems according to their operations and environmental impact.

Status of the JT Group's Environmental Management (As of the end of March 2009)

	ISO 14001 Certification	Complying with ISO 14001
JT	17 factories	Company Headquarters, 25 area sales headquarters, 6 laboratories, 3 regional leaf tobacco headquarters
Group Companies	Japan Tobacco International (16 factories) Eastern Japan Plant Service Co., Ltd., Central Japan Plant Service Co., Ltd., Western Japan Plant Service Co., Ltd., Kyushu Plant Service Co., Ltd., JT Engineering Inc., Fuji Flavor Co., Ltd., Japan Filter Technology, Ltd. (6 factories), Torii Pharmaceutical Co., Ltd. (Sakura Plant), Japan Beverage Inc. (and its seven subsidiaries), Nihon Shokuzai Kako Co., Ltd., Sunburg Co., Ltd., lipingshang Foods Corporation, Asahi Shokuzai Co., Ltd.	JT Logistics Co., Ltd., TS Network Co., Ltd.

JT Real Estate Inc. is expected to adopt either an ISO 14001-conforming environmental management systems or a simplified environmental management system.
JT A-Star Co., Ltd. is also expected to adopt a simplified environmental management system.



Environmental Auditing

Environmental Auditing for Environmental Management

Business sites with environmental management systems based on ISO 14001 certification or in accordance with ISO 14001 standards conduct independent internal audits. In addition, the headquarters supervises environmental audits covering the entire JT Group, including its factories, laboratories, area sales headquarters and JT group companies.

These systems are designed to improve JT's environmental management, with the Operational Review and Business Assurance Division, independent from those who are engaged in environmental conservation activities, reviewing and evaluating the JT Group's environmental conservation programs from an objective perspective.

Specifically, the Operational Review and Business Assurance Division selects business sites to be audited, based on its own standards (the years passed from the last audit, the environment surrounding a business site, and other factors), focusing on compliance with environmental laws and regulations and critical management challenges on the environmental front.

Critical issues identified, along with remedial measures, are reported to the president and communicated to the business sites and the division supervising those business sites for information sharing purposes. The Operational Review and Business Assurance Division subsequently perform followup audits as necessary to review the status of action plans.

Environmental Audit Results in FY2008

The Operational Review and Business Assurance Division audited two JT business sites and two group companies in FY2008, focusing on compliance with environmental laws and regulations, management of chemical substances based on the "Chemical Substance Management Guidelines" (a key environmental issue on the management front) and management of consolidated storage facilities handling equipment using PCBs.

This fiscal year's audits identified eight non-compliances, some of which include failure to report on air pollutants (Air Pollution Control Law); notify a change in pollution prevention representatives (Act on the Improvement of Pollution Prevention Systems in Designated Factories); implement safety education (High Pressure Gas Safety Act); and report properly on waste materials (Waste Disposal Law).

For the non-compliance with the Waste Disposal Law, mea-

Business places audited in FY 2008

- Naka-nihon Leaf Tobacco Headquarters (P, C)
- Kyushu Factory (P, C)
- TS Network Headquarters (P)
- TS Network Tokyo Distribution Center

(P): Business sites audited for consolidated storage management of PCB
(C): Business sites audited for chemical substance management

asures will be taken by the first half of FY 2009, while other non-compliances have already been addressed.

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

Development of Human Resources That Drive Environmental Management Systems

Placing a premium on human resource development, which is key to promoting and upgrading environmental management systems, the JT Group has a variety of programs in place to educate and train environmental management specialists. Some of the programs include in-house training courses for newly-appointed environmental managers and external training courses for ISO 14001.

There is also a system for the qualification of internal auditors, designed to unify auditing standards and improve their services.

Results of Environmental Manager Educational Programs

Name of training course	Newly-appointed environmental manager training	Training for environmental auditors	On-site training for environmental auditing
Target	Newly-appointed environmental managers and staff members	Environmental auditors	Environmental audit team leaders
Contents of training course	Training for newly-appointed environmental managers	Training of internal auditors (theory)	Training of internal auditors (practice)
Number of trainees	71	38	12

Measures in Procurement

Promoting Green Purchasing

The JT Group sets forth the "Green Purchasing Guidelines," which specify standards and procedures for green purchasing, to encourage the purchase of goods that have less environmental impact.

These guidelines applied to a total of 764 items (office supplies, office furniture, printed matter, office automation equipment, vehicles, etc.) in FY 2008, with JT's green purchasing rate standing at 75% in value terms.

Promotion of Green Procurement of Materials

JT is promoting an environment-conscious green procurement in partnership with suppliers.

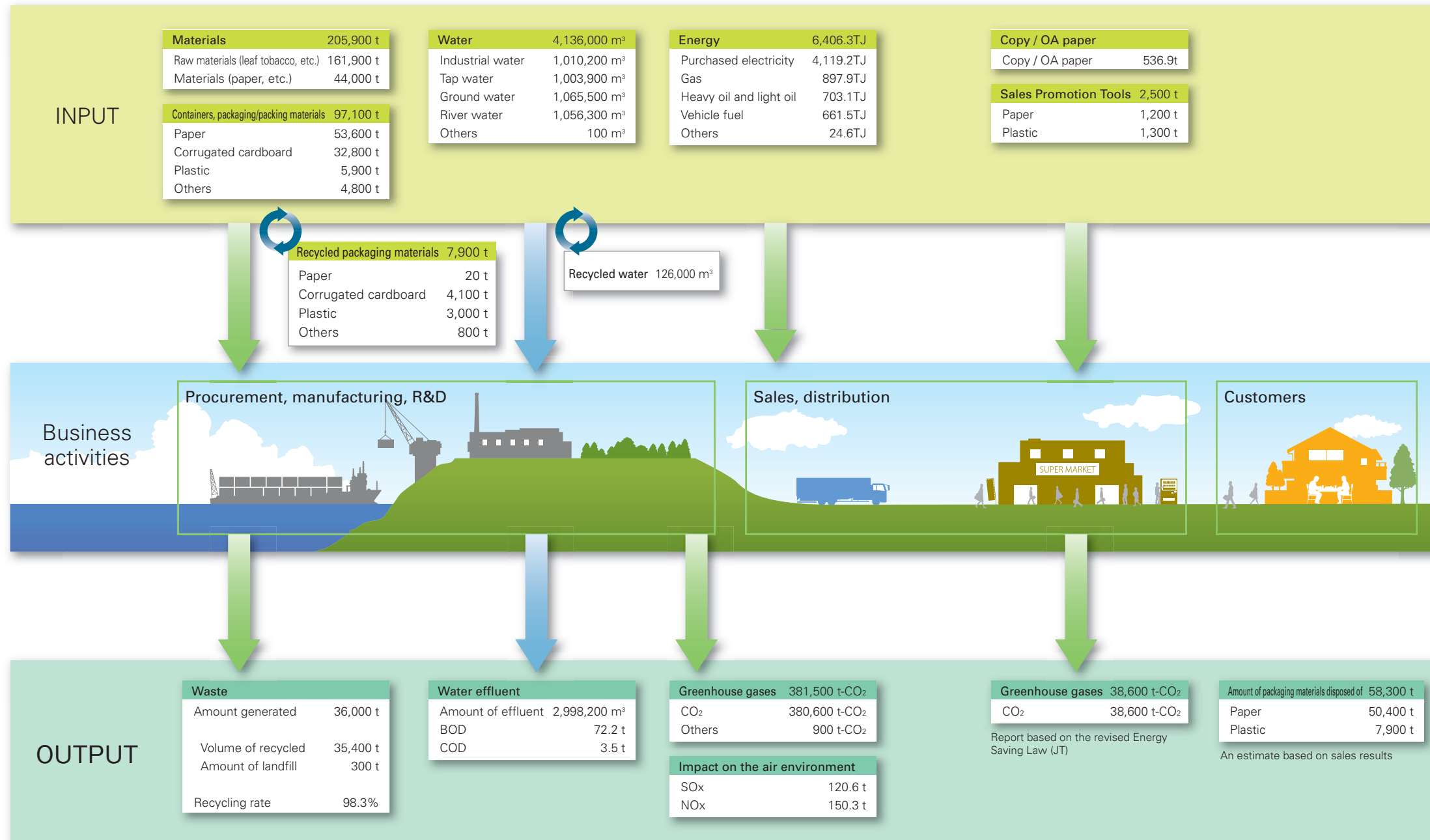
The domestic tobacco business, for example, has been following the "Green Procurement Standards" in a bid to promote environmentally friendly materials, while encouraging suppliers to create environmental management systems.

Accordingly, 97% of the suppliers have established environmental management systems in FY2008.

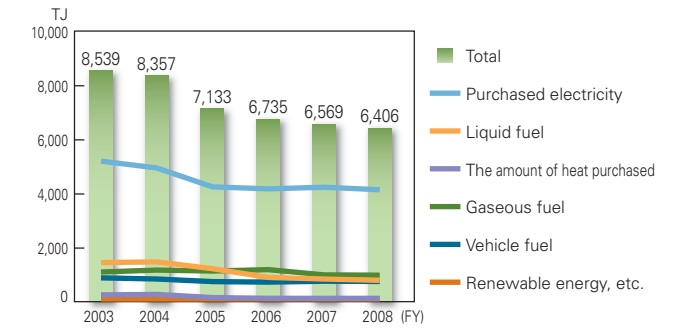
Environmental Impact of the JT Group's Business (Domestic)

The impact of the JT Group's operations – from raw material procurement to consumption of finished products – is monitored to ensure efficient use of resources such as raw materials, energy and water.

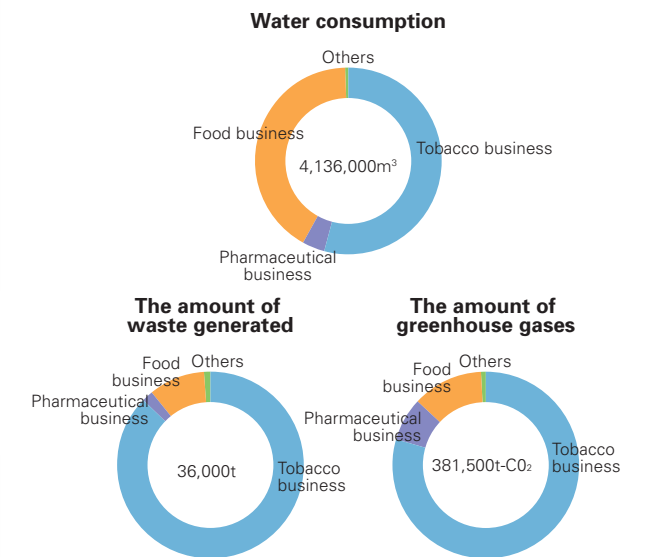
Targets: JT and 24 domestic group companies subject to environmental management
Period: April 2008 to March 2009



Energy consumption by category



Environmental impacts by business



[Calculation of Environmental Load]

- **Energy** Each energy consumption is converted into joule heat, based on the conversion factor.
 - Conversion into TJ: The value in the General Energy Statistics of Japan (FY 2000) (The Agency for Natural Resources and Energy) is used (38.7MJ/L) (1TJ=1×10¹² J).
 - Conversion factor: Table 1 of the regulations of the Law Concerning the Rational Use of Energy (FY 1999) is referred to.
 - Town gas: An oil equivalent factor is set for each gas.
 - Cold and hot water: Based on the actual heat supply from a heat supply company

- **CO₂ Emissions** are calculated based on the Environmental Activity Evaluation Program (issued by the Environment Agency in September 1999).
 - Purchased electricity: A factor of 0.55kg-CO₂ / kWh is used for thermal power generation.
 - Town gas: An emission factor is set for each gas.
 - Cold and hot water: Based on the actual heat supply from a heat supply company

- **NO_x (nitrogen oxides)** Emissions are calculated based on the Environmental Activity Evaluation Program (issued by the Environment Agency in September 1999).
- **SO_x (sulfur oxides)** Emissions are calculated, with the 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. A factor of 0.00024kg/kWh (the results in 1999, the Federation of Electric Power Companies of Japan) is used for purchased electricity.
- **Greenhouse gases** Based on the Manual for the Calculation and Report on Greenhouse Gas Emissions (issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry in June 2007).

Approaches to Preventing Global Warming (Domestic)

Approaches to Reducing Greenhouse Gas Emissions

Actual CO₂ Emissions in FY 2008

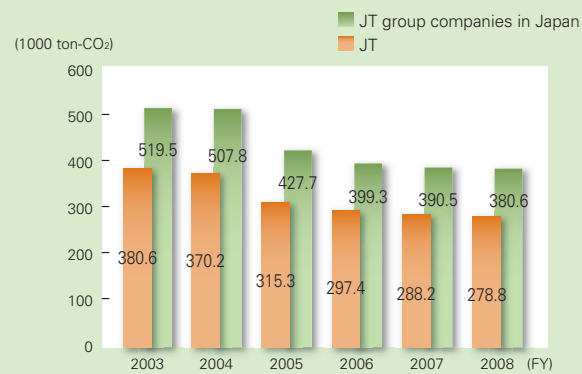
As the first commitment period of the Kyoto Protocol started in 2008, the JT Group is stepping up efforts to reduce greenhouse gas emissions and save energy.

In FY 2008, JT reduced CO₂ emissions by approximately 37.9% from 1995 levels and the JT Group, by 26.7% from 2003 levels; both significantly overachieved their targets. During the JT Group Environmental Action Plans 2005-2008, JT reduced 36,500 tons of CO₂ emissions and the JT Group, a total of 47,200 tons.

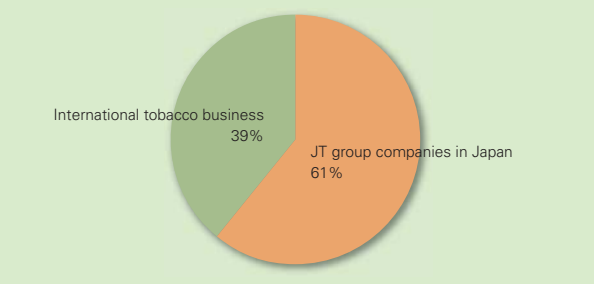
Specific measures include improvement of air conditioning systems at all factories (for power saving purposes) and switching of fuels at two factories.

The JT Group Environmental Action Plans 2009-2012 aim to further reduce greenhouse gas emissions, involving group companies in the overseas tobacco and food businesses.

Actual CO₂ Emissions



CO₂ Emissions by Domestic and International Businesses (FY2008)



Energy-saving Measures

Emission Reduction Measures in Manufacturing Sector

The JT Group focuses on energy saving measures at factories with significant CO₂ emissions to contribute to curbing global warming.

In FY 2008, for example, JT tobacco factories switched from heavy oil to city gas and natural gas to reduce CO₂ emissions from fuel combustion.

Other energy-saving measures at tobacco factories include control of chilled water spray pumps according to room temperature and of air conditioning systems through inverters.

JT Hofu Factory Awarded Prize by the Minister of Economy, Trade and Industry

At the FY 2008 Energy Conservation Month Awarding Ceremony, sponsored by the Energy Conservation Center, Japan (ECCJ), JT Hofu Factory was awarded a prize by the Minister of Economy, Trade and Industry, following JT Kyushu Factory, which was also awarded a prize in FY2007 by the Director General of the Kyushu Bureau of Economy, Trade and Industry.

Specifically, the award recognized an average of 10% energy saving between FY 2005 and 2007 through measures such as replacing parts for dust removing fans and improving sludge treatment systems.



At the award ceremony

Compliance with the Energy Saving

With the Energy Saving Law, consigners that consign more than 30 million ton-kilometers are considered specified consigners, and are required to promote the reduction of energy use in freight transportation by more than 1% on a unit basis every fiscal year. For the JT Group, JT, TS Network, Japan Beverage and Katokichi fall into the category of specified consigners.

In FY2008, JT shipped a total of 394 million ton-kilometers of cargos, including raw materials, tobacco products and beverages.

Energy Saving Measures at Offices

As an active member of the Team Minus 6%, the JT Group is promoting energy saving at offices as well contributing to curbing global warming. Specific measures include installation of sensor-controlled lighting equipment to turn off lights in unused rooms, use of blinds to control room temperatures and fine-tuning of air conditioning systems to optimize temperatures and operations.

In addition, all the lights at JT headquarter offices are turned off during the lunch hour (12:00-13:00) and after 19:00. The JT Group also took part in the COOL BIZ (June to September) and WARM BIZ (December to February) campaigns in FY 2008, with each employee encouraged to take energy saving measures.

Mitigating the Heat Island Effect Through Rooftop Greening

The Central Pharmaceutical Research Institute, which has been planting trees on its premises, turfed the roof (with an area of approximately 870 m²) of its office building in September 2008 at the request of the municipality of Takatsuki City, where it is located. This rooftop greening not only mitigates the heat island effect but also contributes to energy saving.



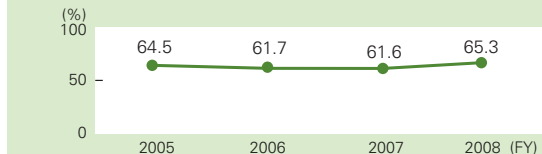
The Central Pharmaceutical Research Institute's building with rooftop greening

Optimization of Transportation

JT's domestic tobacco business is promoting modal shift by shifting to railroad and marine transportation, with focus on tobacco materials to be transported more than 500 kilometers. At the same time, efforts are underway to increase the loading rate of trucks. The modal shift rate stood at 65.3% in FY 2008, well above the JT target of 50%.

The loading rate of trucks, stood at 99.9% (on a pallet basis) for 10-ton trucks hauling finished products from factories to distribution centers.

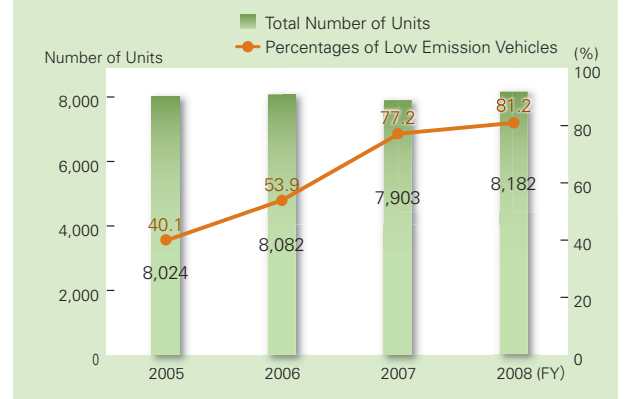
Modal Shift Rates



Introduction of Low Emission Vehicles

The JT Group's fleet of sales vehicles and delivery trucks is switching to low emission vehicles. As of the end of March 2009, 6,641 out of 8,182 units are low emission vehicles, accounting for 81.2% of the total, well over the target of 50%. Subsequently, the introduction of fuel-efficient vehicles is also promoted to contribute to global warming prevention.

Percentages of Low Emission Vehicles



Environment-conscious Vending Machines

Japan Beverage Inc., which controls the beverage vending machine business, is switching to environmentally friendly vending machines, using its own check sheet to see if the machines meet prescribed standards.

As the environmental impact of vending machines rise to the highest at the time of use, vending machines for in-cup beverages are being replaced with those equipped with a heat pump or a peak cut system designed to save energy during the peak power consumption period in summer – all in an effort to reduce power consumption.

The tobacco business is also focusing on environmentally friendly design and development of tobacco vending machines, reducing their weight or replacing their fluorescent lamps with LEDs.



A beverage vending machine equipped with both cups and PET bottles for the convenience of users and energy-saving

Approaches to Resource Recycling (Domestic)

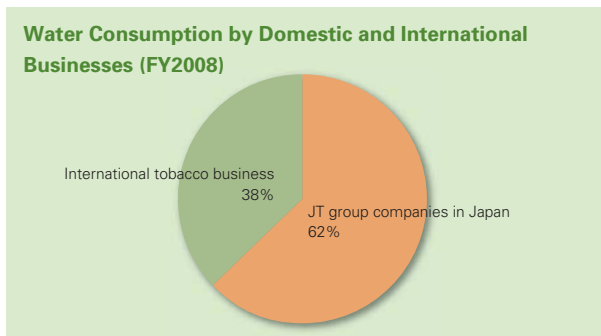
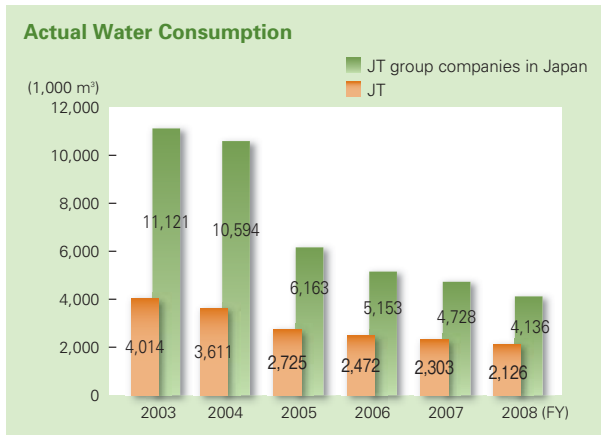
Approaches to Reduce Water Consumption

Actual Reduction in Water Consumption in FY 2008

As part of the approaches to resource recycling, the JT Group is working on the conservation of water resources, such as wastewater management and reduction of water consumption.

In FY 2008, JT reduced water consumption by approximately 63.5% below FY 1995 levels and the JT Group (domestic), by 62.8% below 2003 levels. Through the JT Group Environmental Action Plans 2005-2008, JT and the JT Group cut down water consumption by 599,000 m³ and 2,027,000 m³, respectively. Key measures include improvement of the tobacco manufacturing process based on energy-saving programs.

The JT Group Environmental Action Plans 2009-2012, continue to focus on conserving water resources and reducing water consumption, involving group companies of the overseas tobacco and food businesses.



Approaches to Waste Reduction

Actual Reduction in Waste in FY 2008

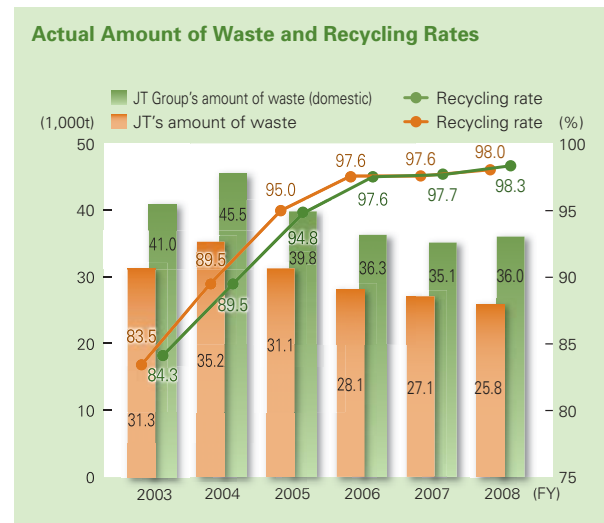
As part of the approaches to resource saving and waste reduction, the JT Group is promoting 3R (Reduce, Reuse and Recycle).

In FY 2008, JT reduced waste by 9.8% below FY 1995 levels and the JT Group (domestic), by 12.2% below 2003 levels. Through the JT Group Environmental Action Plans 2005-2008, JT and the JT Group cut down waste by 5,200 tons and 3,800 tons, respectively.

Key measures include improvement of manufacturing processes and segregation of waste through day-to-day operations.

Natural Resource Saving

Efforts are underway to recycle waste, with zero emission with a recycling rate of over 99.5% achieved at 24 factories. In FY 2008, tobacco factories reused a total of 4,100 tons of packing materials for raw materials. The JT Group Environmental Action Plans 2009-2012 aim to promote material recycling.



Environment-conscious Packaging Materials

Containers and packaging materials consisting of various components are difficult to segregate and recycle.

JT set the "Environmental Guidelines for Designing Packaging Materials" in 2002 to reduce the environmental impact of packaging materials.

The JT Group takes the environment into account when designing products, downsizing and reducing the weight of packaging materials in an effort to save resources. For example, packaging materials for frozen foods are being replaced, from composite materials to white polypropylene or from plastics to paper (trays). Similarly, 10 pack cigarette cartons switched from carton packaging (paper carton and plastic film) to parcel packaging (paper carton only) to reduce the use of both paper and plastic materials.

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."
"Re-use" 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.
- Intermediate disposal
Intermediate disposal refers to processes for reducing the weight or volume of waste, that is, incineration, shredding, compression and neutralization.
- Amount disposed
The amount disposed refers to the total amount of intermediately disposed of (by incineration, shredding, compression and neutralization, or other method) and sent to landfills (excluding the amount recycled).
- Amount of final disposal
The amount of final disposal refers to the total amount sent directly and indirectly (through intermediate disposal) to landfills (excluding the amount of residues after recycling).

The amount of sludge refers to the amount of sludge dehydrated by JT. The amount recycled refers to the total amount recycled regardless of the presence or absence of residues after recycling.

Other Approaches (Domestic)

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 20 relevant laws and regulations – an effort to prevent pollution around each business site and ensure the safety of employees. The PRTR Law applies to five business sites as of March 2009.

Trends in Release and Transfer of Chemical Substances under the PRTR Law (JT Group) Unit: ton

Chemical Substances	Amount Released		Amount Transferred	
	FY2007	FY2008	FY2007	FY2008
Xylene	0.0002	0.0005	0.14	0.23
Chloroform	0.15	0.14	8.00	7.71
Acetonitrile	0.03	0.03	6.51	5.25
Chlorodifluoromethane	1.30	1.33	0	0

Proper Management of PCB Wastes

JT has a system in place to properly store and manage PCB wastes (high-voltage transformers, capacitors, fluorescent lamp ballasts, etc.) in accordance with the "PCB Waste Management Regulations." PCB wastes are in storage at 29 business sites as of the end of FY 2008.

JT registered its PCB wastes early on with the Japan Environmental Safety Corporation (a state-owned company that has five PCB treatment facilities nationwide) for outsourcing their treatment on a contract basis. The PCB wastes will be properly stored and managed until they are disposed of.

Storage of PCB Wastes (JT) As of the end of March 2009

Types of Wastes	Transformers, Capacitors, etc.	Fluorescent Lamp Ballasts	Waste PCB Oil (in containers)	Others
Amounts of Units	24,370	50,704	470	428

*Review of the types of wastes began in FY 2008

Soil Pollution Survey

JT began to independently survey soil pollution at all its properties in FY2003. Specifically, land records are checked and, where necessary, soil surveys are conducted. Any chemical substances, whose concentrations exceed the levels established in the Soil Contamination Countermeasures Law, are reported to the authorities and made public.

Environmental Communication

Publicity of the JT Group's Approaches to Global Environmental Conservation

The JT Group communicates information on its environmental activities and programs to a wide range of people through a variety of tools. For example, the CSR Report is issued annually on the group's management, businesses and social contribution as well as its approaches to global environmental conservation. These contents are also summarized on the website and disseminated through the Internet.

URL www.jti.co.jp/csr/global_environment

In addition, the JT Forest newsletter, which features JT Forest activities nationwide, is issued periodically.



Environment Activities (JT's website)



JT Forest newsletter paper



CSR Report

Offering Environmental Educational Programs and Information to Employees

The JT Group disseminates and shares environmental information through the intranet, group magazines and experiencing JT Forest activities so that each individual employee can have a clear understanding of environmental issues and measures to address them.

JT Forest activities, which started in 2005, involve weeding, tree planting and thinning. They provide JT Group employees with opportunities where they can learn the importance of forest conservation through firsthand experience and lectures by forestry association representatives.

At the same time, environmental information is communicated to all employees to trigger environment-conscious activities, with focus on three themes: a deeper understanding of environmental issues, a clear understanding of JT's approaches to environmental conservation, and an awareness of what each employee can do.

The JT Group intranet "Beyond" has a section called *Ha-jime no Ippo* (the first step), which summarizes the latest environmental topics so that employees can increase their awareness of environmental issues. The internal monthly magazine "Yours," features articles designed to deepen understanding of environmental issues.

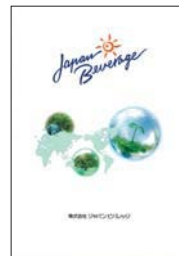


Internal magazine "Yours"

Communicating the Importance of Recycling to Local Residents and Children

Japan Beverage Inc. manages Recycle Plaza JB to collect, process and recycle aluminum/steel cans, PET bottles, and other items as part of its initiative for responsibility in recycling used containers as resources.

As a beverage vending machine operator, the company offers a tour through Japan's first integrated intermediate treatment facilities. In addition, programs, such as lectures on recycling at elementary schools, are in place to communicate the importance of recycling and resource saving to local residents and children. However, such recycling efforts can be accomplished only through support from those who use containers. For example, used containers should be properly separated and free of foreign matter so that they can be effectively converted into resources.



Reader-friendly brochures designed to offer opportunities for environmental learning



Beverage containers collected in large quantities are converted into resources

Supplement Materials

JT's Environmental Conservation Cost

Tabulation subjects: Target: All JT business sites (domestic) (factories, area sales headquarters and offices, laboratories, etc.)
Period Covered: FY 2007 (April 1, 2007 to March 31, 2008) and FY 2008 (April 1, 2008 to March 31, 2009)

Unit: million yen

Category	Key measures in FY 2008	Results in FY 2007		Results in FY 2008	
		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 cost)	—	1,134	1,394	1,276	1,444
Breakdown	① Pollution prevention costs	786	656	187	629
	② Global environmental preservation costs	301	102	1,085	162
	③ Resource circulation costs	47	636	4	653
(2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs)	Recycling of containers and packaging materials	—	206	—	141
(3) Environmental preservation costs in management activities (management activity costs)	Establishment of organizations responsible for environmental audits and measures, Monitoring and measurement of environmental load, Improvement of green space	—	486	—	585
(4) Environmental preservation costs involved in R&D (R&D costs)	—	—	—	—	—
(5) Preservation costs involved in social activities (social activity costs)	Environmental cleaning activities, Reforestation and forest conservation activities, Contribution to environmental bodies, Preparation of the CSR report	—	3,438	—	3,306
(6) Costs of dealing with environmental damage	Pollution impact levies, Soil pollution survey and remedial measures	—	1,195	—	673
(7) Other environmental costs	Asbestos survey and remedial measures	—	196	—	868
Total		1,134	6,915	1,276	7,017

Actual Effects	Item	Results in FY 2007	Results in FY 2008	Year-on-year Reduction	
					Item
Effect on resources invested in business activities	Amount of electricity purchased	1,000kWh	355,705	345,623	10,082
	Fuel consumption (crude oil equivalent)	kℓ	36,063	34,519	1,544
	Vehicle fuel consumption (crude oil equivalent)	kℓ	3,937	3,954	-17
	Amount of water used	1,000m ³	2,303	2,126	177
Effect on environmental impact and waste produced by business activities	SOx emissions*	t	99	91	8
	NOx emissions*	t	130	121	9
	Amount of CO ₂ emitted	1,000t-CO ₂	288	279	9
	Amount of waste water*	1,000m ³	1,421	1,277	144
	Amount of waste, etc.	1,000t	27	26	1

* Actual data at factories

Guidelines for Environmental Accounting

1. Amount of Expenditure and Investment

The amount of expenditure and investment is based on the "Environmental Accounting Guidelines 2005" of the Ministry of the Environment.

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.

2. Environmental Conservation Effect

Differences arising as a result of comparison with the total amounts for the previous fiscal year in respect to the main areas of environmental impact have been deemed to be environmental preservation effect.