

JAPAN TOBACCO INC.

CSR Report 2010 JAPAN TOBACCO INC.

# CSR Report 2010

For the year ended March 31, 2010

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 first year of the CSR Promotion Plan (2009-2011), with emphasis on four priority areas set out in the JT Group's CSR Promotion Policy (base domain of business management, business areas, global environment and social contribution) and focus on key activities in the CSR Promotion Plan.

Special topics, meanwhile, concern the social responsibility of a tobacco company, approaches to food safety control and the JT Forest activities (tree planting and forest conservation), with focus on communication with a wide range of stakeholders.

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 2009 (April 1, 2009 to March 31, 2010)

Some JT policies, objectives and activities scheduled to take effect after FY 2010 are included in this report.

## ■ Scope of Report

JT Group's activities primarily in Japan, and environmental activities of the JT Group companies under the JT Group environmental management (JT and its 258 consolidated subsidiaries as of the end of March 2010).

## 〈Major JT Group Companies under the JT Group's Environmental Management〉

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

## ■ Issuance Month

June 2010

(The 2009 CSR Report was issued in June 2009 and the 2011 CSR Report is scheduled for issuance in June 2011)

## ■ Reference Guidelines

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

## ● The report is posted on the website:

[www.jti.co.jp](http://www.jti.co.jp)

## ● Financial information is posted on the website

[www.jti.co.jp/investors](http://www.jti.co.jp/investors)

## ■ History of JT and its CSR Activities

1985	● Establishment of Japan Tobacco Inc.
1988	● Branched out into beverage business
1993	● Established the Central Pharmaceutical Research Institute
1994	● Established the Corporate Culture Division*1
1995	● Established the Global Environment Division
	● Set up the JT Global Environment Charter
1998	● Branched out into processed food business
	● Acquired the majority share of Unimat Corporation*2
	● Acquired the majority share of Torii Pharmaceutical Co., Ltd.
	● Released the first environmental report
1999	● Acquired the non-U.S. tobacco operations of RJR Nabisco Inc.
	● Acquired the food business of Asahi Kasei Corporation
2000	● Set up the JT compliance system
2004	● Set up the JT Group Environment Charter
2005	● Launched the JT Forest 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.
2010	● Changed the name of Katokichi Co., Ltd. to TableMark Co., Ltd.

\*1 The present Corporate Citizenship Department

\*2 The present Japan Beverage Inc.





# JT Corporate Profile

## JT Corporate Information

Corporate Name	JAPAN TOBACCO INC.
Communication Name	JT
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."
Established	April 1, 1985
Capital	100 billion yen
Headquarters	2-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8422, JAPAN
Number of Establishments	Area Sales Headquarters /25 Factories /13 Regional Leaf Tobacco Headquarters /6 Laboratories /3
Major Subsidiaries and Affiliates	<div> <div>Domestic Tobacco Business</div> <div>TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology, Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.</div> </div> <div> <div>International Tobacco Business</div> <div>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</div> </div> <div> <div>Pharmaceutical Business</div> <div>Torii Pharmaceutical Co., Ltd., JT Pharma Alliance Co., Ltd., Akros Pharma Inc.</div> </div> <div> <div>Food Business</div> <div>JT Beverage Inc., Japan Beverage Inc., TableMark Co., Ltd.</div> </div>

As of March 31, 2010



## 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 consumers, 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.

### Pharmaceutical Business

In the pharmaceutical business, JT will continue to build world-class, unique R&D capabilities and reinforce its market presence through innovative drugs by devoting efforts to increasing and advancing compounds in a late phase of clinical trial and enhancing the R&D pipeline, so that it can pursue a high-value added business based on the development of world-class innovative drugs. 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 we may deserve the respect and appreciation of patients and medical staff around the world.

### International Tobacco Business

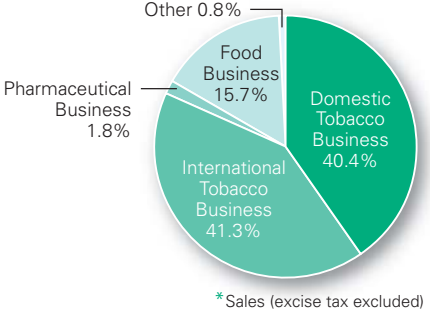
The JT Group, which sells more tobacco products abroad than at home, is growing steadily as a global tobacco company. It is extending its reach worldwide, positioning Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour as Global Flagship Brands.

### Food Business

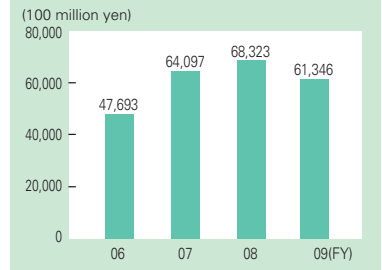
The food business focuses on three business areas: beverage business led by the vending machine operator Japan Beverage Inc. (with "Roots" as the core brand), processed food and seasoning business both led by TableMark Co., Ltd., which is striving to gain consumers' favor, with efforts underway to practice the highest level of safety control. It is committed to developing tasty and safe products for consumers based on the philosophy to "provide products that your loved ones want to eat."

## Financial Information

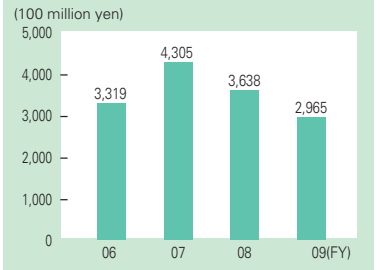
### Sales Breakdown



### Trends in Sales (excise tax included) (on a consolidated basis)

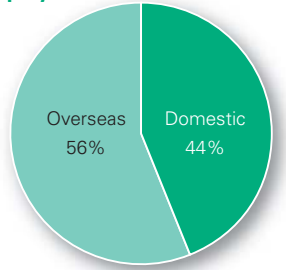


### Operating Income (on a consolidated basis)

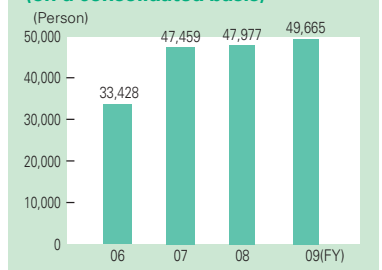


## Number of Employees

### Percentages of Domestic and Overseas Employees



### Trends in Number of Employees (on a consolidated basis)



## Top Message

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



### JT's Social Responsibility

The JT Group's CSR boils down to implementing the JT Group Mission through its business activities. The JT Group Mission, meanwhile, is to "create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the diversity of nature, society and individuals." This world, in which the JT Group is, consists of diversified nature, society and people. Respecting this diversification and recognizing its value, the JT Group is committed to creating, developing and nurturing brands that are welcomed in our diversified world – which is our social responsibility.

With a focus on tobacco, pharmaceutical and food businesses, the JT Group operates in more than 120 countries and regions around the world with employees of 90-100 nationalities. To leverage such diversified human resources and turn them into a mighty force, the JT Group instituted the "JT Group Way," which requires each employee to be committed to 1) fulfilling the expectations of our consumers and behaving responsibly, 2) striving for quality in everything we do, through continuous improvement and 3) leveraging diversity across the JT Group. While these are all considered routine matters, we believe we can win the trust of consumers and society by doing what we ought to do in a timely and integrated manner.

### To Implement the JT Group Way

The JT Group's tobacco, pharmaceutical and food businesses are putting the JT Group Way into practice to create JT's unique brand that is valued by consumers.

The tobacco business, for example, gives priority to serving consumers, striving for quality and behaving responsibly in everything we do, from raw material procurement to distribution of finished products. As a social responsibility of a tobacco company, moreover, we are stepping up efforts to prevent youth smoking and create a society where smokers and nonsmokers can coexist in harmony. On the

domestic front, the tobacco tax rate will be raised in October 2010, which will inevitably result in an increase in product prices. The JT Group is thus committed to enhancing its strength to provide quality products and services that are worth the price, while seeking the understanding of all consumers.

The pharmaceutical business continues to develop unique, innovative world-class drugs on which patients and health-care professionals can rely. As our business has a direct impact on the lives of patients, we must act responsibly, giving top priority to their health and welfare. To this end, we will attain "the highest standards possible as those who engages in pharmaceutical business," operating properly with a strong sense of ethics and responsibility.

In the food business, the top priority is to provide consumers with tasty, safe and reliable products to fulfill our philosophy, which can be phrased as: "To provide products that your loved ones want to eat." We believe that sincerely providing consumers with safe and delicious products will lead to gaining their support and trust. The JT Group, therefore, will leverage its resources to create brands that are valued and relied upon by consumers.

### Working on Environmental Conservation to Coexist with Local Communities

These days the world is paying increased attention to CSR such as global warming prevention measures, environmental conservation efforts and contribution to local communities. As the JT Group operates its business in various areas of the world, it is essential that we coexist and grow with local communities in which we operate. For that matter, each employee must behave as a "good corporate citizen" in the community where he/she belongs, striking a balance between business activities and environmental conservation.

The JT Group continues to contribute to local communities, address environmental issues and fulfill its CSR through its businesses to meet the expectations of society.

President  
and Chief Executive Officer, JT **Hiroshi Kimura**



## Special Topic 1

# To Fulfill the Social Responsibility of a Tobacco Company

## Coexistence with Society Through Mutual Communication

The JT Group is committed to fulfilling its CSR through its business activities. The tobacco business, for example, maintains close communication with a variety of stakeholders to meet the expectations of citizens, both smokers and nonsmokers – in an effort to create a comfortable living environment.

As a tobacco product company, moreover, the JT Group positions “youth smoking prevention” as one of the most important tasks. In fact, efforts are underway to promote “taspo” (an IC card designed for age verification cigarette vending machines) and roll out youth smoking prevention campaigns in cooperation with tobacco retail outlets.

The JT Group also collaborates in community clean-up campaigns to improve smoking manners and reduce cigarette littering, while setting up smoking areas to create a society where smokers and nonsmokers can coexist in harmony.

### To Prevent Youth Smoking – Cooperation with Tobacco Retail Outlets

Tobacco retail outlets are working on youth smoking prevention, identifying consumers on site and setting up tobacco vending machines with an age verification system, with the JT Group cooperating by providing up-to-date information. Among them is KY Shouten (store) in Nishiwaseda, Shinjuku Ward, Tokyo. The following is an interview with Kenji Yabuuchi, who runs the store:

#### We are working on youth smoking prevention through face-to-face communication

Many of our customers are students as our store is located near universities. So, we keep seeing to it that cigarettes are not sold to minors. When we sell cigarettes at the store, we say hello to customers looking at their faces. Thorough such face-to-face communication, we are making an effort to prevent youth smoking. We are also calling for youth smoking prevention, putting up posters and banners at the store.

While you now need to have “taspo” to buy cigarettes from vending machines, the system itself is getting less attention than just after the launch. We’re helping customers apply for “taspo,” taking their pictures and so on, but it’s

not yet in widespread use, which suggests the need to further promote it nationwide continuously.

Meanwhile, I took part in a workshop held by JT, which provided me with accurate knowledge about tobacco and smoking in addition to information about a variety of issues regarding tobacco. I found them very helpful in selling cigarettes and dealing with customers.



(From left to right)  
Kenji Yabuuchi, KY Shouten  
Mutsumi Matsumoto, General Manager, JT Tokyo Central Sales Office  
JT maintains frequent communication with tobacco retail outlets, exchanging information.

“taspo” can be applied for at tobacco retail outlets

### To Improve Smoking Manners – Cooperation with Local Communities

Volunteers including the JT Group employees are regularly engaged in clean-up activities in Shibuya, a district crowded with young people. One of organizers of the activity, Koichi Hoshino, who heads the Shibuya Cleaning Promotion Committee and has lived in the district for more than 60 years, talks about the activities:

#### Down-to-earth efforts such as a weekly clean-up make the street clean

As Shibuya is visited by various people, the amount of trash is overwhelming, which in a way shows the prosperity of the district. So, we’re working with the Shibuya Ward Office, the police and companies to clean up the street and remove illegal signboards, a routine activity to make the environment comfortable for visitors. Thanks in part to the “Shibuya Smoke Separation Rules,” moreover, we’re making headway in reducing cigarette littering. With cleaner streets, there is less crime, which in turn will provide security, and once clean, people are less likely to litter again.

Meanwhile, down-to-earth efforts are the key to improving smoking manners. On every Tuesday morning, therefore, we give away tissue packs and portable ashtrays in front of the train station, calling for improved smoking manners. Among others, JT’s “Pick Up and You will Love Your City”

initiative is attracting so much attention that even those who’re not usually engaged in such activities are showing interest, cooperating with us. I think we should further promote these activities to improve smoking manners and provide visitors with a comfortable environment.



(From left to right)  
Junji Arano, Office Manager, Shibuya Dogenzaka Shopping District Promotion Association  
Koichi Hoshino, Chairman, Shibuya Cleaning Promotion Committee and Vice Deputy Chairman, The Committee of Conservation of the Statue of Hachi-ko  
Yoshikazu Otsuka, Chief, General Administration Department, JT Tokyo Area Sales Headquarters  
Exchanging opinions on community clean-up activities

#### The Shibuya Smoke Separation Rules

From the standpoint of keeping the city clean and safe, the rules are designed to encourage “no smoking while walking” and “smoking in designated areas” in the entire Shibuya Ward, with ward residents, companies and volunteers working together to improve smoking manners.

### Creating an Environment Where Smokers and Nonsmokers Can Coexist in Harmony Cooperation with Building Maintenance Companies

There has been a growing need to separate cigarette smoke in office buildings and commercial facilities. The JT Group, therefore, demonstrates smoke separation to offer a variety of solutions to building maintenance companies. Susumu Adachi, who works at the Property Management Department of Mitsubishi Estate Co., Ltd., talks about what they’re doing:

#### We create an environment for smoke separation systematically to provide a comfortable space

It is a challenge to determine how and where to set up smoking areas in office buildings and commercial facilities. Even with partitions in place, the smoke and odor of cigarettes leak as people come and go. So, we need to take into account the traffic line in setting up smoking areas equipped with appropriate ventilation systems. This requires a systematic designing, which is a key to creating an environment for smoke separation.

We successfully set up smoking areas in the Marunouchi Park Building, which was completed in 2009, based on solutions provided by JT. They include interior and facility designs, and ventilation methods. One such example is an

efficient local ventilation system that prevents the smoke from spreading in the neighboring sections. It’s highly valued by visitors for playing a part in creating a clean environment.

JT’s solutions for aesthetic aspects including very modern designs for smoking areas are amazing; our expectations for such solutions are very high. For example, the impression of no smoking and smoke separation signs varies from visitor to visitor. As far as smoke separation is concerned, however, our goal is to create a comfortable space for both smokers and nonsmokers.



(Right)  
Susumu Adachi, Deputy General Manager, Property Management Department, Mitsubishi Estate Co., Ltd.  
Exchanging opinions on smoking area improvements with JT staff members

Smoking area in the Marunouchi Park Building (Chiyoda Ward, Tokyo)



## Special Topic 2

To Provide  
Safer Food

## Taking Into Account Opinions Given by Food Safety Advisors

With the philosophy of “providing products that your loved ones want to eat,” the JT Group is strengthening safety control measures to manufacture and provide safe and reliable food products. As part of these measures, the food safety advisors, which consists of outside experts, holds regular meetings to review and discuss JT’s approaches to food safety. In fact, the advisors toured and inspected the group’s factories and customer service centers in 2008 and 2009, coming up with many suggestions.

## Factories and Customer Service Centers Inspected

## Sunburg Co., Ltd. (Ibaraki), July 2008

- Hamburger and bakery production lines

## Hokkaido Katokichi Co. Ltd. (Hokkaido), September 2008

- Croquette and frozen noodle production lines

## The Niigata Uonuma Factory of TableMark Co., Ltd. (Niigata), December 2008

- Wheat noodle and packaged rice production lines

## TableMark Co., Ltd. Customer Service Center (Tokyo), February 2009

- Processed food customer service center

## The Chuo Factory, the Yamamoto Factory and the Shikoku Quality Control Center of TableMark Co., Ltd. (Kagawa), August 2009

- Frozen noodle and rice production lines and the inspection department of the center

Weihai Weidongri Comprehensive Foodstuff Co., Ltd., Weihai JK Foods Co., Ltd., Qingdao Aska Food Co., Ltd., Qingdao Katokichi Foods Co., Ltd., contract farms and the China Quality Control Center (Qindao, China), September 2009

- Frozen processed food production lines of the JT Group companies in China, contract farms and inspection divisions

TableMark Co., Ltd. the Food Development Center, the Tokyo Quality Control Center (Tokyo), December 2009

- R&D and inspection divisions



## Improving Customer Services

## Opinions put forward

- Taking into account consumers’ opinions on products and services

It is imperative that the Customer Service Center briefs the management on the consumers’ opinions it gathers. At the same time, all divisions concerned should work together to reflect them in products and quality improvement (Advisor Hiwasa).

- Addressing risk management

Those who first receive risk information should disseminate it throughout the organization without fail (Advisor Morita).

- Offering factory tours

While factory tours provide consumers with a sense of trust, it is recommended that the details of quality control be summarized for visitors (Advisor Hiwasa).

## JT’s response

- Taking into account consumers’ opinions on products and services

The Customer Service Center regularly communicates consumers’ opinions to the management and all divisions concerned, while they are taken into account in improving products and services.

- Addressing risk management

The Risk Management Guidelines for Food Safety Control are in place along with procedures for reporting and analyzing health hazards. Measures are also in progress to keep all relevant employees informed about the guidelines to establish foolproof procedures for communicating the very first report to management.

- Offering factory tours

New factories such as the Niigata Uonuma Factory 2 will be equipped with tour facilities for the convenience of visitors.

## Strengthening Safety Control and Its System

## Opinions put forward

- Training employees

As employee training is a key to food safety, it’s very important to step up training of incoming employees, helping them understand critical points in each process and developing an awareness of food safety. It is therefore recommended that workshops be held to help them develop a consumer-oriented mindset, if it takes certain time (shared opinion).

## JT’s response

- Training employees

Efforts are underway to promote the JT Group Way among employees, while programs such as “Food Safety Week” and “compliance training” are in place to help employees develop an awareness of food safety. Such food safety training programs will be further improved.

## Food safety advisors



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



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



**Nobuko Hiwasa**  
Outside Director  
MEGMILK SNOWBRAND  
Co., Ltd.  
Member of the Consumer  
Commission  
of the Cabinet Office  
Director, the Yokohama  
Consumer’s Association

## With the opinions in mind

We called in three food safety advisors in 2008, which have toured and inspected the JT Group’s factories in Japan and China as well as quality control divisions. They provide objective opinions on our approaches to food safety, while pointing out major challenges to be addressed. We take all these inputs seriously to further improve our food safety control system so that we will continue to be valued by consumers.

**Minoru Oyama**  
Executive Director  
TableMark Co., Ltd.





## Special Topic 3

# Conserving and Nurturing the Forest with Local Communities: JT Forest



## Cooperating with Local Communities in Enriching the Forest

Natural raw materials, especially plants, are indispensable for the JT Group's products. For example, the food business uses tea leaves and vegetables, and the tobacco business, leaf tobacco and paper. The JT Group's business is backed by and built on such natural blessings.

We should therefore express our appreciation to nature, while conserving it and passing it on for the next generation – keeping this philosophy as the basis, JT Group has developed various types of global environmental conservation activities. A reforestation and forest conservation program (the JT Forest activities), which was launched in 2005 and is underway in eight locations nationwide, is one such example.

The JT Forest activities involve taking forestland on lease for a certain period of time to plant trees according to local vegetation, helping local communities maintain their forests (thinning, weed-

ing, etc.) for conservation and enrichment. While forest management professionals (forestry cooperatives) take care of day-to-day maintenance work, the JT Group employees and their families voluntarily work together with local residents, engaging in thinning and weeding. These activities

aim for "harmonious cooperation with local communities," that are meaningful to both local residents and the JT Group.



## We want more people to appreciate the value of the forest

First of all, we would like for you to come and see the present state of the mountains here. Mountains and forests together account for 93% of the area of Chizu town (Tottori prefecture). While we are proud of "Chizu Cedar," which is grown by a traditional silviculture technique and is highly valued as timber, those who take care of the forest are aging, which makes conservation on their own increasingly difficult. In fact, we were seeing the destruction of the mountains, with landslides triggered by heavy rain in 1998. Some of us thought it was a shame to show the wasted mountains, given the brand image of "Chizu Cedar," but we started by showing the truth, as it was wasted.

Thanks in part to the JT Forest activities, however, the mountains are recovering significantly, with plants and trees grow-

ing on once-exposed slopes. We cleared a path through thick woods, which makes the forest readily accessible. Weeds are also growing, covering the ground where the roots of trees were once exposed.

The air and water are indispensable for all of us. And it is the forest that provides them. We want each of us to do what he/she can do, and more people to appreciate the value and feel the blessing of the forest.



**Takashi Ukita**  
JT Forest Chizu  
The chairman of Keijo  
Executive Committee

## Creating Sustainable Forests Based On Local Environment

Concerted efforts with local municipalities and forestry cooperatives have been underway to create healthy forests, with local vegetation and requirements taken into account.

For example, "JT Forest Yunomae" (part of a forest owned by Yunomae-machi, Kuma-gun, Kumamoto prefecture), which started in 2009, constitutes part of the Okukuma Prefectural Natural Park. Almost the entire area of this park is designated as a conservation forest to recharge water resources and prevent soil loss, on which the town office has been working for years.

The water resource recharge function refers to the retention of rainwater in the soil, which prevents rivers from flooding and purifies retained rainwater as it permeates through the soil. However, this function, which can be compared to a natural dam protecting its surroundings, is declining in many forests as their environment deteriorates, resulting in sediment discharge into downstream agricultural reservoirs. Another problem is feeding damage by Japanese deer due to lack of food sources on the mountain.

"JT Forest Yunomae," therefore, involves planting and nurturing of broad-leaved fruit-bearing trees in addition to thinning of cypress and cedar forests. It's designed to recharge water resources, conserve the soil and maintain biodiversity, while providing habitats to Japanese deer and dormice, protected species.

"JT Forest Nakatsugawa" (the Hirukawa district, Nakatsugawa city, Gifu prefecture) consists of a young cypress forest protected to recharge water resources and land formerly used as a mulberry field; the former involves thinning and pruning to help trees grow, and the latter, planting of broadleaf trees. The objective is to recharge water resources, conserve the ecosystem and create a sustainable forest with diversified natural functions.

## Expectations for "JT Forest"



**Ryo Kohsaka**  
Associate Professor  
Graduate School of  
Economics  
Nagoya City University  
Aichi-Nagoya COP10 CBD  
Promotion Committee  
Adviser

Incorporating the aspect of biodiversity, the JT Group Environment Charter aims to address conservation of biodiversity in addition to promoting environmental education. It's a major step forward that the concept of biodiversity is now stipulated in the group's policy.

While approaches to CSR vary from company to company, reforestation and forest conservation are becoming widespread in Japan, though they are relatively concentrated in some areas. Worth of special mention, however, is that

the public is beginning to pay attention to the sustainability and quality of such CSR activities.

JT has been promoting the JT Forest activities nationwide in partnership with municipalities, taking advantage of the framework of the "corporate forest." In Kumamoto prefecture, for example, "JT Forest Yunomae" has been rolled out as the first corporate forest. For that matter, consistent collaboration with municipalities is producing results. Its activities are tailor-made to the requirements of each area, such as the installation of nets to prevent feeding damage. JT is now gearing up to map out a conservation plan for "JT Forest Shigetomi" (JT-owned forest in Kagoshima prefecture), taking into account biodiversity and a variety of findings and information. These activities are worth paying attention to. Both the Convention on Biological Diversity and the Basic Act on Biodiversity, a domestic act of Japan, stipulate the key role to be played by municipalities, with discussions taking place among parties concerned.

The JT Forest activities are expected to be sustainable, sharing the concept of biodiversity with each other through continuous partnership with municipalities and local communities, providing them with a sense of ownership.

## Giving Due Consideration to Biodiversity

In December 2008, JT launched "JT Forest Shigetomi" (JT's forest in Shigetomi, Kagoshima prefecture) to conserve biodiversity and create a forest where people can get close to nature and learn history. The challenge we faced there, however, is to how to conserve company-owned forests; we realized the need to identify their actual conditions in developing plans for creating a forest with diversified flora and fauna.

A yearlong survey of local ecosystems, therefore, started in 2010, the results of which will be taken into account in developing

a conservation plan that emphasizes biodiversity.

We will review the JT Forest activities nationwide from the perspective of biodiversity, discussing with local communities which trees are to be planted, maintenance methods and the period of planting.

In addition to promoting the JT Forest activities, JT is committed to addressing biodiversity in its business activities, stipulating it in the JT Group Environment Charter.



## JT Group Management

- Company That Embodies the JT Group Objectives
- Approaches to Promote CSR
- CSR-Oriented Procurement
- Corporate Governance
- Risk Management
- Compliance
- Human Resources Management

### 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

### JT Group Mission and JT Group Way

The JT Group established the "JT Group Mission" in 2009 along with its new medium-term business plan "JT-11" to gain the confidence of a variety of stakeholders and achieve its long-term goal: a company committed to global growth by providing consumers with diversified value that is uniquely available from JT. The "JT Group Way" is the agenda to realize this philosophy.

The "JT Group Mission" and the "JT Group Way" provide guidelines for "what the JT Group employees should aim for and do" through their responsibilities and duties. While the business environment has changed drastically in recent years, becoming increasingly intractable, all JT Group employees must share the philosophy and put it into practice to deal with such changes and achieve further growth. We are thus committed to pushing forward with the "JT Group Mission" and the "JT Group Way."

### Sharing and Implementing the JT Group Way

The "JT Group Way" must be shared among the JT Group employees and implemented in their daily work.

Based on this recognition, the president and board members discuss the "JT Group Mission" and the "JT Group Way" in their own words, which are posted on the group's magazine and intranet. In addition, promotion posters are put up at all locations including the JT Group companies, with programs in place to educate new recruits and managers to share the philosophy.

Managers, meanwhile, are expected to play a key role in implementing the "JT Group Way" in our daily work. Thus, workshops on the "JT Group Way" are held, involving primarily managers of each department. All these are designed to help employees identify "what they should aim for and do" through their responsibilities and duties.

### Company That Embodies the JT Group Objectives

#### Ideals (Long-Term Vision)

A company committed to global growth by providing consumers with diversified value that is uniquely available from JT

### JT Group Mission and JT Group WAY

#### JT Group 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.

#### JT Group WAY

In achieving this, we are committed to

- Fulfilling the expectations of our consumers and behaving responsibly
- Striving for quality in everything we do, through continuous improvement
- Leveraging diversity across the JT Group



Session involving managers



# Approaches to Promote CSR (Corporate Social Responsibility)

## JT Group's CSR Promotion Policy

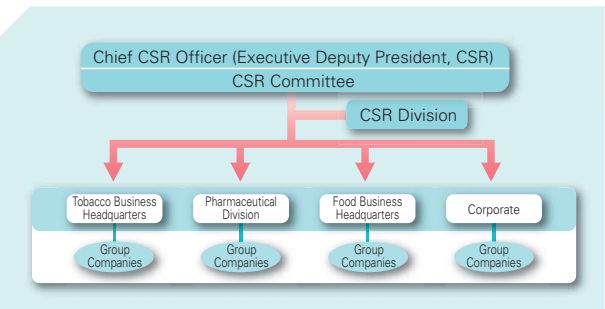
The mission of the JT Group is to create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals. To achieve the mission of the JT Group, the JT Group regards Corporate Governance, Compliance, Risk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

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



## 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

The JT Group has been promoting CSR activities on a group-wide basis since 2006, focusing on priority issues in four primary areas. In 2009, a new three-year promotion plan (2009-2011) was launched, following the previous one (2006-2008), to meet the expectations of society.

The base domain of business management – we are setting guidelines for CSR-oriented procurement, strengthening human resource management in addition to addressing corporate governance and risk management and compliance issues. In 2009, for example, we dealt with the outbreak of the H1N1 flu according to the "Pandemic Influenza Guidelines."

The business environment area – the tobacco business focuses on "youth smoking prevention" and "harmonious coexistence between smokers and nonsmokers," the pharmaceutical business, on "the highest level of ethical standards required for those who engaged in pharmaceutical business," and the food business, on "the highest level of food safety control." Each business is addressing these challenges on a long-term basis, taking into account the nature of its operations.

The global environment area in line with the JT Group Environmental Action Plan (2009-2012) – efforts are underway to reduce environmental impacts (global warming prevention and resource saving) and extend environmental management to all consolidated subsidiaries, thereby improving the JT Group's overall environmental performance.

In fact, the group's environmental performance improved steadily for the goal in 2009, as is evident from environmental indexes (greenhouse gas emissions, water consumption, waste generation and waste recycling). Meanwhile, for extended environmental management, the preparations in target companies have advanced smoothly through activities such as keeping track of the environmental impacts of their operations.

The social contribution area – the JT Group continues to make concerted efforts on a group-wide and global basis to become a good corporate citizen in communities, focusing on four priority areas set by the JT Group Social Contribution Policy: social welfare, arts and culture, environmental activities and aid for disaster-stricken areas.

## The JT Group CSR Promotion Plan (2009-2011)

Target Area		Key Activities	Related Pages
Base Domain of Business Management		Promotion of Risk Management Promotion of Compliance Implementation Plan	P19 P19~20
		Human Resources Management <ul style="list-style-type: none"><li>• Management Focusing on Employee Growth</li><li>• Promotion of Diversity</li><li>• Creation of an Ideal Working Environment</li></ul>	P21~24
Business Environment Area	Tobacco Business	Promotion of Youth Smoking Prevention Initiatives Coexistence Between Smokers and Nonsmokers <ul style="list-style-type: none"><li>• Improvement of Smoking Manners</li><li>• Installation of Smoking Areas</li><li>• Promotion of the "Pick Up and You will Love Your City" Initiative</li></ul>	P7~8 P26~28
	Pharmaceutical Business	Compliance with the Highest Level of Ethical Standards Required for Those Engaged in Pharmaceutical Business <ul style="list-style-type: none"><li>• Compliance with Industrial Standards and Rules</li><li>• Compliance with Ethical Protection, Laws and Regulations, and Environmental Conservation Measures</li><li>• Educational Activities in the Medical Field</li></ul>	P32
	Food Business	Promotion of the Highest Level of Food Safety Control <ul style="list-style-type: none"><li>• Actions for Reducing Risks</li><li>• Improving Consumer Response</li><li>• Strengthening the Institutional Capability</li></ul>	P9~10 P34~36
Social Contribution Area		Activities Based On the JT Group Social Contribution Policy	P38~44
Global Environment Area		Activities Carried Out Under the JT Group Environmental Action Plan 2009-2012	P46~60

# 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 more clearly its social responsibility for procurement.

This policy is designed to ensure fair and equitable procurement, emphasizing CSR issues such as considerations to the environment, compliance with laws and regulations and respect for human rights in selecting suppliers. All suppliers, meanwhile, will be briefed on this policy so

that they will understand and support it. At the same time, CSR-oriented procurement will be promoted group-wide and worldwide, with the policy applied to all group companies, domestic and overseas.

## 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.



## Communication with Each Stakeholder

While the JT Group interacts with a variety of stakeholders, such as consumers, 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.

### Consumers

We provide consumers with correct information on our products and services through our website and brochures, and with such information, a sense of trust and satisfaction. At the same time, the Customer Service Center gathers valuable feedback from consumers, which contributes to improving our products and services.



● JT's website

### Society

Information about the JT Group's business philosophy and activities is disseminated through the CSR Report and website so that the JT Group can be better understood and evaluated by society.



● Panel exhibition

### Shareholders

The results of the JT Group business performance are disclosed promptly and appropriately via media such as briefings and periodical reports so that shareholders and investors can readily understand and evaluate business performance.



● Briefings for investors

### Employees

Messages from top management through the intranet, publishing of a group magazine, questionnaires for employees and measures to strengthen the JT Group's organizational power – all designed to facilitate communication between top management and employees.



● The JT Group Mission/Way promotion program

## Corporate Governance

### Corporate Governance Policy

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

The JT Group 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, JT has established the Advisory Committee, which comprises of outside experts and advises the management team from a broad perspective with regards to how the company should operate in the medium to long term, and other issues of similar importance.

### Internal Control over Financial Reporting (J-SOX)

In accordance with the Internal Control over Financial Reporting (J-SOX), the JT Group is working on a variety series of programs to fulfill its accountability to shareholders and stakeholders.

In FY 2009, which is the second year J-SOX came into effect, the JT Group, as a whole, continued to implement self-assessment 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, filed and publicized.

### Directors, Board of Directors / Auditors, Board of Auditors

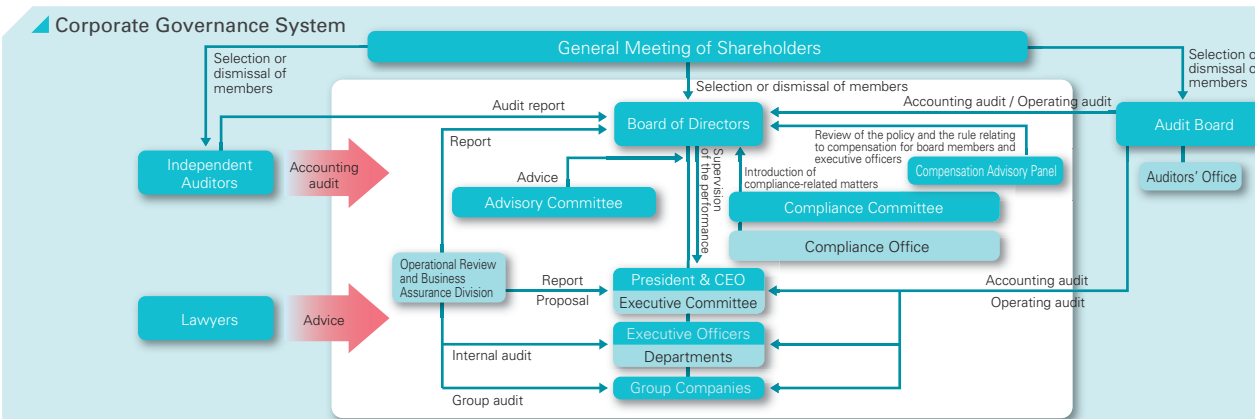
The Board of Directors meets once a month in principle and on more occasions if necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters, to supervise business execution and to receive reports from the directors on the status of business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

JT has adopted the Executive Officer System, under which executive officers appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a company-wide business strategy decided by the board, by exercising the authority delegated to them. In addition, the Chairman of the Board has been positioned as a non-executive director in order to concentrate on the function of supervising management.

JT has adopted the Audit Board System, under which auditors (with three outside directors, all independent, constituting the majority of the board), in their capacity as independent agents with a mandate from shareholders, examine the performance of duties by directors and executive officers in order to ensure sound and sustainable growth and maintain and enhance public trust in the company. To this end, JT is striving to develop an appropriate environment for audits by allocating sufficient staff to the Auditor's Office as an organization supporting the auditors in performing their duties and establishing an adequate information communication system.

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

As auditors are allowed to attend not only meetings of the Board of Directors but also other important meetings, they usually attend meetings of the Executive Committee.





## 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.

In addition, the Safety Confirmation System\*, a tool to confirm the safety of employees, has been introduced to secure quick confirmation of their safety in the event of disaster.

\*The Safety Confirmation System is designed to confirm the safety of employees living or working in disaster-stricken areas by sending emails to them and receiving their confirmation of being safe via reply.

### Pandemic Response Measures

The "Pandemic Influenza Guidelines" were set in 2009 based on the "Risk Management Guidelines" to deal with highly pathogenic bird flu. Specifically, these guidelines, for coping with the pandemic in a quick and appropriate manner, are designed to ensure the continuation of business activities, while preventing infection in workplaces and protecting employees from risks. Appropriate responses were taken to the outbreak of the H1N1 flu in 2009 on these guidelines.

### Strengthening Information Security

Based on the "Information Security Policy" and its regulations, the JT Group protects its information assets from all threats, ensuring their safe and effective use. In addition, the "Information Security Handbook" is posted on the intranet for reference and use by the JT Group employees.

### Protection of Personal Data

JT previously issued a statement about the protection of personal data, setting systems, regulations, safety control measures and other relevant programs based on this statement to protect personal data properly, 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

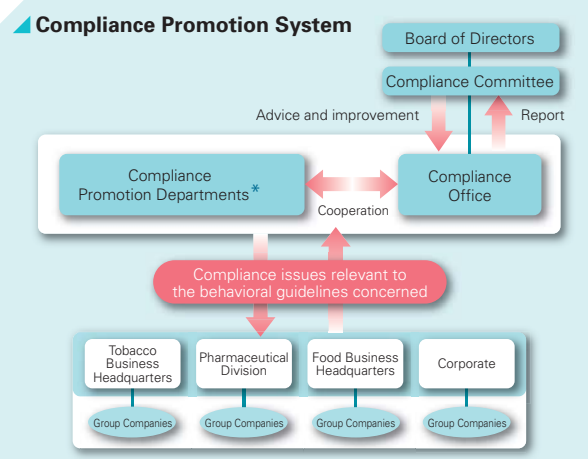
URL [www.jti.co.jp/privacy](http://www.jti.co.jp/privacy)

## 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 "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 fundamentals for action of "Principles of Conduct" and "Guidelines for Conduct," which together stipulate the shared values and ethics required to act responsibly and properly. They are summarized in the brochure "JT Group Compliance," which is distributed across the group to raise awareness of compliance among employees.



The JT Group Compliance brochure

### 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 of 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.

### Priority Issues and Achievements in 2009

A group-wide version of the "Compliance Implementation Plan" in 2009 focused on the following four agenda:

- 1) Provision and promotion of safe, secure, and wholesome workplace environments
- 2) Provision and promotion of adequate and appropriate documents and information management
- 3) Assurance of the establishment and operation of JT Group company compliance systems
- 4) Advancement of risk reducing policies using risk management techniques

With JT's all departments and 57 group companies working on these agenda, most of them adopted out more concrete measures, followed by their thorough implementation. At the same time, more specific and objective indexes are in place to determine their effectiveness, while JT and its group companies are stepping up efforts to share information and exchange opinions – which suggests that the JT Group is improving its compliance with legal and other requirements with development in progress.

In addition, appropriate measures have been taken to maintain a healthy work environment for both full-time and part-time employees, some of which include notification of a compliance consultation and reporting counter, optimization of service contracts and prescription of workplace rules.

On the strength of these achievements, we continue to make efforts and enhance effectiveness in 2010 to address challenges we face and make further improvements.

### Compliance Education and Awareness Building

A variety of programs are in place to increase awareness of compliance and promote its implementation. They include risk management seminars and class-specific programs such as new employee education, new manager training and top seminars designed for executives.

Training programs are provided to help managers in each business place develop compliance management capabilities. In 2009, a brochure titled "Field Partners' Practical Approaches to Compliance" was prepared for the Marketing and Sales Department of tobacco business as a circulation to raise awareness among part-time employees (field partners) engaged in sales support services.

The intranet and DVDs are also used as educational tools to help each employee raise awareness of compliance and implement it into practice.



Compliance education at TableMark

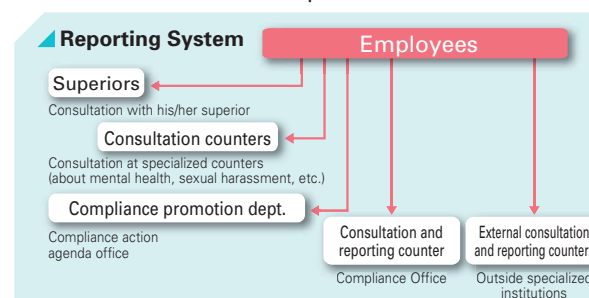


Field Partners' Practical Approaches to Compliance

### Consultation and Reporting System

A compliance consultation and reporting counter is in place to comply with the Whistleblower Protection Act, and other counters are designed to prevent employees from being saddled with problems and to improve the company's ability to govern itself.

Each consultation and reporting counter provides a better serving for all employees of the JT Group companies, with the "Consultation and Reporting Counter Handbook" and other tools distributed to help them use the services.





# Human Resources Management

## Human Resources Management Policy

Human resources are the most valuable assets of any company. In order to continue growing, JT is strengthening its human resources, giving priority to:

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

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

### Management Focusing on Employee Growth

JT 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 accor-

dance 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.

## Establishment of a Fair Merit System and Human Resources Development

JT pursues a transparent human resources management that is agreeable to both employees and management, based on a shared value. All employees are treated fairly so that they can improve their skills and demonstrate their abilities.

### Performance-Based Appraisal

Each department and section holds appraiser meetings to standardize appraisal practices – designed to establish and promote a fair merit system. 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 training programs. Many employees participate in optional training programs to acquire basic knowledge and skills necessary for their jobs. A variety of programs to help employees develop their careers, such as dissemination of job information, annual career interviews and the “Career Management Training,” are designed for employees in their ages ready to decide their careers.

### 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 who aim for self-sustained development with opportunities to advance their careers.

### Leaders Training to Enhance the Organizational Strength

Upgrading leaders’ skills is essential in promoting a fair merit system and helping employees develop on their own, the Leader Training Program is regularly held for managers who are expected to develop a leadership mindset and skills to help their staff, 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 gender, nationality or educational background, while disseminating ample information on JT through the website, job seminars and internship programs.

In addition to that, we are also recruiting mid-career professionals who are expected to bring in their expertise and experience to JT, an arena where they can demonstrate their abilities. JT is becoming increasingly diversified in terms of its human resources.

### Recruitment Results

		FY 2008	FY 2009	FY 2010
Recruitment	University graduates (including those with graduate school degrees)			
	Main career track	114	147	85
	R&D personnel	56	50	56
	Technical college and high school graduates	28	32	34
	Mid-career personnel (main career track, R&D personnel)	15	75	—
Job separation rate (within three years of employment)*		3.77%	5.70%	1.70%

\*Based on the percentage of new graduates who have not left a job within three years of employment as of April 1st 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, 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 promote these programs.

Efforts are underway to recruit female workers, which currently account for about 10 percent of the workforce. The percentage of women in new recruits is on the rise, as is the number of female managers, with some of them appointed as executive officers. In 2009, the “Career Building Program

for Female Employees” was offered on a trial basis to help them plan their medium- to long-term career paths. This program will be expanded in 2010 and beyond.

### Capitalizing on Global Human Resources

The workforce of JT International (JTI), a JT group company, consists of employees with over about 90 to 100 differing nationalities. JT and JTI, therefore, promote people-to-people exchanges to develop globally competitive human resources. For example, the “JT/JTI Directors Program” was held in Switzerland in February 2009 in addition to the “JT/JTI Exchange Academy,” which is a biannual program. These English-based programs, aiming for the further development of global competitive human resources, provide a platform where participants from all over the world work together on group studies, deepening mutual understanding beyond language and cultural barriers.



JT/JTI Directors Program

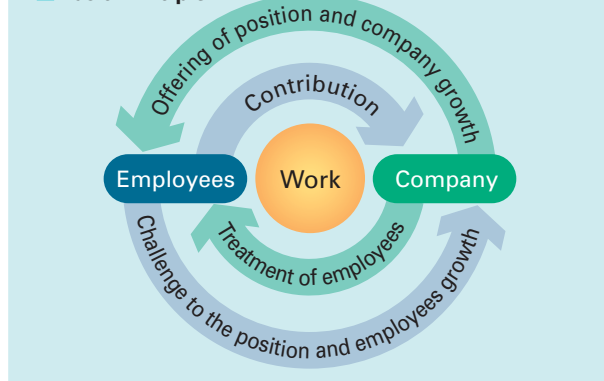
### Re-Employment System

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

### Employment of Persons with Disabilities

Efforts are underway to create better workplaces for employees with disabilities. To help them make the most of their capabilities, for instance, they are assigned duties for which they are qualified, while facilities and installations are being improved, with due consideration given to the convenience of commuting to and from their workplaces. JT’s employment rate of persons with disabilities stood at 2.63% as of the end of March 2010, well above the legal employment rate of 1.8%.

### Basic Principle



### The Number of JT Employees

As of the end of March 2010 (the number of employed workers)

		FY 2007	FY 2008	FY 2009
Number of employees	Male	8,024	7,949	7,973
	Female	975	959	988
	Total	8,999	8,908	8,961
Average age		42.1	42.6	42.8
Average service years		21.0	21.6	21.6
Consolidated number of employees*		47,459	47,977	49,665

\*The number of employees of JT and its consolidated subsidiaries



## Creation of an Ideal Working Environment

### Work-Life Balance

It is imperative that all employees achieve a 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 a work-life balance.

### Creation of an Environment Friendly to Employees Raising Children

As part of its efforts to help employees achieve a work-life balance, JT is steadily creating an environment and a system friendly to those who are raising children.

Specifically, all employees, both men and women, are entitled to childcare leave, with a program to help them raise children and return to work. Positive measures include a short time working program, which is applicable to those who have children in the third grade or younger. The Ministry of Health, Labour and Welfare certified JT as a company promoting next-generation nurturing support measures.

In FY 2009, 65 employees took a baby break and 40 applied for the short time working program.

### Encouraging Employees to Contribute to Society

JT has systems in place to encourage employees to contribute to society.

Employees are entitled to take leave to volunteer such as 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 fairly the diversified needs of each generation and employee. 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 accommodation – helps employees broaden their knowledge, learn techniques, design a life plan and recharge themselves. Specifically, the company provides each employee with a

certain number of Cafeteria Points, which can be used to take part in these programs.

## Creating Workplaces Where Employees Feel Gratified and are Rewarded

JT has been continuously making efforts to ensure the safety and health of its employees, for which it is ethically and legally responsible.

Recognizing this, JT set the JT Occupational Safety and Health Basic Policy in 2002, working on further improvement of safety and health management.

### 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.

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. To make these measures effective, an elaborate safety and health education program is in place, while employees are encouraged to raise awareness of occupational safety and health.

### Total Lost Time Incidents at JT's Factories

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Number of victims	9	1	6	3	3
Frequency rate*	1.90	0.25	1.48	0.75	0.77
Severity rate*	0.634	0.014	0.406	0.029	0.027

\* 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 adopts the health management of employees, stationing full-time medical personnel (11 physicians and 32 public health nurses) at 11 locations nationwide.

Not only legal medical examinations, but also 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 striving to prevent mental illness. In addition to a counter where specialists and counselors offer counseling services, external specialized institutions listen to employees' problems either by phone or face to face. Workshops and seminars on self-care ability and for managers supporting employees are held regularly, in line with the Guidelines for Mental Health Promotion at the Workplace established by the Ministry of Health, Labour and Welfare. In October 2009, a system was established to help employees return to work after injury or illness. Employees who have been on sick leave for a long time due to mental illness are entitled to a short time working program designed to rehabilitate themselves both mentally and physically, helping them return to work and preventing the recurrence of illness.

### 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 other. Accordingly, JT developed the Basic Policy on Human Rights Education, thus raising awareness of human rights.

#### Basic Policy on Human Rights Education

1. 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. Systematic and continuous training in human rights
5. Responding to "fake Dowa (antidiscrimination) Activity"
6. Communicating with labor union on human rights issues
7. Promoting human rights education in the JT Group
8. Respecting human rights, and introducing and distributing study materials to meet the internationalization of our business

### 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. We review and discuss proposed measures with integrity before implementing them, with both parties held responsible for the agreed terms and conditions. JT maintains productive employee-employer relationships based on mutual assurance.

### JTI's EHS Measures

JTI, the core of the JT Group's international tobacco business, employs more than 24,000 people worldwide. JTI has been promoting its measures over the years to secure a safe and sound work environment. It has more than 30 manufacturing operations in 23 different countries, setting up three core principles to create an injury-free work environment:

#### Zero accidents:

we will only do a job when it can be done safely

#### No repeats:

we will investigate all incidents to determine what happened and prevent it in the future

#### Clear standards:

we will apply common, simple, non-negotiable standards throughout JTI

Based on these three core principles, our Safety Change Program is implemented throughout JTI. The Safety Change Program has driven significant improvements in safety performance and in the reduction of incidents. In 2009, the safety KPI (lost time injury rate) in JTI factories improved by 41% compared to 2008.

In our markets, the main safety focus is on safe driving. A web-based driver safety training program has been successfully rolled out in 32 countries to more than 4000 employees driving a car for company business. In 2009, these efforts reduced road accidents involving JTI employees by 12% to 1,553 cases, compared to 1,763 cases in 2008.

#### \*Lost time injury rate:

The frequency of work related injuries leading to lost working time measured as injuries per 200,000 hours worked.



Reviewing potential safety risks



## CSR Activities in JT's Business



## CSR Activities in the Tobacco Business

### Fulfilling the Social Responsibility of a Tobacco Company

We, as a tobacco company, focus on fulfilling the expectations of consumers, striving for quality and behaving responsibly in everything we do, from raw material procurement to distribution of finished products. In addition, we are committed to meeting the expectations of both smokers and nonsmokers.

The JT Group, therefore, has been involved in a variety of activities to create an environment where smokers and nonsmokers can coexist in harmony. Those include installation of smoking areas, consultation on how to separate smoking and nonsmoking areas and rollout of smoking manners campaigns.

For example, a citizen participation clean-up initiative dubbed "Pick Up and You Will Love Your City" had been held a total of more than a thousand times as of spring 2010. This initiative started in 2004 in an effort to eradicate public littering by raising awareness of the problem and organizing rubbish collection.

The JT Group, moreover, is working with retailers and municipalities, promoting campaigns and placing ads in newspapers to prevent youth smoking, which is one of the most important tasks for the tobacco industry.

The JT Group is committed to fulfill the social responsibility of a tobacco company to meet the expectations of the public.



**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, the tobacco retailer association and other concerned parties in each community, JT organizes the Youth Smoking Prevention Council and participates in a variety of seminars for educational campaigns.

The Tobacco Institute of Japan (TIOJ), of which JT is a member, produces stickers and posters for youth smoking prevention, while the Japan Tobacconist Federation puts them up in tobacco retail outlets, promoting the "I Care for You" campaign nationwide. With promotional months in place, moreover, TIOJ is also working on other youth smoking prevention campaigns.

#### Educational Activities Through Newspaper Ads

In addition to taking part in campaigns organized by the tobacco industry, JT is rolling out educational campaigns, placing ads in national and local newspapers to prevent youth smoking.

#### Voluntary Standards for Advertising and Sales Promotion

JT has been in compliance with voluntary regulations for advertising and sales promotion in the domestic market



Calling for youth smoking prevention in national and local newspapers

since the days of the Japan Tobacco & Salt Public Corporation to further fulfill its social responsibility, phasing out advertising through the public media from 1969.

Likewise, 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 transportation in October 2004 and of outdoor billboard advertising in April 2005.

Visit the website of TIOJ for details of the voluntary regulations in the domestic market.

TIOJ

URL [www.tioj.or.jp](http://www.tioj.or.jp)

#### Age Verification Cigarette Vending Machines

The key to preventing youth smoking is to prevent minors from buying cigarettes from vending machines. The tobacco industry, therefore, has been rolling out programs such as placement of campaign stickers and voluntary restrictions on late-night sales through vending machines. In 2008, the Tobacco Institute of Japan (TIOJ), the Japan Tobacconist Federation (JTF) and the Japan Vending Machine Manufacturers Association (JVMA) played a central role in introducing age verification cigarette vending machines, with efforts underway across the industry to prevent youth smoking.

As age verification cigarette vending machines are in place, the "taspo" IC card, which is issued exclusively to adults, is required to buy cigarettes from vending machines. The tobacco industry is making concerted efforts to promote this card, while JT makes positive efforts to independently sponsor some events to help consumers apply for it.

JT continues to promote "taspo" as the leading tobacco company, while stepping up efforts to prevent youth smoking.



Age verification cigarette vending machine



"taspo" IC card



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

JT is promoting approaches such as separating smoking and nonsmoking areas in public places and the improvement of smoking manners, all designed to create a better environment where smokers and nonsmokers can coexist in harmony.

For separating smoking and nonsmoking areas, a variety of options should be offered to both smokers and nonsmokers. 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 separating smoking and nonsmoking areas.

Smokers, meanwhile, are expected to play a part in establishing harmony with nonsmokers 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 nonsmokers can coexist in harmony" are posted on the following website:

### SMOKERS' STYLE

URL [www.jti.co.jp/sstyle](http://www.jti.co.jp/sstyle)

### Bun-en.com

URL [bun-en.com](http://bun-en.com)



TV commercial showing JT's approaches to separating smoking areas



Smoking area in Marunouchi Park Building (Chiyoda Ward, Tokyo)

## Approaches to Improve Smoking Manners

JT is calling for improved smoking manners through advertising campaigns that encourage smokers to make more consideration to nonsmokers 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.

JT is also engaged in the "Minato Tobacco Rule" program organized by Minato Ward Office, Tokyo, working with other companies to prevent cigarette butt littering and smoking while walking.



Smoking manner campaign through TV commercial



Smoking manner ads on newspaper

## 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 prevent cigarette butt littering.

The first smoking area was set up in August 2003 in the Shimbashi Station Plaza, with a total of 835 areas established as of March 2010 in cooperation with 185 municipalities nationwide. Some areas have seen a dramatic decrease in the littering of cigarette butts.



Smoking area in front of Sakai Station (Sakai City, Osaka)

## Improving the Smoking Environment in Various Facilities

JT and a variety of parties concerned such as municipalities and facility managers 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 a focus on expertise on the flow of cigarette smoke and examples of separating smoking and nonsmoking areas.

## Consultation on How to Separate Smoking and Nonsmoking Areas

With due consideration to nonsmokers, smoke separation methods that meet smokers' requirements are presented to facility managers – which constitute JT's 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.

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

### SMOKERS' STYLE

URL [www.jti.co.jp/sstyle](http://www.jti.co.jp/sstyle)



Smoke separation test room and simple smoke separation booth

## "Pick Up and You will Love Your City" Initiative

JT has been rolling out a citizen participation clean-up campaign dubbed the "Pick Up and You will Love Your City" since 2004 in sync with local events nationwide.

This campaign, which is designed to eradicate public littering by raising awareness of the problem and organizing rubbish collection, is underway in 47 prefectures nationwide in cooperation with local municipalities, companies, schools, volunteer bodies, and planning committees and participants in local events. It had been conducted in more than 1,000 occasions as of April 17th, 2010, with about 1,040,000 participants and 1,987 parties teaming up for it.

Those who participated in the "Pick Up and You will Love Your City" initiative say they enjoyed it, found it quite enlightening, and decided not to litter on the



The website of the "Pick Up and You will Love Your City" initiative

URL [www.jti.co.jp/sstyle/manners/clean](http://www.jti.co.jp/sstyle/manners/clean)

street any more. JT continues to roll out this initiative, involving more people, to help them develop such a mind-set.

## A Quest for Quality Trusted by Consumers

The JT Group pursues quality in every aspect of its manufacturing process, to say nothing of the quality of finished products, to provide consumers with quality tobacco products. In fact, efforts have been underway to make the quality control system consistent with the international standard, improve manufacturing processes to meet the needs of consumers and procure quality and reliable leaf tobacco. At the same time, in putting these measures into practice properly, we see to it that each factory worker thinks and acts on his/her own initiative. This is done while we strive to improve product quality and services based on valuable opinions from consumers disseminated through the Customer Service Center.

## We manufacture tobacco products valued by consumers through rigorous quality control

Our job is to improve and guarantee the quality of finished products to better serve and satisfy consumers. Specifically, we check the quality of raw materials and finished products as a routine, with procedures in place to address problems should they arise. All sections of our department, moreover, are committed to quality improvement by sharing information about the previous day's developments and quality issues. In particular, we promptly address quality issues, involving all sections concerned, to investigate their causes and come up with preventive measures.

As tobacco products are made by humans, each one of us must ensure the quality of their own job with a sense of responsibility.



Satoko Baba

General Manager,  
Quality Management  
Division  
JT Kyushu Factory



Holding meetings to discuss further improvements





## 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 peace of mind, or to focus. On the other hand, with smoking pleasure come real risks. There are many people who report difficulty in 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 nonsmokers.

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.



#### 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.



Paper-covered lamp stand-shaped tobacco tray (made in the Edo period)

### 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.



Japanese domestic tobacco business

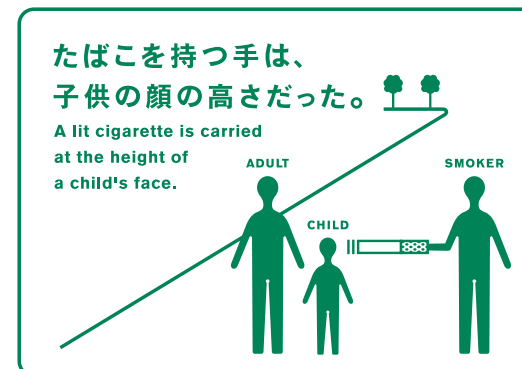
URL [www.jti.co.jp/corporate/enterprise/tobacco](http://www.jti.co.jp/corporate/enterprise/tobacco)

#### Accommodation of Smokers and Nonsmokers

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 nonsmokers and to society.

We advocate reasonable solutions to accommodate both smokers and nonsmokers.



### JT's Perspective on Smoking and Health

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 issues relating smoking and health, the results of which discussions are posted on our website.

Visit the website of JT for details of "JT's Perspective on Smoking and Health."

JT's Perspective on Smoking and Health

URL [www.jti.co.jp/corporate/enterprise/tobacco/responsibility](http://www.jti.co.jp/corporate/enterprise/tobacco/responsibility)



## CSR Activities in JT's Business



## CSR Activities in the Pharmaceutical Business

### We Must Act with Integrity As Our Products Have a Direct Impact on Human Life

Our most critical mission is to “develop innovative and globally competitive drugs.” The development of new drugs requires a considerable amount of time with high chances of failure, so much so that we are often eager of results. As what we are doing has a direct impact on human life, however, we must have a strong sense of ethics, duty and commitment and behave responsibly, placing a premium on the health and welfare of patients.

We are thus doing business in accordance with the “highest level of ethical standards required for pharmaceutical business.” Specifically, we have a foolproof system in place to manage chemical substances and comply with laws and regulations relevant to pharmaceuticals.

JT and Torii Pharmaceutical Co., Ltd., a JT Group company, are committed to making further efforts so that we may deserve the respect and appreciation of patients and medical staff around the world.



**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 are essential part of pharmaceutical development in determining the safety and efficacy of drugs. When conducting animal experiments, we examine their scientific rationality, respect the lives of animals and 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 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).

### 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. Torii Pharmaceutical provides tips on health and for managing diseases such as hyperuricemia, gout and atopic dermatitis through brochures and videos. In addition, “Manga Life Sciences” is posted on its website, presenting the mechanisms and symptoms of a variety of diseases.



Brochure for Awareness Raising Programs

Torii Pharmaceutical's website  
URL [www.torii.co.jp](http://www.torii.co.jp)



CSR Activities in JT's Business



CSR Activities in the Food Business

To Retain the Trust of Consumers – Products That Your Loved Ones Want to Eat

With the philosophy of “Providing products that your loved ones want to eat,” the JT Group maintains the highest level of safety control to deliver “delicious foods that people can consume safely.” Accordingly, throughout the entire JT group, the focus is on 1) reducing risks, 2) better serving consumers and 3) strengthening the organization and management system.

In January 2010, Katokichi Co., Ltd., which constitutes the core of the food business, changed its name to TableMark Co., Ltd., hoping that “consumers will sit down together and enjoy their meal at the table.” We are thus tasked with delivering safe, reliable and tasty products to consumers.

With the food business restructured in July 2010, moreover, the responsibility for “food safety control” will be transferred from JT, respectively to the beverages business division and the TableMark Group, which has control over the business of processed foods and seasoning, to make it more practical.

We are stepping up efforts to control food safety so that we will retain the trust of consumers by serving the people’s daily lives through our offering of food products.



Mutsuo Iwai, Executive Vice President in charge of Food Business



CSR Activities in the Food Business

With the philosophy of “Providing products that your loved ones want to eat,” we maintain the highest level of safety control, a concerted effort to deliver safe, quality and providing reliable products to consumers.

The JT Group Food Safety Policy

The JT Group has the “Food Safety Policy” in place, which is shared across the entire group and stipulates the group’s stance on food safety. Based on this policy, efforts are underway to maintain the highest level of safety control. The Food Safety Policy 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 consumers with a feeling of trust.
- We incorporate the opinions of consumers to improve the safety and quality of products.
- We proactively and appropriately disseminate information to meet the needs of consumers and provide them with a feeling of trust, with focus on the origin of raw materials and location of manufacturing factories.
- We give the highest priority to minimizing harm to consumers by taking quick and appropriate action in the event of any health hazard, while disclosing information obtained through investigations to prevent damage from spreading.



A system is in place to serve consumers 365 days a year

Approaches to Strengthening the Organization and Management System

The JT Group seeks advice from the panel of “food safety advisors” consisting of outside experts not only to help TableMark and other group companies upgrade their food safety control systems but also to incorporate a variety of knowledge and perspectives. Specifically, they regularly tour and inspect our factories, quality control centers and the Customer Service Center to advise us on ways to improve food safety control.

In October 2009, meanwhile, the Tokyo Quality Control Center was established on the site of the Food Development Center, which is engaged in R&D of beverages and processed foods. This center is expected to create greater synergies between the JT Group’s R&D/product development resources and quality control capabilities.

We are stepping up efforts to ensure food safety right from the designing of new products in an effort to deliver safe and tasty products to consumers.



The Tokyo Quality Control Center  
Creating greater synergies between quality control capabilities and product development resources



Incorporating knowledge of food safety advisors



Approaches to Reduce Risks

We have a system in place to ensure the safety and quality of products, from point of harvest to the dining table.

Procuring Safe, Quality Raw Materials to Produce Safe Food

The philosophy of "Providing products that your loved ones want to eat" is based on delivering safe and reliable products to consumers, which starts from selecting and procuring quality raw materials.

We, therefore, monitor pesticide and antibiotic residues in major raw materials and inspect raw material factories in addition to checking quality guarantees provided by suppliers. In countries like China, Thailand and Vietnam, moreover, we inspect the conditions of plantations (the soil conditions, pesticide residues in water, etc.) as well as major breeding farms and fish farms – a system to ensure the safety of products right from the beginning of procuring raw materials.



Inspecting overseas plantations, breeding farms and fish farms

Tightening Factory Management Standards

Factories manufacturing the JT Group's products follow rigorous audit standards extended for security and chemical management as well as for manufacturing processes including reception, processing, packaging, storage and shipments. These standards are applicable to all factories



The JT Group employees inspecting factories

(domestic and overseas), with regular inspections conducted more than twice a year in addition to surprise inspections. In addition, the JT Group employees are stationed at contract manufacturers of frozen processed foods in China.

Gaining ISO 22000 Accreditation

The JT Group has been focusing on ISO 22000, which is an international food safety management standard that incorporates the concepts of quality control and the Hazard Analysis and Critical Control Points (HACCP). In fact, all its factories and outsourcing factories for frozen processed foods have been certified by ISO 22000.

With ISO 22000 based on the concepts of the HACCP, we set rules for scientifically proven hygiene control and critical control point management, while implementing the PDCA cycle properly 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.

To Further Reduce Risks – Food Defense Programs

In addition to ensuring food safety, we are working on food defense\* at our factories and warehouses to deal with intentional attack on the foods we produce.

The software aspect of food defense includes development of management systems, its hardware aspect, installation of security facilities effective in reducing risks. Based on guidelines provided by the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), etc., our food defense programs are tailor-made to be compatible with the culture of Japanese companies.

\*Food defense  
Food defense is a term used to describe activities associated with protecting food from planned or intentional pollution by foreign matter and poisons.



Inspecting pesticide residues both in China and in Japan

Upgrading Inspection Systems

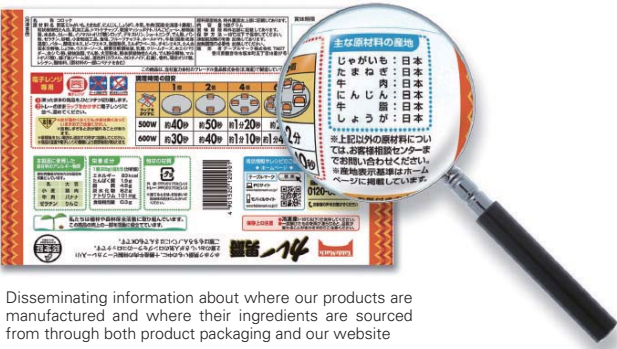
With the Tokyo Quality Control Center (Ota Ward, Tokyo) launched in October 2009, the JT Group has three inspection centers in Tokyo, Kagawa and Qingdao (China). These centers conduct bacteriological, sensory and quality tests on the JT Group's processed foods (frozen and room-temperature foods), with advanced facilities in place to detect 450 pesticide residues and 100 veterinary medicines in addition to food additives and heavy metals. They are upgrading inspection systems to deal with a wider variety of items quickly and accurately. Moreover, pesticide residues of frozen processed foods manufactured in China are checked both in China and in Japan.

Approaches to Better Serve Consumers

To Provide a Sense of Security to Consumers

The Customer Service Center is on call 365 days a year to deal with consumers' inquiries and suggestions. At the same time, there is a system in place to centralize information received by the center as well as information about products, raw materials, factories and the results of various inspections. This system plays a vital role in promoting cooperation between all departments concerned, thereby serving consumers quickly and appropriately.

Information that meets the needs of consumers and provides them with a feeling of trust must be disseminated for their benefit. Our approaches to food safety are thus posted on our website, while information about where our products are manufactured and where their ingredients are sourced from is disseminated through both the packaging of frozen foods and on our website.



Disseminating information about where our products are manufactured and where their ingredients are sourced from through both product packaging and our website

Taking Into Account Consumers' Opinions in Developing New Products and Improving Their Quality

We always pay attention to the needs of consumers and society in developing new products and improving their quality. The Customer Service Center, therefore, feeds consumers' valuable opinions back to management and all departments concerned to have them reflected in improvement of products and services.

More Easy-To-Open Roots Aroma Black's Wide-Mouth Bottle

One such example is the Roots Aroma Black Original, with a wide-mouth bottle (the first of its kind for canned coffee drinks), had been improved by adopting a slip-less cap in 2008. This cap was further improved based on feedback from consumers; while the previous cap is coated with foam varnish, the new one has a pattern indented surface lengthwise that makes it less slippery and easier to open.



Roots Aroma Black

"Kowake Udon," the Culmination of Consumers' Feedback

"Kowake Udon" (small-packed wheat noodles) made its debut in 2009, with six portions of noodles packed separately in a pouch half the size of a conventional one. This product is the culmination of consumers' feedback such as "The original portion of noodles is too big for me to eat at one sitting," and "I want a small portion of noodles for breakfast and snacks."



Kowake Udon





Photo:K.Miura

## ➤ 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.

The JT Group is committed to better serving society as a good corporate citizen around the world with the JT Group Social Contribution Policy in place to promote action within the group.

Website for the JT Group’s social contribution activities

URL [www.jti.co.jp/csr/contribution](http://www.jti.co.jp/csr/contribution)



### 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 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.





## Domestic Programs

In FY 2009 alone, the JT Group spent approximately 3.7 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 efforts to regenerate and revitalize local communities as a good neighbor, the JT Group implements a variety of programs such as the JT Asia Scholarship, support for NPOs and the JT Shogi Japan Tournament.

The JT Group's business entities 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 their premises such as 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 conducts environmental conservation activities. Activities include clean-up in the areas around JT's business facilities and the "Pick Up and You will Love Your City" campaign, raising awareness of the problem and organizing rubbish collection.

The tobacco and food businesses use natural materials such as leaf tobacco, vegetables and tealeaves. The JT Group runs reforestation and forest conservation (JT Forest activities) in eight locations nationwide to show its appreciation for nature, which supports its businesses, and to fulfill its corporate social responsibility.



### Culture and Arts

The JT Group's activities include contributing to the development and improvement of music and other forms of culture and arts. The JT Art Hall Affinis (Toranomon, Minato Ward, Tokyo) continuously holds cultural events, mainly classical chamber music performances, nurturing musicians and providing society with creative and inspiring concerts. The JT Group has established the Affinis Arts Foundation to support professional Japanese orchestras, in an effort to foster talent and promote cultural development by offering orchestra members overseas training, providing financial aid for orchestras' concerts and organizing seminars and concerts. The JT Group also operates the Tobacco & Salt Museum (Shibuya Ward, Tokyo), which presents the historical and cultural aspects of tobacco and salt through exhibitions and events, gathers materials and conducts research and surveys. The JT Biohistory Research Hall (Takatsuki City, Osaka) studies biodiversity and provides people with interests to think about the wonders of natural life by exhibitions and open laboratories. These approaches are all unique to JT.



Photo: K. Miura



Photo: K. Miura



### Aid for Disaster-Stricken Areas

When a disaster occurs in Japan and overseas, the JT Group conducts disaster relief activities by providing assistance to disaster areas through group-wide cooperation, including donating emergency supplies and alms and dispatching volunteers (employees). The assistance in recent years includes:

Yushu earthquake (April 2010), China  
Chile earthquake (March 2010), Chile  
Hyogo downpour by typhoon No. 5 (August 2009), Japan  
Yamaguchi, Fukuoka and Hiroshima downpour (July 2009), Japan

### Social Contribution Activities Examples

#### Participating in the Morioka Sansa Odori Festival

##### JT Morioka Area Sales HQ, Morioka Factory, Tohoku Regional Leaf Tobacco HQ

The Morioka Sansa Odori Festival, which began in 1978, is well known for the world's largest number of wadaiko (Japanese drums) in use. It's a summer tradition in Morioka, attracting and fascinating a number of tourists from all over Japan. As part of its local contribution program, JT participates in a variety of festivals with local residents. Among them is the The Morioka Sansa Odori Festival's parade, in which employees of the Morioka HQ, the Factory and the Tohoku HQ participate, organizing the JT team with local residents.

In 2009, the 32th Morioka Sansa Odori Festival's parade was held between August 1st and 4th. On joining the parade, the Morioka HQ, the Factory and the Tohoku HQ had called on local residents and formed the JT team, comprised of a total of 120 JT employees and local residents. The JT team got together twice a week at the JT Morioka Factory to rehearse the parade. During the festival, they paraded the main street, all clad in matching Yukata.



#### Receiving Trainees from Vocational High Schools

##### The JT Tokai Factory

In August 2009, the JT Tokai Factory received trainees from vocational high schools as part of their five-day internship program.

This program, administered by vocational high schools, is designed to help students develop capabilities and attitude required to be engineers through contact with society; the JT Tokai Factory has been part of it since 2008.

The JT Tokai Factory offered one-to-one training, where trainees learned about the mechanism of operating production lines and control programs, working on productivity and quality improvement measures. On the last day of the training, they presented their achievements.



#### Making Steady Efforts to Contribute to Local Communities

##### The Central Pharmaceutical Research Institute

The Central Pharmaceutical Research Institute (Takatsuki City, Osaka) has been working on community-based programs.

Such programs include tree planting and green space development on the site of the institute, with part of it open to local residents' cherry blossom viewing once a year in its bloom – the "Cherry Blossom Street" program, which started in 2006. In addition, the institute regularly conducts clean-up activities in its surrounding and the vicinity of Takatsuki Station.

As for relief for disasters such as earthquakes, meanwhile, an agreement is in place with the nearby residents' associations on the supply of nonperishable foodstuffs, which are stored in the institute's warehouse along with drinking water; distribution drills are held every year.



#### Introducing the Historical and Cultural Aspects of Tobacco and Salt

##### The Tobacco & Salt Museum

The Tobacco & Salt Museum was established in 1978 to research, study and gather information on tobacco and salt, while introducing their historical and cultural aspects. In addition to a permanent exhibition of the history of tobacco and salt in Japan, it holds special and themed exhibitions covering a wide range of culture and history.

Website of the Tobacco & Salt Museum

URL [www.jti.co.jp/Culture/museum/WelcomeJ.html](http://www.jti.co.jp/Culture/museum/WelcomeJ.html)

#### Special and themed exhibitions held in 2009

The Power of Design: Japan's Design History with Focus on Tobacco  
"My Punctuation Marks" Depicted by 170 Illustrators  
The 31st Summer Holidays Salt Workshop "Aha! That's How Salt is Made"  
A Comforting Austria: Vienna's Cultural History with Focus on Café and Tobacco  
Ukiyoe Hyakka: The Complete Hiraki Collection (commemorating the 125th anniversary of Chuo University)  
Dream of Friendship Shipped via Galeons (commemorating the 400th anniversary of Japan-Mexico Friendship)  
Mitsuaki Iwago Photo Exhibition "The Iwago's World"



Supporting Professional Orchestras Nationwide

The Affinis Arts Foundation

The JT Group established the Affinis Arts Foundation in 1988, a program to help professional orchestras across Japan develop and improve their performances. It also provides subsidies for concerts, overseas studies of musicians and the purchase of musical instruments, while holding the Affinis Music Festival every year to provide them with opportunities to improve their technique.

In 2009, for example, the Affinis Music Festival 2009 Hiroshima was held for a week from August 17th, where world-class musicians gave seminars and played together with orchestra members in concerts. At the same time, local residents and orchestra members built their friendship through a variety of musical exchange programs.

The Affinis Arts Foundation received the Akeo Watanabe Music Foundation Special Award 2009 for its contribution to supporting orchestras.

Website of the Affinis Arts Foundation

URL [www.affinis.or.jp](http://www.affinis.or.jp)



Photo:K.Miura

Promoting Sports in Local Communities Through Volleyball Schools

JT Thunders and JT Marvelous

Mainly in the off-season, the JT volleyball teams offers practical volleyball lessons to help local volleyball associations and municipalities hold volleyball schools, which are designed to educate and train the young and promote sports in local communities; the JT volleyball team players coach students of elementary schools, junior high schools and high schools as well as housewives for the basics of volleyball in addition to lectures and practice.



Contributing to Society in a Way Unique to a Food Company

TableMark Co., Ltd.

TableMark Co., Ltd., a JT Group company, is involved in "foodbanking" led by a nonprofit organization called Second Harvest Japan – a social contribution only food companies can offer.

Foodbanking is an activity where foodstuffs that remain edible but would otherwise go to waste for various reasons are collected for redistribution to those in need. Food manufacturers, fast-food chains, etc. offer such foodstuffs at no cost to Second Harvest Japan, which in turn redistributes them to welfare facilities and organizations.

TableMark takes part in this activity, supplying its frozen foods to children's institutions and other welfare facilities via Second Harvest Japan, one of the largest foodbanking organizations in Japan, since May 2009. Such frozen foods include fried chicken, fried fish and udon (wheat noodle), all of which are favorites of children. It is also highly valued by facility administrators as a great contribution to their facilities.



Donating 29 Wheelchairs as Part of the Eco & Hello Campaign

Japan Beverage Inc.

Japan Beverage Inc., a JT Group company, has been working on the "Eco & Hello Campaign" since 2004 to integrate environmental conservation with social welfare.

This campaign is designed to collect waste aluminum cans from schools, companies and local communities nationwide, exchanging 21,000 pieces of cans for an aluminum wheelchair, while collected cans are processed and recycled at Recycle Plaza JB, a beverage container recycling plant run by Japan Beverage. With cooperation of 15 organizations, 29 wheelchairs were donated to schools and welfare facilities in 2009, the sixth year of its operation.

Japan Beverage continues to raise awareness of the importance of resources and to work on this community participation campaign for environment conservation.



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 tobacco brands in more than 120 countries and regions

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 activities unique to JTI, the JT Group is addressing challenging issues in local communities, such as promoting reforestation and forest conservation and preventing child labor in Africa.

Reforestation and Community Support Program in Africa

It is the fourth years since JT and JTI began to work together on reforestation and forest conservation in Malawi and Tanzania. The area of forest is decreasing in Africa, where rural households are dependent on fuelwood for energy supply. In particular, Malawi and Tanzania are Africa's leading producers of leaf tobacco, having a close relationship with the JT Group. Fuelwood, meanwhile, is also used to dry tobacco leaves.

The JT group program reduces pressure on natural woodlands allowing them time to regenerate.

In Malawi and Tanzania, a total of 12 million trees have been planted in an area of about 6,100 hectares since 2007. At the same time, agroforestry programs are underway, where trees are planted on farmland to prevent soil erosion and improve agricultural productivity. Local communities in these countries are beginning to realize the importance of forest conservation, with sustainable forest management taking shape. The program has an important social aspect too. It provides clean

water wells, hygienic toilets and equipment such as irrigation pumps, and teaches skills to increase farm output. Such programs help them improve their living conditions, such as decreased diseases, stable food production and increased household income.

Reforestation and forest conservation programs were also launched in the Philippines in April 2010.



Planting of tree seedlings



Well with hand pump

Approaches to the Child Labor Problem

The use of child labor can never be justified. JT/JTI takes the issue of child labor very seriously, and is committed to helping to address it within the areas and communities in which it operates. As part of this approach, JT/JTI supports the Eliminating of Child Labor in Tobacco-growing (ECLT) Foundation\*, a multi-stakeholder partnership of trade unions, growers and tobacco companies with the ILO as an advisor, which funds field projects and research dedicated to help eliminate child labor in tobacco farming regions across the world.

The website of the ECLT Foundation

URL [www.eclt.org](http://www.eclt.org)



Educational program

\*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.



## JTI Corporate Philanthropy

JTI's Corporate Philanthropy programs enable the voluntary contribution of resources – financial, material and human – to causes that are of general benefit to society and address a specific need. There are three main focus areas for JTI's programs: providing social welfare to disadvantaged groups; arts and cultural support; and disaster relief. Initiatives in the first two categories tend to be local and are led and funded by individual markets. The third is more international in scope – response to disasters anywhere in the world – and is normally funded by the JTI Foundation. The programs highlighted below are broadly representative of engagements undertaken by the Company and its employees in 2009.

### Social Welfare

Many JTI entities have initiated programs that benefit disadvantaged groups. The needs and opportunities vary by country and community but there are common themes. For example JTI Belgium is active in this area, working closely with the 'United Fund for Belgium' to provide free meals and other forms of assistance to the elderly and the underprivileged throughout the country.



Social Shop workers supported by JTI Belgium



JTI Malaysia supports 16 elderly welfare homes

JTI Russia has partnered with local authorities in Moscow, Yelets, and St. Petersburg, to support pensioners and World War II veterans. The 'Silver Spring' and 'Autumn of Hope' initiatives provide food, clothes and other durable goods to its elderly citizens. JTI also assists in developing social and cultural events for the elderly, and such activities will spread to the other regions of Russia during 2010.

On the other side of the world, JTI Malaysia has similar projects that contribute both financially and via other assistance to 16 elderly welfare homes that provide shelter for those no longer able to look after themselves. This activity also provides JTI employees with the opportunity to volunteer their time as part of their contribution of giving back to the communities in which they work.

JTI UK supports 'Crisis UK', a charity that helps single

homeless people to develop and acquire qualifications in order to reintegrate them into society. This support enables the charity to run an extra 800 educational classes a year in numeracy, literacy and IT skills.

Education of underprivileged groups is one recurring theme in JTI's social welfare agenda. Promoting social diversity is another - appropriate for a company that takes pride in its ability to assimilate talent from every corner of the world.

In Spain, JTI Iberia created and launched a new project called 'HERMES' in close cooperation with UNED, the Spanish Government's Open University. This is a national initiative to promote the social and workforce integration of immigrant groups in a country where over 11% of the population is non-native. The intent is to remove barriers that adult newcomers face in settling-in and enable them to become productive members of the community by helping validate college degrees from their own countries or complete their studies in Spain.

### Arts and Culture

In the UK, JTI is an important partner in bringing exhibitions of artistic, historical and academic importance to UK audiences through its long-term support of exhibitions in the Sackler Galleries at the Royal Academy of Arts. In autumn 2009, JTI UK also supported an exhibition of the work of Anish Kapoor, one of the most influential and pioneering sculptors of his generation. The exhibition attracted a record number of visitors and was the largest ever devoted to a living artist at the Royal Academy.



Crisis students with their tutor in a JTI UK supported class



JTI Iberia supports adult educational program with UNED



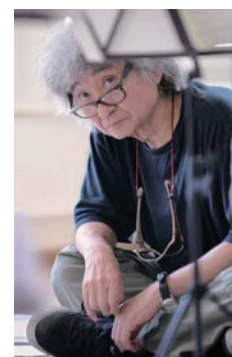
JTI UK supported an exhibition of the work of Anish Kapoor.

In Russia, JTI helps national heritage stay alive by funding the creation of an internet-based digital library of art treasures held in the renowned Pushkin State Museum in Moscow. Space constraints allowed only a very small proportion of its huge 750,000 piece collection to be on display at any one time. In 2008 through 09, JTI's support enabled the upload-ing of 1,200 paintings that can now be viewed on-line.

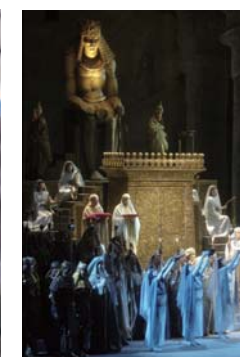
JTI put considerable resources into making music more international and accessible in 2009. Examples include JTI Russia's long-term cooperation with the Mariinsky Theater



JTI Russia supports the Mariinsky Theater led by Maestro Valery Gergiev.



JTI France supported the IMAS concert conducted by Seiji Ozawa in 2009.



JTI Italy was a partner of the Teatro alla Scala Japan tour in 2009.

led by Maestro Valery Gergiev. The company provides support to the Theater as well as to two major programs run by the Mariinsky: the annual Moscow Easter Festival and Stars of the White Nights Festival. Both events have become highlights of the cultural calendar in Russia and beyond.

In addition, JTI France supported a concert at the renowned Théâtre des Champs Elysées in Paris by the International Music Academy of Switzerland, an institute that attracts and develops young artists from all over the world that is led by Japanese conductor Seiji Ozawa. JTI Italy, a partner of the Teatro alla Scala in Milan, supported La Scala Japan Tour 2009 during which the world famous opera house staged operas and concerts at two of Tokyo's leading theatres.



JTI-Macdonald's partnership with the Japanese Canadian Cultural Centre in Canada

In Canada, JTI-Macdonald Corp. partners with the Japanese Canadian Cultural Centre to celebrate the joint heritage of Canada and Japan. The cultural and historical links between the two nations date back to the 1880s and more than 100,000 people of Japanese descent live in Canada today. JTI-Macdonald Corp. has supported the Centre for five years and its contributions fund a rich mix of traditional events, musical performances and film screenings, art and history exhibitions and language classes.

### Disaster Relief

The Swiss-based JTI Foundation is an important channel for the Company's support for victims of natural disasters. It works closely with governments, NGOs and emergency relief organizations around the world.

The Foundation made substantial contributions to some of the worst disasters to befall the global community in 2009.

In Italy, it assisted the government in a twelve month restoration and reconstruction program to help the population of the Abruzzo region recover from the devastating earthquake that struck in April. In September, it donated funds for two leading relief organizations to provide immediate support to people displaced by the typhoon that struck the Philippines. It also supported procurement and distribution of relief goods after monsoon rains took a heavy toll on human life and extensively damaged property in India.

The Foundation puts a focus on proactive initiatives with a long-term perspective. It is a principal supporter of the Turkish-based GEA search and rescue service, usually among the first to respond to international appeals for help when disaster strikes.

JTI Foundation also signed a four year partnership agreement with the ETH Zürich (Swiss Federal Institute of Technology Zurich) to support creation of a uniform independent standard for measuring earthquake hazards in the Middle East, Caucasus and North Africa. The goal is to combine advances in scientific, engineering and information processing capabilities to improve prediction and risk assessment in ways that will enable national governments and other institutions in the region to take additional steps to protect lives and infrastructure in the event of major incidents.



JTI Foundation and JTI Philippines supported typhoon victims in the Philippines.





## Approaches to Protecting the Global Environment

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

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



## 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, which was revised again in May 2010, incorporating biodiversity issues to act as a responsible corporate citizen in all countries and regions in which it operates and to make concerted efforts in striking a balance between its operations and the environment.

### JT Group Environment Charter

#### Basic Principle

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

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

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

#### JT Group Environmental Policy

##### 1. Management System

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

##### 2. Compliance

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

##### 3. Products and Services

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

##### 4. Process and Supply Chain

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

##### 5. Environmental Education

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

##### 6. Environmental Communication

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

Revised in May 2010





# JT Group Environmental Management

## Striving to Become an Environmentally Advanced Company

### We Will Improve and Upgrade the JT Group Environmental Management

Giving the highest priority to conserving the global environment, and based on the philosophy of the JT Group Environment Charter, the JT Group has been making concerted efforts to strike a balance between its operations and the environment in all countries and regions in which it operates. With the JT Group Environmental Action Plan (2009-2012) launched in FY 2009, moreover, we have expanded the scope of environmental management to cover all consolidated subsidiaries, both in Japan and abroad – an effort to curb global warming and save resources.

There has been much discussion in recent years over international efforts to mitigate global warming and preserve biodiversity. More than 70 countries and regions have submitted their greenhouse gas emission reduction targets and action plans for 2020 to the United Nations, taking into account the Copenhagen Accord by the 15th Conference of the Parties (COP 15) to the United Nations Framework Convention on Climate Change in December 2009. Accordingly, discussion is underway on an international climate regime following the first commitment period of the Kyoto Protocol (2008-2012).

On the domestic front, meanwhile, the Basic Law for Prevention of Global Warming, which includes greenhouse gas emission reduction targets for 2020 and the framework for the domestic emission trading scheme, was presented to the Diet, while the Tokyo Metropolitan Government adopted mandatory total emission reduction targets and an emission trading scheme in April 2010.

As for biodiversity, the 10th Conference of the Parties (COP 10) to the Convention on Biological Diversity will be held in Japan in October 2010 to discuss conservation and sustainable use of ecosystems. Addressing environmental issues from a long-term and global perspective is thus becoming imperative for all businesses.

With such changes taking place in society and the busi-



**Masakazu Shimizu**, Executive Deputy President  
Assistant to CEO in CSR

ness environment, the JT Group plans to revise the JT Group Environmental Action Plan (2009-2012) in FY 2010. It also revised the JT Group Environment Charter, as it is responsible for conserving biodiversity as a company depending on the blessings of nature, and for passing on a rich, healthy environment to future generations.

The JT Group continues to make concerted efforts to strike a balance between its operations and the environment from a long-term perspective, recognizing its corporate social responsibilities, that is, creation of a low-carbon, recycling-based society and conservation of biodiversity.

### The JT Group Environmental Action Plan (2009-2012)

Based on the JT Group Environmental Action Plan (2009-2012), the JT Group is working on reducing the environmental impact of its operations, setting key reduction targets for greenhouse gas emissions, water consumption and waste generation along with recycling rate improvement targets.

Greenhouse gas emissions: JT achieved a 40.8% reduction (from FY 1995 levels) and the JT Group, a 6.9% reduction (from FY 2007 levels), both in FY 2009, by using turbo freezers, adopting the EcoCute systems and optimizing air con-

ditioning systems at factories and laboratories.  
Water consumption: JT achieved a 66.1% reduction (from FY 1995 levels) and the JT Group, a 13.6% reduction (from FY 2007 levels), both in FY 2009, by switching to air-cooled freezers at tobacco factories and optimizing water use at establishments.  
Waste generation: JT achieved a 19.6% reduction (from FY 1995 levels) and the JT Group, a 14.0% reduction (from FY 2007 levels), both in FY 2009, by segregating waste at each establishment.  
Recycling rate: JT achieved 100% and the JT Group, 87.9%, both in FY 2009, at factories.

#### Environmental Impact Reduction Targets (2009-2012)

Objective	Target Companies	Medium-Term Target (2009-2012)	Target (FY 2009)	Results (FY 2009)
Global warming prevention				
Greenhouse gas emissions	JT Group	Reduce by 10% below FY 2007 levels in FY 2012	Reduce by 4% below FY 2007 levels	Reduced by 6.9% below FY 2007 levels
		Reduce emissions from tobacco product factories per million cigarettes by 11% below FY 2007 levels in FY 2012	Reduce by 7% below FY 2007 levels	Reduced by 9.9% below FY 2007 levels
	JT	Reduce by 50% below FY 1995 levels in FY 2012	Reduce by 42% below FY 1995 levels	Reduced by 40.8% below FY 1995 levels
		Reduce emissions from tobacco product factories per million cigarettes by 12% below FY 1995 levels in FY 2012	Reduce by 9% below FY 1995 levels	Reduced by 11.6% below FY 1995 levels
Natural resource saving				
Water consumption	JT Group	Reduce by 12% below FY 2007 levels in FY 2012	Reduce by 5% below FY 2007 levels	Reduced by 13.6% below FY 2007 levels
	JT	Reduce by 70% below FY 1995 levels in FY 2012	Reduce by 63% below FY 1995 levels	Reduced by 66.1% below FY 1995 levels
Waste generation	JT Group	Reduce by 15% below FY 2007 levels in FY 2012	Reduce by 11% below FY 2007 levels	Reduced by 14.0% below FY 2007 levels
	JT	Reduce by 35% below FY 1995 levels in FY 2012	Reduce by 21% below FY 1995 levels	Reduced by 19.6% below FY 1995 levels
Recycling	JT Group	Continue with zero emission activities at factories	Zero emission activities at factories	Achieved zero emissions at 24 factories out of 62 The recycling rate: 87.9% for the JT Group, and 100% for JT

※Domestic tobacco product factories aim to reduce their total greenhouse gas emissions per million cigarettes by 15% below FY 1995 levels in FY 2020.

#### Major Programs

Title	Description	Results (FY 2009)
Improvement of the JT Group environmental management	Creation and promotion of the environmental management system (EMS)	Surveyed the status of operations and environmental impacts of establishments where EMS has yet to be established Trained 307 environmental managers
	Compliance with environmental laws and regulations	Three minor violations of the Waste Disposal Law (already addressed)
	Reduction of environmental impacts through product life cycles	Launched life cycle assessments for the tobacco business
Reduction of environmental impacts through supply chains	Promotion of green procurement	The percentage of tobacco material suppliers practicing environmental management: 82.4% (domestic)
	Promotion of fuel-efficient vehicles	The percentage of fuel-efficient sales vehicles: 51.1% (domestic)
Reduction of environmental impacts of distribution services	Promotion of modal shift	The modal shift rate: 65.6% for tobacco distribution (domestic)
	Environmental communication	Disseminated environmental information through the CSR Report and website
Reforestation and forest conservation	Improvement of employee education and training	Rolled out educational programs through group magazines
	Reforestation and forest conservation programs at home and abroad	Put the programs into practice in eight locations at home and two abroad



Promotion Systems of the JT Group Environmental Management

The executive deputy president, assistant to CEO in 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 Plan with focus on their management and specific measures, while supporting each division and the JT Group as a whole in their environmental management.

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 establishments.

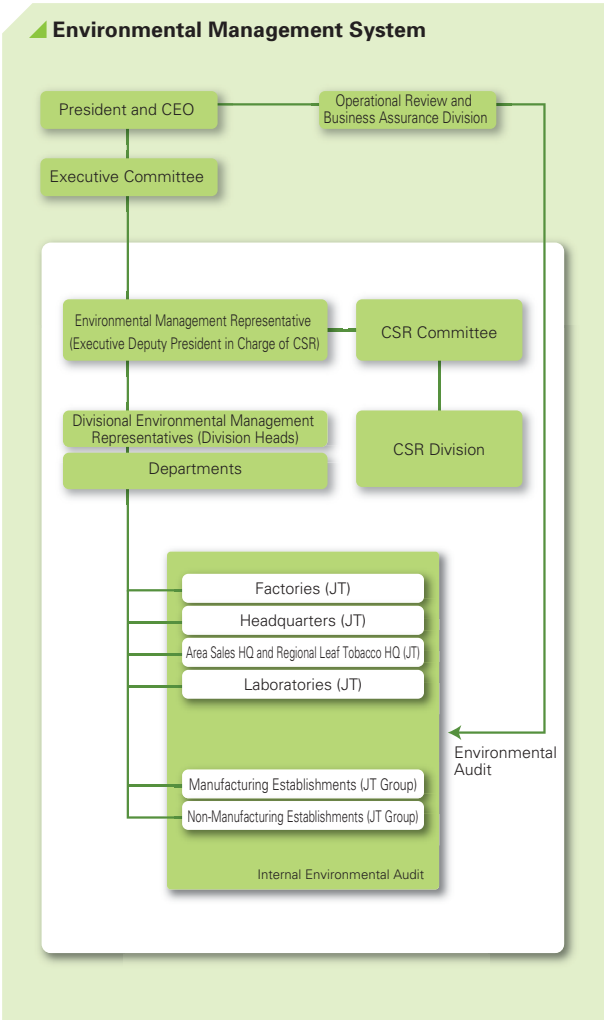
All JT’s manufacturing establishments have obtained ISO 14001, while environmental management systems are in place in all non-manufacturing establishments. Of the JT Group companies, moreover, 24 domestic group companies had created their environmental management systems by FY 2008, while all consolidated subsidiaries are also developing such systems based on their operations and possible impacts on the environment.

Status of the JT Group’s Environmental Management

(As of the end of March 2010)

	ISO 14001 Certification	Complying with ISO 14001
JT	17 establishments (factories)	36 establishments (the headquarters, area sales headquarters, laboratories)
Group Companies	Japan Tobacco International (21 group companies) 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., Japan Filter Technology, Ltd. (4 factories), Fuji Flavor Co., Ltd., Torii Pharmaceutical Co., Ltd. (1 plant), Japan Beverage Inc.(8 group companies), TableMark Co., Ltd. (1 factory), Katokichi Suisan Co., Ltd. (1 factory), Ipinshang Foods Corporation, Sunburg Co., Ltd., Nihon Shokuzai Kako Co., Ltd., Asahi Shokuzai Co., Ltd., Thai Foods International Co., Ltd., Toranomon Energy Service Co., Ltd.	TS Network Co., Ltd., JT Logistics Co., Ltd., JT Beverage Inc.

JT A-Star Co., Ltd. adopted a simplified environmental management system.



Development of Human Resources That Drive Environmental Management Systems

As developing human resources for environmental management is key to improving the JT Group’s environmental management systems, efforts are underway to train employees (including newly appointed environmental managers) in internal programs and external seminars on ISO 14001.

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

With an integrated system for monitoring environmental performance data upgraded in FY 2009, a series of seminars were conducted for environmental managers of all establishments to improve the accuracy of those data.

Results of Environmental Manager Educational Programs (FY2009)

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 managers	Environmental auditors
Program description	Training for environmental managers	Training of internal auditors (theory)	Training of internal auditors (practice)
Number of trainees	145	40	14

Measures in Procurement

**Promoting Green Purchasing**

The JT Group sets forth the “Green Purchasing Guidelines” to encourage the purchase of goods that have less environmental impact. These guidelines applied to a total of 983 items (office supplies, office furniture, office automation equipment, vehicles, etc.) in FY 2009, with JT’s green purchasing rate standing at 69.7% 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 working with suppliers to promote green procurement according to the “Green Procurement Standards,” which cover procurement of environmentally friendly materials and establishment of environmental management systems on the supplier side. As a result, 82.4% of the suppliers have established environmental management systems of their own in FY2009.

This program will be rolled out across the JT Group to further promote green procurement.

Environmental Auditing

Environmental Auditing for Environmental Management

While establishments certified by ISO 14001 and those operating environmental management systems conforming to ISO 14001 conduct internal audits based on ISO 14001, the Operational Review and Business Assurance Division conducts environmental audits at all establishments.

These systems are designed to improve JT’s environmental management, with the division independent from those engaged in environmental activities, reviewing the group’s environmental programs from an objective perspective.

The Operational Review and Business Assurance Division selects establishments to be audited, based on its own standards (the years from the last audit, the surrounding environment, etc.), focusing on compliance with environmental laws and regulations and critical management issues. Critical issues identified and countermeasures are reported to the president, the establishments and the supervising division for sharing information. The Operational Review and Business Assurance Division helps as necessary review the action plans.

Environmental Audit Results in FY2009

The Operational Review and Business Assurance Division and the group companies’ audit teams jointly audited five establishments listed below in FY 2009, focusing on: compliance with environmental laws and regulations; management of chemical substances according to the Chemical Substance Management Guidelines; and management of centralized storage facilities for PCB equipment. The audits identified 15 non-compliances, including failure to notify changes in land use at factories and legal items in agreements on the outsourcing of waste disposal services. All these non-compliances are being addressed or have been solved. For non-compliances in which the group’s other establishments are involved, efforts are underway, such as monitoring the improvements and individual guidance.

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

Establishments Audited in FY 2009

- JT Kansai Factory (P) (C)
- The Chuo Factory of TableMark Co., Ltd.
- JT Niigata Area Sales Headquarters
- TS Network Co., Ltd. (P)
- The Niigata Uonuma Factory of TableMark Co., Ltd.

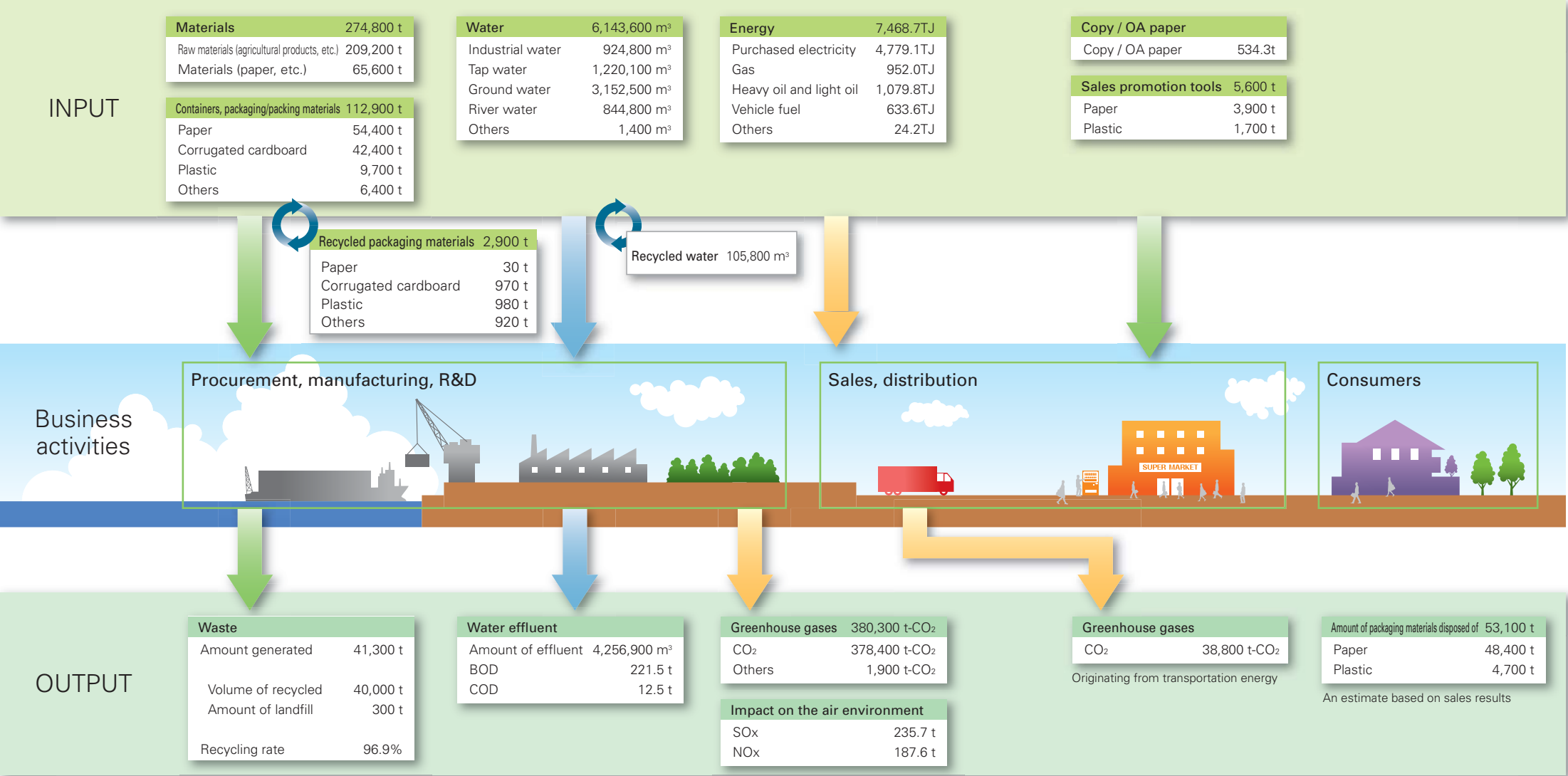
(P): Audit for PCB management (C): Audit for chemical substance management

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

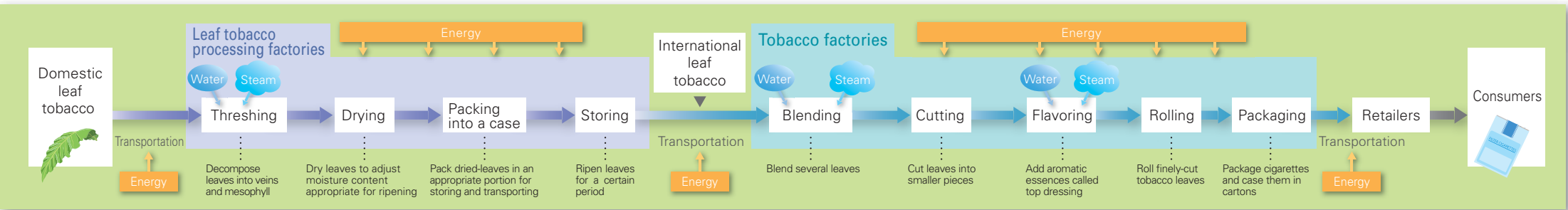
The JT Group keeps track of the use of energy, water and raw materials as well as the resulting greenhouse emissions, wastewater and waste materials to reduce the impact of its operations on the environment. It is also com-

mitted to reducing the environmental impact of the entire supply chain, monitoring the life cycles of products and services, from production of raw materials to disposal of used products.

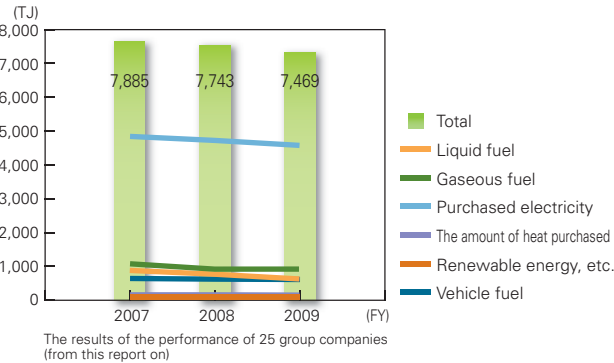
Targets: 25 domestic JT Group companies  
Period: April 2009 to March 2010



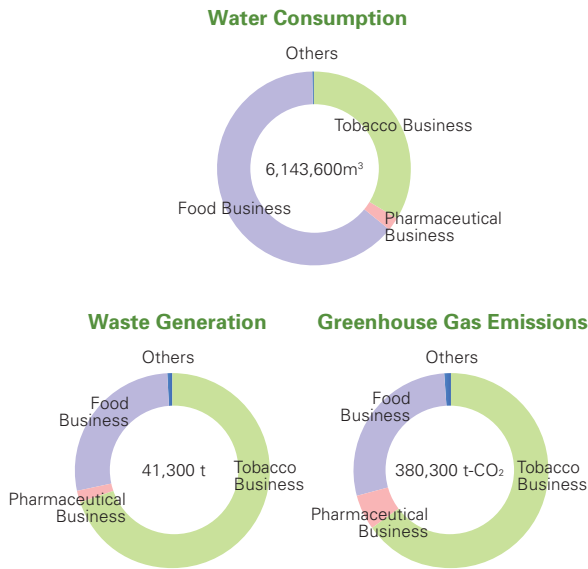
## Tobacco Manufacturing



## Energy Consumption by Category



## Environmental Impacts by Business



## [Calculation of Environmental Load]

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



## Approaches to Preventing Global Warming (Domestic)

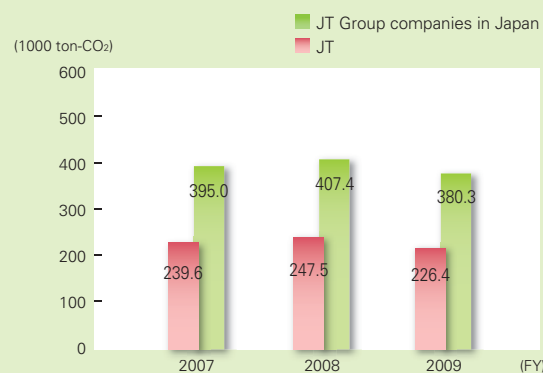
### Approaches to Reducing Greenhouse Gas Emissions

The JT Group, according to the JT Group Environmental Action Plan (2009-2012), places a premium on reducing greenhouse gas emissions to help curb global warming, which is a global challenge.

In fact, JT reduced its CO<sub>2</sub> emissions by 21,000 tons from FY 2008 levels (or by 40.8% from FY 1995 levels) in FY 2009. Likewise, the JT Group companies in Japan reduced its CO<sub>2</sub> emissions by 27,100 tons or 6.6% from FY 2008 levels in FY 2009.

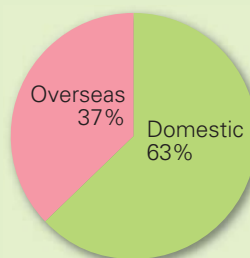
Major reduction measures include installation of turbo freezers at factories and laboratories, optimization of air conditioning systems and replacement of main air conditioning systems in office buildings. A fuel shift from heavy oil to natural gas that was implemented at the end of FY 2008 also contributed significantly to reducing greenhouse gas emissions.

#### Actual Greenhouse Gas Emissions



The results of the performance of 25 group companies (from this report on)

#### Greenhouse Gas Emissions The Percentages of Actual Emissions from JT Group Companies at Home and Abroad (FY 2009)



### Energy-Saving Measures

#### Energy Saving Measures at Manufacturing Establishments

To help curb global warming, the JT Group has a variety of energy saving measures in place at factories, with the recognition that initiatives in those major sources of greenhouse gas emissions are important.

Energy saving measures in FY 2009 includes adoption of the EcoCute systems, optimization of the operation of air conditioning systems and boilers, and the use of solar power outdoor lighting and inverter interior lighting.

#### Energy Saving Measures at Offices

The JT Group is working on energy saving programs at offices as well as at manufacturing establishments to help curb 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 lights in offices are turned off during lunch hours and after office hours. The JT Group also took part in the COOL BIZ (June to September) and WARM BIZ (December to February) campaigns, with each employee playing a part in saving energy.

#### Contributing to Energy Saving with Environmentally Friendly Facilities

Recycle Plaza JB – run by Japan Beverage Inc., a beverage vending machine operator, to recycle aluminum cans, steel cans and PET bottles – replaced some of its interior and outdoor lamps with an LED lighting system, while using solar and wind generated electricity. Advanced technology is playing a key role in making the facility environmentally friendly.

The facility, moreover, is open to the public to provide them with opportunities to learn about recycling processes and energy-saving systems, an effort to raise their environmental awareness.



LED lighting



Solar panels

### Contributing to Curbing Global Warming Through Continuous Inventiveness and Energy-Saving Efforts

The domestic tobacco business and its group companies are working on the "Energy-Saving Project" to reduce the impact of their operations on the environment.

For example, the JT Kyushu Factory, which has been in operation since 1986, obtained ISO 14001 certification in 2003, while working on zero waste emission and reduction of water consumption and CO<sub>2</sub> emissions. Specific measures include adjustment of blower RPM and installation of control panels to visualize the operation of air conditioning systems. Such continuous inventiveness of engineers resulted in over a 5% reduction in unit energy consumption in 2005 and 2006.

In addition, measures such as a switch to high-efficiency freezers, replacement of fluorescent lamps with energy-saving types and shutdown of air conditioning in areas where manufacturing equipment is not in operation have been in place since 2007, while a program to plant trees at factory site and improve the environment in and outside the factory was awarded by the Minister of Economy, Trade and Industry in 2008 as the best tree-planting activity at factories.

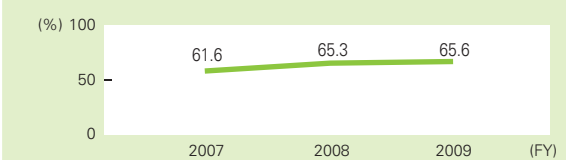


The JT Kyushu Factory

### Optimization of Transportation

The domestic distribution division is promoting modal shift and increasing the loading rate of trucks to reduce greenhouse gas emissions. The modal shift rate of the domestic tobacco business stood at 65.6% in FY 2009 and the loading rate of 10-ton trucks hauling finished products from factories to distribution centers, at 99.9% on a pallet basis.

#### Modal Shift Rates (The Domestic Tobacco Business)

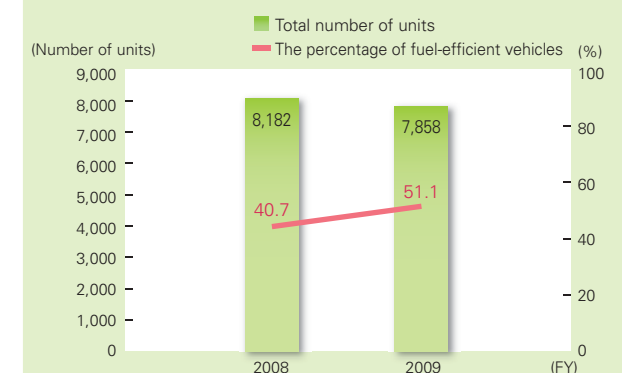


The percentage of railroad and marine transportation of tobacco materials with a hauling distance of over 500 km

### Introduction of Fuel-Efficient Vehicles

The JT Group's fleet of sales vehicles and delivery trucks is switching to low emission vehicles. In reducing greenhouse gas emissions, an additional program was launched in FY 2009 to introduce fuel-efficient vehicles, which account for 51.1% of the total fleet of vehicles as of the end of March 2010 (4,016 units out of 7,858).

#### The Percentage of Fuel-Efficient Vehicles



### Environment-Conscious Vending Machines

As the environmental impact of vending machines rises to the highest at the time of use, Japan Beverage Inc. is replacing them with those equipped with an energy-efficient heat pump or a peak cut system designed to save energy consumption – an effort to save energy and curb global warming at the point of contact with consumers.

Tobacco vending machines are also switching to light-weight types, with their fluorescent lamps replaced with LEDs.



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



## Approaches to Creating a Recycling-Based Society (Domestic)

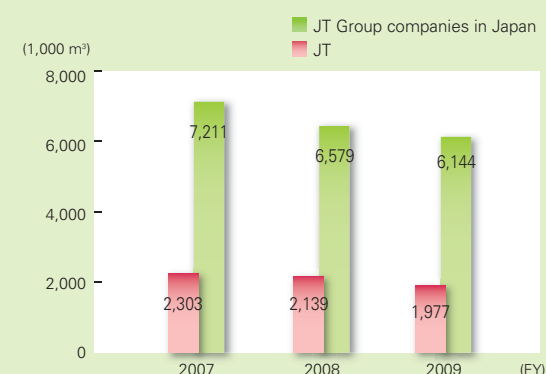
### Approaches to Reducing Water Consumption

The JT Group is working on conservation of the water environment by reducing as much as possible release of water pollutants, saving water consumption and promoting water recycling.

In fact, JT's water consumption decreased by 162,000 m<sup>3</sup> year on year (or 66.1% from FY 1995 levels), and the JT Group's water consumption (domestic), by 435,000 m<sup>3</sup> or 6.6% year on year, both in FY 2009.

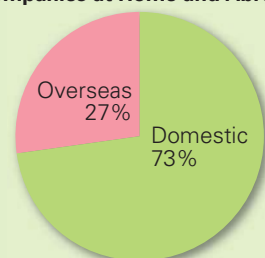
Specific measures include the use of recycled water to flush the toilet. At tobacco factories, moreover, resources saving programs are in place to continuously improve manufacturing processes and reduce water consumption.

#### Actual Water Consumption



The results of the performance of 25 group companies (from this report on)

#### Water Consumption The Percentages of Actual Consumption of JT Group Companies at Home and Abroad (FY 2009)



### Reduce Waste Generation and Promote Recycling

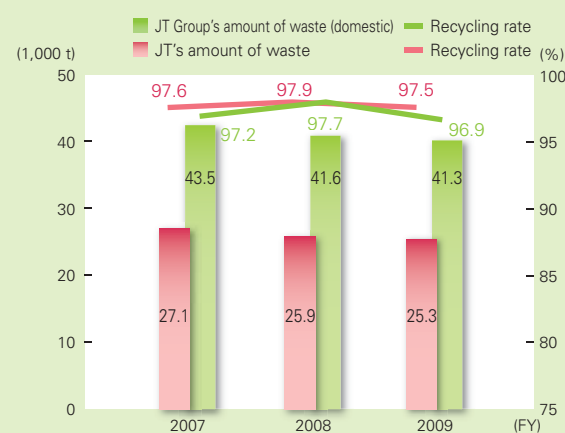
The JT Group is promoting 3R (Reduce, Reuse and Recycle) in an effort to create a recycling-based society.

For example, JT's waste generation decreased by 573 tons year on year (or 19.6% from FY 1995 levels) and the JT Group's waste generation (domestic), by 253 tons or 0.6% year on year, both in FY 2009.

Tobacco factories reuse packing materials, with 248 tons of packing materials for raw material reused in FY2009, while each establishment segregates waste materials and review services of waste disposal companies. As a result of these continuous recycling efforts, 23 factories have achieved zero emission with a recycling rate of over 99.5%.

The JT Group Environmental Action Plan (2009-2012) aims to improve the quality of recycling as well as the recycling rate, with recycling of materials accounting for 81.1% of the total. Recycled materials include those sold or transferred as resources.

#### Actual Amount of Waste and Recycling Rates



The results of the performance of 25 group companies (from this report on)

### Containers and Packaging Materials

The JT Group continues to manufacture environmentally friendly products, while reducing the environmental impact of containers and packaging materials right from the stage of designing products.

TableMark Co., Ltd., a JT Group company, for example, eliminated plastic trays and films for the components of some of its frozen wheat noodles packaging. In addition, noodles are packed more densely to reduce transport energy consumption and for space saving in household refrigerators.

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



"Sanukimen Ichiban Niku Udon" with less packaging 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."

"Reuse" is to use recyclable resources as they are (including the use of repaired products), or to use all or part of recyclable resources as parts or in the form of other products.

"Heat recovery" (thermal recycling) is to use all or part of recyclable resources, and can be or could be used as fuel to produce heat. The JT Group's heat recovery includes waste heat recovery from incinerators, processing into solid fuel, and gas recovery from gasification melting furnaces.

## Other Approaches

### Proper Management of Chemical Substances

The JT Group manages the chemical substances it uses in accordance with the "Chemical Substance Management Guidelines," which are in accordance with 20 relevant laws and regulations – an effort to prevent pollution around each establishment and ensure the safety of employees. The PRTR Law applies to five establishments as of March 2010.

### 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."

The JT Group, for example, detoxified 131 PCB-containing capacitors in FY 2009.

### Soil Pollution Countermeasures

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.

### Asbestos Countermeasures

JT has surveyed and analyzed airborne asbestos-containing materials used for the buildings of its establishments, with measures in place to eliminate, contain or enclose them.



## Approaches to Protecting the Global Environment (Overseas)

### International Programs

JTI, the core of the JT Group's international tobacco business, controls the production, marketing and sales of JT Group cigarette brands in more than 120 countries around the world and now has more than 30 manufacturing operations in 23 different countries. JTI is a truly international and multicultural business, employing more than 24,000 people around the world.

This section provides a snapshot of how JTI has integrated Environment and Health and Safety (EHS) across the expanded business in 2009 and an update on its environmental performance and programs.

(For health and safety programs, see page24)

### EHS

Over the last nine 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 has made progress in all these areas, and has achieved a sixth year of improved EHS performance from its 2003 baseline. EHS objectives are an integral part of the business's annual strategic planning process and targets were accordingly set in 2009 to deliver continuous improvement in EHS performance.

JTI has implemented and enhanced Environmental and Health and Safety management systems for a number of years, based on the international standards ISO 14001 and OHSAS 18001. These systems, which include EHS policies,



EHS Functional Training

standards, tools and programs, are being rolled out across the enlarged business.

In 2009, a program was started to achieve certification under a single certification company by 2010. By the end of 2009, 12 factories and JTI's Geneva Headquarters had been successfully included within this single certificate. This will drive sharing good practices across all functions in JTI and strengthen consistent implementation of JTI's internal EHS standards.

### Environment

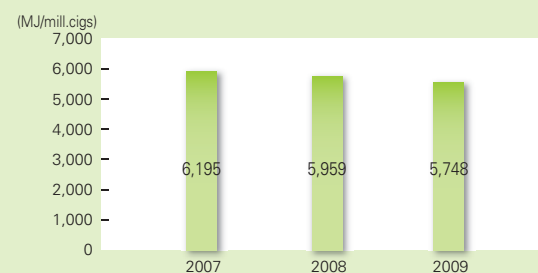
For the sixth consecutive year, energy consumption, CO<sub>2</sub> emissions, water consumption (per million cigarettes each), have shown improved performance; down 3.5%, 0.4% and 1.9% respectively versus 2008. Production waste fell by 8.6% and recycling rose 3%.

Factories continue to implement various programs to reduce environmental load. The enhanced energy metering is in place, which will provide information for more efficient reduction projects and building climate control. The key waste reduction program launched in 2008 to collect and re-use tobacco cases continues to reduce waste figures.



Through implementation of separation and recycling of waste (JTI Ukraine factory)

### Energy Consumption



### CO<sub>2</sub> Emissions



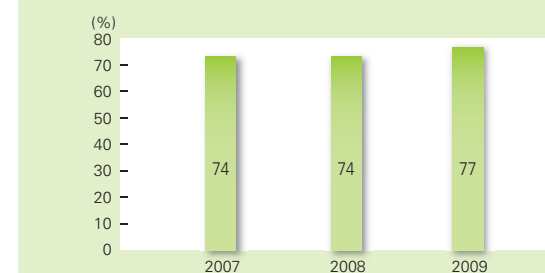
### Water Consumption



### Production Waste Generation



### Production Waste Recycling Rate



### The Food Business's International Programs

#### Thai Foods International Operating in Harmony with Nature

The JT Group's food business focuses on beverages, processed foods and seasonings, with seasonings being produced in Japan, Thailand and the U.S.

One of these production bases, Thai Foods International Co., Ltd., which will celebrate its 20th anniversary in 2010, is producing yeast extracts and other seasonings. Among the JT Group companies, Thai Foods International is one of companies actively addressing global warming and resource recycling, with three biomass boilers in operation to reduce CO<sub>2</sub> emissions from manufacturing. Surrounded by the granary, the company uses rice husks supplied from nearby rice farmers as a boiler fuel, while rice husk ash is recycled as fertilizer for use in paddy fields.

Yeast extracts, its main seasonings product, are produced primarily from molasses, which can be obtained in the process of sugar production from sugarcane. Liquid derived from the production of yeast extracts, meanwhile, is rich in organic matter and minerals that are vital to crops. The company also uses this liquid as organic fertilizer to improve agricultural productivity, which is part of its program to recycle the blessings of nature.

With its factory located in the basin of the Tachin River, moreover, the company is working on a program to improve its water quality, organizing the Tachin River Conservation Club, which comprises volunteers from temples, schools and companies located in the basin. The club is aiming for a better relationship with communities and is engaged in community-based activities such as monitoring of the water quality and clean-up of the Tachin River.



Thai Foods International



Playing an active role in the Tachin River Conservation Club consisting of local volunteers



# Environmental Communication

## The JT Group's Information Services

The JT Group communicates its environmental activities and cooperation with local communities to the public through a variety of information channels such as JT's web-site and the CSR Report. The JT Forest activities (reforestation and forest conservation), for example, are advertised on the JT Forest newsletter and newspaper ads, which are detailing local activities, the role of the forest and its relationship with the global environment.

In addition, tips on environment-conscious activities are posted in the internal magazine "Yours" for reference by employees.



Communicating the JT Forest activities on the JT Forest newsletter and newspaper ads



Internal magazine "Yours"



CSR Report

## JT Forest Environmental Learning

In addition to weeding, tree planting and thinning, the JT Forest activities provide JT Group employees and their families with opportunities to learn about forest functions, flora/fauna ecology and the importance of forest functions through on-site workshops and lectures by local residents.

For example, representatives of the Kosuge village office lectured about wild birds in the JT Forest Kosuge (Yamanashi prefecture), while participants put up nest boxes for wild birds and flying squirrels to observe their ecology and learn about the relationship between the forest and animals.

In the JT Forest Yunomae (Kumamoto prefecture), meanwhile, representatives of the Kuma Development and Promotion Bureau lectured about the water resource recharge function of the forest, following weeding activities, where participants learned about the forest's role in conserving water resources.



Putting up nest boxes for wild birds and flying squirrels to observe their ecology



Representatives of the Kuma Development and Promotion Bureau lecturing about the forest's role in conserving water resources

## Communicating with Local Communities

From perspectives of curbing global warming and conserving biodiversity, social expectations are running high for corporate environmental activities. JT proactively communicates with local communities, exhibiting and showcasing its environmental activities such as the JT Forest activities at symposiums and seminars.

In FY 2009, for example, activities in the JT Forest Nakatsugawa (Gifu prefecture) were exhibited at the Forest, River and Sea Watershed Summit, which was held in Gifu prefecture, presenting an example of forest conservation through cooperation between a private business and a local community. The JT Forest activities involving tree planting and forest conservation were also presented at the Corporate Forest Conservation Fair 2010, which was sponsored by the National Land Afforestation Promotion Organization.

The JT Group's establishments also communicate with local communities, presenting their activities at seminars sponsored by municipalities.



Exhibition at the Forest, River and Sea Watershed Summit



Presentation at the Corporate Forest Conservation Fair 2010

## Supplement Materials

## JT's Environmental Conservation Cost

Target: All JT establishments  
Period Covered: FY 2008 (April 1st, 2008 to March 31st, 2009) and FY 2009 (April 1st, 2009 to March 31st, 2010)  
Unit: million yen

Environmental Conservation Cost					
Category	Key Measures in FY 2009	Results in FY 2008		Results in FY 2009	
		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)	—	1,276	1,444	1,203	1,365
Breakdown	① Pollution prevention costs	187	629	37	463
	② Global environmental preservation costs	1,085	162	1,163	115
	③ Resource circulation costs	4	653	3	787
(2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs)	Recycling of containers and packaging materials	—	141	—	70
(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	—	585	5	457
(4) Environmental preservation costs involved in R&D (R&D costs)	Survey of the environmental impact of products	—	—	—	10
(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	—	3,306	—	3,541
(6) Costs of dealing with environmental damage	Pollution impact levies, soil pollution survey and remedial measures	—	673	—	407
(7) Other environmental costs	Asbestos survey and remedial measures	—	868	—	369
Total		1,276	7,017	1,208	6,218

Environmental Conservation Effect					
Actual Effects	Item		Results in FY 2008	Results in FY 2009	Year-On-Year Reduction
Effect on resources invested in business activities	Amount of electricity purchased	1,000kWh	348,037	336,104	11,933
	Fuel consumption (crude oil equivalent)	kℓ	34,661	31,371	3,290
	Vehicle fuel consumption (crude oil equivalent)	kℓ	3,955	4,017	-62
	Amount of water used	1,000m³	2,139	1,977	162
Effect on environmental impact and waste produced by business activities	SOx emissions*	t	93	82	11
	NOx emissions*	t	124	116	8
	Amount of CO₂ emitted	1,000t-CO₂	247	226	21
	Amount of waste water*	1,000m³	1,350	1,240	110
	Amount of waste, etc.	1,000t	26	25	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.