

CSR Report 2008

For the year ended March 31, 2008

JAPAN TOBACCO INC.

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Supplement Materials

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Editorial Policy

JT first published the JT Environmental Report back in 1998. In FY 2005 JT began to publicize its CSR activities, with focus on its social responsibility in addition to environmental issues, which culminated in the CSR report in FY 2007.

This report covers four areas included in the promotion policy and plan for CSR activities (management base, business areas, global environment and social contribution), focusing on key activities in the CSR promotion plan. On the international front, the report addresses the international tobacco business approaches to environmental conservation, safe and healthy, and social contribution activities.

In the meantime, gathered through a series of meetings and a questionnaire on the 2007 CSR Report, stakeholder opinions and views were taken into account in preparing this report. As the results of the questionnaire showed that more than 30% of respondents thought the previous report contained too much information, the focus now is on concise, clear reports.

Period Covered (in this report)

FY 2007 (April 1, 2007 to March 31, 2008)

Some JT policies, objectives and activities scheduled to take effect after FY 2007 are included in this report.

Scope of Report

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

JT Group Companies under the JT Group's Environmental Management Plan (19 domestic companies and one overseas company)

Japan Tobacco Inc.
TS Network Co., Ltd. JT Logistics Co., Ltd.
Japan Filter Technology Co., Ltd. Fuji Flavor Co., Ltd.
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. Torii Pharmaceutical Co., Ltd. JT Foods Co., Ltd.
Nihon Shokuzai Kako Co., Ltd. Sunburg Co., Ltd.
lipingshang Foods Corporation Asahi Shokuzai Co., Ltd.
Japan Beverage Inc. JT A-Star Co., Ltd. JT Real Estate Co., Ltd.
JT International S.A.

As of April 1, 2008

Japan Metallizing Co., Ltd. was dissolved on July 31, 2007.

Issuance Month

June 2008 (the 2007 CSR report was issued in June 2007 and the 2009 CSR Report is scheduled for issuance in July 2009)

Reference Guidelines

Environmental Report Guidelines (FY 2007)
Environmental Accounting Guidelines (FY 2002)
Both published by the Ministry of the Environment

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

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

History of JT and its CSR Activities

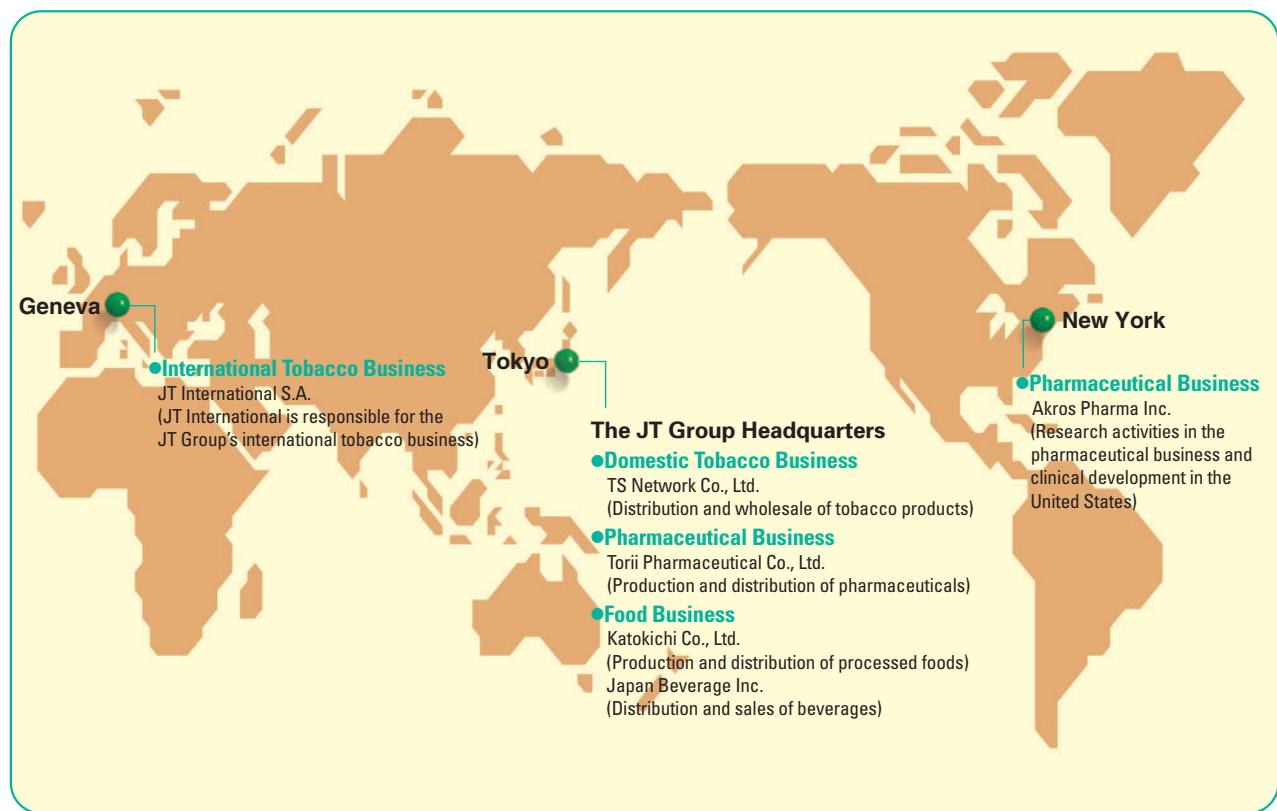
1985	● Establishment of Japan Tobacco Inc.
1988	● Branched out into beverage business
1993	● Established the Central Pharmaceutical Research Institute
1994	● Established the Corporate Culture Division*1
1995	● Established the Global Environment Division
	● Set up JT Global Environment Charter
1996	● Set up the 4S model
1998	● Branched out into processed food business
	● Acquired the majority share of Unimat Corporation*2
	● Acquired the majority share of Torii Pharmaceutical Co., Ltd.
	● Released the first environmental report (The JT Environmental Report 1997)
1999	● Acquired the non-U.S. tobacco operations of RJR Nabisco Inc.
	● Acquired the food business of Asahi Kasei Corporation
2000	● Set up the JT compliance system
2002	● Announced the JT Brand-ing Declaration
2004	● Set up the JT Group Environment Charter
2005	● Launched the JT Forest activities (reforestation and forest conservation activities)
	● Set up the CSR Division
2006	● Reorganized the CSR Division (with approaches to the global environment conservation and social contribution activities combined)
	● Set up the CSR Committee
2007	● Launched afforestation and forest conservation activities in Africa
	● Acquired all the issued shares of the Gallaher Group Plc (U.K.)
2008	● Acquired all the issued shares of Katokichi Co., Ltd.

* 1 The present Corporate Citizenship Department

* 2 The present Japan Beverage Inc.

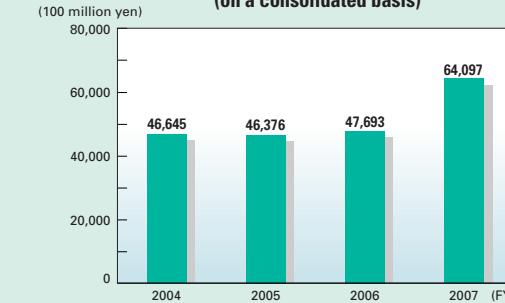
JT Corporate Profile

The JT Group, with 47,400 employees worldwide, is gearing up to become a "global growth company that develops diversified, value-creating businesses." For instance JT's tobacco business ranks third in the world and predominates the Japanese market, home to the JT Group, with the international tobacco business driving the growth. At the same time, the pharmaceutical business, the core of JT Group future operations, is making headway in the clinical development of new drugs, while the food business is creating a base for an integrated food company.

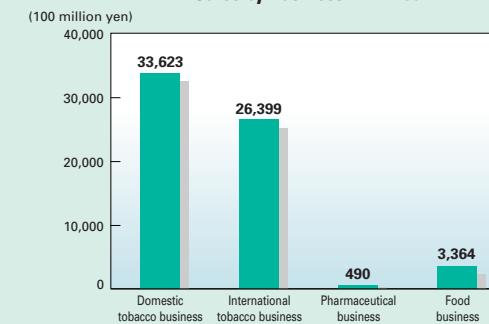


Financial Information

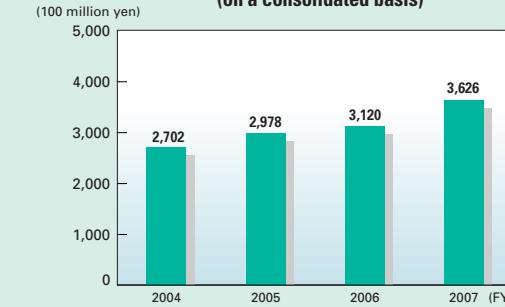
Trends in Sales
(on a consolidated basis)



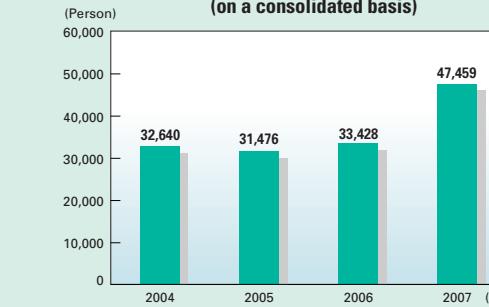
Sales by Business in FY 2007



Trends in Current Profits
(on a consolidated basis)



Trends in Number of Employees
(on a consolidated basis)



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 "global growth company that develops diversified, value-creating businesses".
Established	April 1, 1985
Capital	100 billion yen
Headquarters	2-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8422, JAPAN
Number of Business Sites	Area Sales Headquarters 25 Manufacturing Factories 14 Regional Leaf Tobacco Headquarters 6 Laboratories 3 Overseas Offices 3

Major Subsidiaries and Affiliates

- Domestic Tobacco Business
TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.
- International Tobacco Business
JT International S.A., JTI-Macdonald Corp, LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Gallaher Ltd., Austria Tabak GmbH, Liggett-Ducat CJSC
- Pharmaceutical Business
Torii Pharmaceutical Co., Ltd., Akros Pharma Inc., JT Pharma Alliance Co., Ltd.
- Foods Business
JT Foods Co., Ltd., Japan Beverage Inc., Katokichi Co., Ltd.

As of April 1, 2008

Tobacco Business

The tobacco business is the core of JT Group operations. With global brands such as Camel, Winston and Mild Seven, it is driving the growth of the JT Group, while extending its reach worldwide as a global cigarette manufacturer.



Pharmaceutical Business

The pharmaceutical business is creating a world-class R&D-oriented business and developing original drugs, thereby strengthening its business base in a bid to serve as the core of JT Group future operations.



Food Business

The food business, in an effort to meet the diversified needs of customers, is focusing on three business areas: the beverage business centering on core brands such as Roots; the processed food business dealing with bakeries, chilled foods, etc.; and the seasoning business primarily using natural ingredients. JT Group is striving to establish a business base as an integrated food manufacturer.



Highlight

The JT Group's CSR Highlight



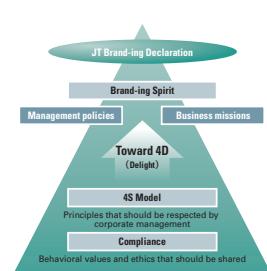
To become an integral part of society, the JT Group adheres to the principle, while encouraging innovation.

☞ See "Top Message" for details. 7p



Cigarette vending machines with an adult identification system started nationwide operations. Here is the summary of the tobacco industry's approach.

☞ See "Special Feature" for details. 11p



The JT Group's CSR is to put "Brand-ing" into practice. The CSR details the gearing up to become an integral part of society.

☞ See "Company that Embodies JT Group Objectives" for details. 17p



Efforts are underway to prevent youth smoking, set up smoking areas and improve manners.

☞ See "CSR Activities in the Tobacco Business" for details. 28p

We continue to collect refuse because we want to promote good manners across the country.

The "Pick Up, and You will Love Your City" campaign has entered its fifth year of service, with a total of 600,000 people participating in the campaign.



☞ For details, see 29p

The JT Forest Activities to Restore Forests.

The fifth JT forest was established in cooperation with local residents.



☞ For details, see 53p

Activities of JT International, the Core of the International Tobacco Business

JT's approaches to environmental conservation and safety and health assurance are being integrated as business continues to grow.



☞ For details, see 33p

Efforts are underway to contribute to society as part of JT's responsibility to local communities.



☞ For details, see 57p



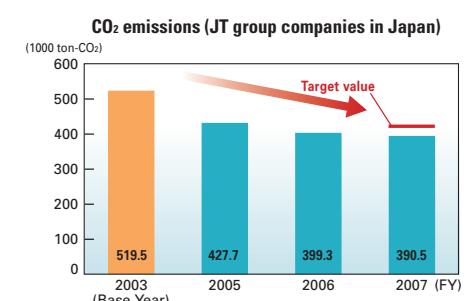
Efforts are underway to develop and supply new drugs, based on high safety standards and a strong sense of ethics and responsibility.

☞ See "CSR Activities in the Pharmaceutical Business" for details. 37p



Efforts are underway to deliver safe, reliable products to customers.

☞ See "CSR Activities in the Food Business" for details. 40p



The JT Group is making steady headway in achieving the objectives of the "JT Group Environmental Action Plans 2005-2008."

☞ See "Toward Harmonization Between JT's Business and the Environment" for details. 42p



The JT Group is making concerted efforts to become a good corporate citizen and a member of society.

☞ See "Social Contribution Activities of the JT Group" for details. 51p

To become an essential part of society, the JT Group sticks to the principle, while encouraging innovation.



木村宏

Hiroshi Kimura

President and Chief Executive Officer, JT

The JT Group's CSR boils down to implementing the JT Brand-ing Declaration.

The social responsibility of a company is to remain sustainable, for which management is responsible. The JT Group, through all its operations, is committed to providing all of our stakeholders with a unique added value that JT alone can deliver as a surprise and delight that exceeds expectations. This is what the JT Brand-ing Declaration is all about, a group mission that was established in 2002 to become an essential part of society.

Accordingly, the JT Group's CSR boils down to becoming an essential part of society, which translates into implementing the JT Brand-ing Declaration.

JT's DNA is programmed to keep changing on its own.

Sustainable growth is the key for the JT Group to become and remain an essential part of society.

JT celebrated the 24th anniversary of its foundation this year. During these 24 years, the JT Group has grown from a domestic tobacco business into a global player with international tobacco brands, pharmaceuticals and food products. In addition, major changes have taken place in recent years, including the acquisition of Gallaher Group Plc (U.K.) and Katokichi Co., Ltd., which specializes in frozen and processed foods.

Indeed, the JT Group has gone through dramatic changes and managed a number of challenges – not forcibly, but voluntarily – in a bid to ensure sustainable growth. This is exactly the JT Group's prestigious tradition and DNA.

Despite all these changes, however, the JT Group continues to ensure the quality and safety of products as well as compliance with standards – a prerequisite for a company to continue growing and operating. Furthermore, sustainable growth involves having the world's highest level of product quality and corporate ethics, each of which should be reflected in day-to-day corporate operations.

The JT Group is committed to doing what it

ought to do, while encouraging innovation to keep up with the times and to continue growing in a sustainable way.

What the JT Group can do with local communities and for the global environment.

The JT Group has been placing emphasis on social contribution and global environmental conservation as well. Specifically, as a good corporate citizen who is a member of society, the JT Group is involved in a variety of community and environmental protection programs both at home and abroad to harmonize its operations with the environment. Some of the programs include JT Forest activities in Japan and reforestation/forest conservation activities in Africa.

The JT Group's businesses are working on CSR.

The JT Group holds an approximate 65 percent share of the domestic tobacco market. While the tobacco industry has been working on a nationwide program to set up age verifying cigarette vending machines, the JT Group, as a leading tobacco company, fully supports this program for preventing youth smoking. It also continues to set up smoking areas at public places and roll

out the "Pick Up, and You will Love Your City" campaign in an effort to create an environment where smokers and non-smokers live in harmony.

The JT Group's pharmaceutical business, meanwhile, is tasked with providing its drugs to as many patients as possible, thereby contributing to society. To this end, research and development efforts are underway to put drugs on the market in a timely manner.

In the first place the pharmaceutical business has a direct impact on human life. It, therefore, requires the highest level of ethics and responsibility in all phases of operations, from R&D to production and sales, for which the JT Group is committed.

Likewise, the JT Group's food business has been striving to provide consumers with tasty,



safe and reliable products, with "We want our foods to be eaten by the most important persons" as a core philosophy. It is, therefore, very regrettable that some of its frozen foods caused serious health problems to consumers who ate them. We sincerely apologize to those who suffered health problems and appreciate customers and business partners who have cooperated with our nationwide product recall.

Taking this incident very seriously, the JT Group has been doing its best to establish the highest level of safety control in an effort to regain consumer confidence.

The JT Group is making steady progress in CSR activities.

Following the plan-do-check-act (PDCA) cycle based on a company-wide CSR promotion plan is the key to making steady progress in CSR activities. In doing so, it is also important to hear the views of stakeholders, ensure continuous improvements, show ownership, act in a timely manner and improve communication.

The JT Group, therefore, would appreciate your candid comments on this CSR report and our approaches to CSR activities.

Urgent Measures to Manage with Frozen Foods Contaminated with a Pesticide

Some of the frozen foods imported and distributed by a JT Group company caused serious health problems to consumers who ate them.

The following is a summary of the measures taken thus far to deal with this incident.

Description of the Incident

In December 2007 and January 2008, consumers who ate some of the frozen foods imported and distributed by JT Foods Co., Ltd. developed serious symptoms such as vomiting and dizziness. Police immediately investigated the incident and analyzed the products in question, in which an organophosphate pesticide was detected.

Measures in Place

■ Recall of the Products

On January 30, 2008, JT had decided to recall all products manufactured by the factory where the contaminated products originated, and accordingly announced this decision at a press conference. At the same time, information was disseminated through TV, newspaper and the Internet, and passed on to the appropriate governmental administration office and media.

With the help of consumers and retailers, a total of approximately 690,000 products were recalled as of the end of May 2008.

The recalled products have been analyzed, in accordance with instructions of the regulatory authority, with results posted on JT's website. In addition, products brought in directly by consumers were individually analyzed, the results of which are notified on a first-come-first-served basis.

■ Pesticide Analysis of Products Other Than Those Recalled

Samples of all imported frozen foods other than those manufactured by the factory where the contaminated products originated, were analyzed for pesticides by the end of March 2008.

■ Urgent Factory Inspections

All factories to which JT outsource food products and their packaging materials (China) had been inspected as of the end of March 2008. Measures were taken to eliminate contamination by hazardous substances and strengthen security programs. JT's domestic factories for food products and their packaging materials had also been inspected for similar hazards.

Establishment of an Improved Safety Control System

The JT Group takes this incident very seriously and therefore will take immediate measures to strengthen its food safety control system to regain consumer confidence.



Special Feature

Industry-wide Approaches to Prevent Youth Smoking —Introduction of Cigarette Vending Machines with an Adult Identification System—

By law, minors are prohibited from smoking, as are sales of tobacco products to them. The tobacco industry, therefore, has been focusing on youth smoking prevention, which is also a society-wide concern. Specifically in an effort to prevent youth smoking, cigarette vending machines equipped with an adult identification system (designed to identify that purchasers are not minors) are being phased in from March 2008.

The vending machines will be set up nationwide by the end of July 2008. The following illustrates the concepts and approaches of the tobacco industry.



The "taspo" system offers two ways of purchasing cigarettes

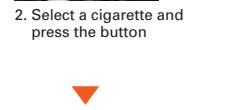
1 Purchasing with cash



1. Pay cash



2. Select a cigarette and press the button



2. Select a cigarette and press the button



3. Bring the "taspo" card in contact with the reader for identification



3. Press the charge button again
The purchase is complete

2 Purchasing with "Pidel" (e-money)



1. Select a cigarette and press the button



2. Bring the "taspo" card with the reader for identification and payment



3. Bring the "taspo" card in contact with the reader
The purchase is complete

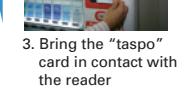
Charge the "taspo" card with money information



1. Press the charge button



2. Pay cash



3. Bring the "taspo" card in contact with the reader for identification



3. Press the charge button again
The charge is complete

The "taspo" Administration System

Tobacco Institute of Japan



Applications for the card / Issuance of the card

Inquiries and notification (reporting the loss of cards, etc.)

Distribution of information on invalid cards (prevention of abuse)

Adult smokers taspo

Adult Identification

Tobacco retail outlets

Cigarette Vending Machines compatible with the "taspo" system

Purchasing with cash

Purchasing with "Pidel" (e-money)

Charging of "Pidel" (e-money)

Collection of cash

Collection of charged money

E-money transaction information

Settlement information

Cash transfer

E-money management company

Instructions of cash transfer

Financial institutions

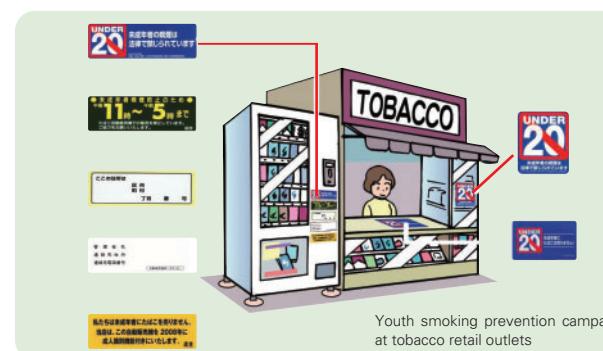
The Tobacco Industry's Key Issue: Prevention of Cigarette Purchases by Minors through Vending Machines

In March 2008, the tobacco industry started to set up cigarette vending machines with an adult identification system ("taspo").

With the Tobacco Institute of Japan (TIOJ), the Japan Tobacconist Federation (JTF) and the Japan Vending Machine Manufacturers Association (JVMA) playing a leading role in the program, this industry-wide program is designed to prevent minors from purchasing cigarettes.

There have been several approaches to prevent minors from purchasing cigarette purchases, such as voluntary restrictions on late-night sales through vending machines and the placement of campaign stickers on them.

Cigarette vending machines with an adult identification system is a step forward for preventing youth smoking.



Rigorous Identification of Adults by the IC Card "taspo"

A rigorous system is needed to identify whether customers who purchase cigarettes from vending machines are adults – a more effective way to identify adults to prevent purchases by minors.

The tobacco industry, therefore, adopted an identification system using an IC card called "taspo." This card contains an IC chip designed to prevent counterfeiting and forgery and identify adults in a rigorous manner.

In addition, each card has the name, registration number and photograph of the cardholder so that transfer or use by others is very difficult.



Customer-convenient "taspo" with the E-money "Pidel"

In adopting the IC-card system, consideration was given to customer convenience (just the contact of the card with the reader in addition to the previous purchasing method), quick response (identification upon contact) and stable operation (a trouble-free operation without inserting the card). The IC card "taspo," moreover, comes with a prepaid system called "Pidel," where cigarettes can be purchased without cash.

Concerted Efforts to Simultaneously Roll Out the Vending Machines Nationwide

TIOJ, JTF and JVMA first demonstrated the vending machines in April 2002 in Yokohama City (Chiba), followed by the second demonstration in Tanegashima (Kagoshima) from May 2004. The results of these demonstrations served as the basis for simultaneously rolling out the vending machines nationwide in 2008, with their detailed specification determined, preparations made for replacement and notifications made to the public and parties concerned.



The management center that supervised the second demonstration in Tanegashima ("taspo" was called "TOBACCO Card" during the demonstration)



The effectiveness and problems of adult identification using IC cards were discussed from a variety of perspectives (in Tanegashima)

Introduction of an Adult Identification System into Vending Machines

First, existing vending machines at tobacco retail outlets had to be replaced with those having an adult identification system to simultaneously start the program nationwide.

Specifically, JVMA played a central role in technological development, in which vending machine manufacturers participated.

There were more than 450,000 cigarette vending machines in place as of the end of April 2008. In addition to new models,

vending machine manufacturers are developing adult identification devices and e-money transaction terminals, while installing them in cigarette vending machines.

Support to Tobacco Retail Outlets for the Introduction of Cigarette Vending Machines with an Adult Identification System

Likewise, JTF played a key role in holding seminars and study sessions for tobacco retailers on the outline of cigarette vending machines with an adult identification system – all designed to facilitate the introduction of the vending machines. JTF and TIOJ, moreover, subsidized tobacco retail outlets so that retailers could retrofit their vending machines with an adult identification device.

Promotion of the IC Card "taspo"

Promotion of the IC card "taspo" is the key to introducing cigarette vending machines with an adult identification system.

TIOJ newly set up the card center, the customer service center and the administration center to facilitate the issuance and administration of the IC card "taspo." TIOJ is also rolling out the "taspo" on-the-spot issuance campaign, while JTF has been supporting major tobacco retailers in dealing with applications for "taspo."



On-the-spot issuance campaign bus



Nationwide campaign for applications for "taspo"



Customers filling in an application form with the assistance of staff members

Phased-in Introduction of the Vending Machines Nationwide Towards Their Promotion

Cigarette vending machines with an adult identification system first started operations in pilot areas (Kagoshima and Miyazaki) on March 1, 2008.

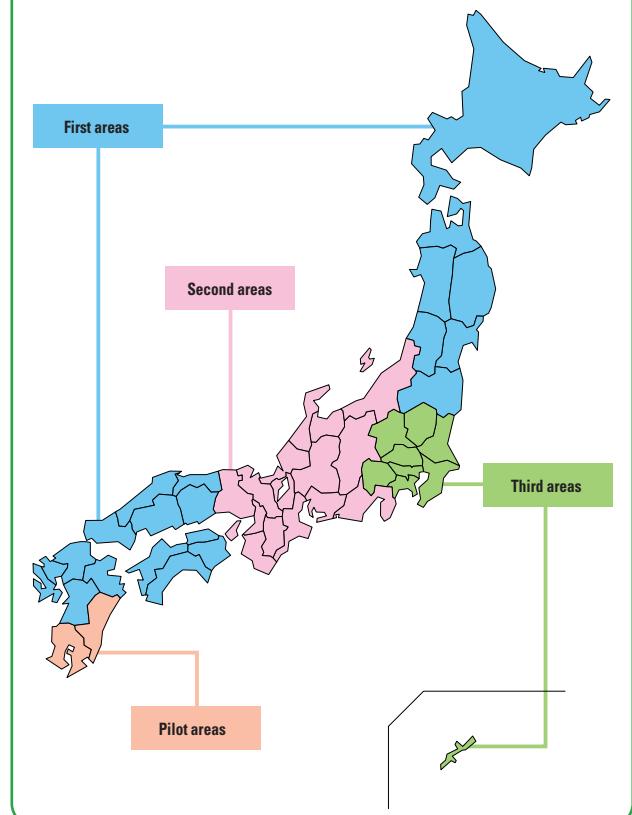
They are being introduced in three phases, with the introduction into the third areas (the Tokyo metropolitan area and Okinawa) scheduled for completion in July.

The completion of the introduction, however, does not mean the completion of the program. The tobacco industry continues to promote the vending machines and the IC card "taspo."

The "taspo" Introduction Program

	Start of applications	Start of operations	Target prefectures
Pilot areas	2007/12	2008/3	Kagoshima, Miyazaki
First areas	2008/2	2008/5	Hokkaido, Aomori, Iwate, Akita, Miyagi, Yamagata, Fukushima, Tottori, Shimane, Hiroshima, Okayama, Yamaguchi, Kagawa, Tokushima, Ehime, Kochi, Fukuoka, Saga, Nagasaki, Oita, Kumamoto
Second areas	2008/2	2008/6	Niigata, Nagano, Toyama, Ishikawa, Fukui, Shizuoka, Aichi, Gifu, Mie, Shiga, Kyoto, Osaka, Nara, Hyogo, Wakayama
Third areas	2008/2	2008/7	Ibaraki, Tochigi, Gunma, Yamanashi, Saitama, Chiba, Kanagawa*, Tokyo, Okinawa

* In Kanagawa Prefecture, applications for "taspo" started in December 2007 and the vending machines are scheduled for startup in July 2008.



The most effective way to prevent youth smoking is to have as many people as possible have "taspo."



Yuji Abe

Managing Director
The Tobacco Institute of Japan

Cigarette vending machines with an adult identification system are designed to prevent youth smoking. Meanwhile, the most effective way to prevent youth smoking is to have as many people as possible have "taspo," a concept supported by many segments of society. The results of a survey conducted prior to this program showed that "taspo" was widely recognized as a socially significant activity. While there are some concerns about the complexity of application procedures and use of the card, those who have used "taspo" have found it "easier and more convenient than expected."

The card, however, was not in widespread use during the test period in pilot areas. Free services are thus available to help customers apply for the card, with an improved support system in place for their convenience. Efforts are underway to improve the management and promote "taspo" use.

Development and promotion of cigarette vending machines compatible with the "taspo" system.



Takashi Kurosaki

Managing Director
The Japan Vending Machine Manufacturers Association

Standards and specifications should be in place to create a system where customers can purchase cigarettes from any vending machine with "taspo" and through the same procedure. We, JVMA, are tasked with determining such standards and specifications, while cooperating with industry groups to promote cigarette vending machines with an adult identification system.

We worked together with other concerned parties to complete the development in a specified time frame and ensure a successful operation of the vending machines upon their introduction, which, to our great relief, ended in success. Since the introduction, we have been supporting tobacco retailers, providing them with "taspo" system guidelines. We continue to develop vending machines to meet the needs of society.



A "taspo" guidelines pad distributed to retail outlets

We just carry out the responsibility of tobacco retailers.



Shigeru Matsui

Chairman
The Japan Tobacconist Federation

We, tobacco retailers, have been addressing youth smoking prevention as one of our most important issues. Accordingly, we are making concerted efforts to facilitate introducing cigarette vending machines with an adult identification system. As completing applications for "taspo" is a bit cumbersome, however, we support customers at retail outlets to promote "taspo" use. While there are some concerns that introducing "taspo" would temporarily depress cigarette sales from vending machines, we are going all out to fulfill our social responsibility. We are committed to doing what we are supposed to do, meeting social demand, in a bid to supply tobacco products to customers with a sense of security.

To have as many customers as possible apply for "taspo"



Eiji Yoshiga

Market Manager
Tokyo Central Sales Office
Tokyo Area Sales Headquarters
Japan Tobacco Inc.

Vending machines are indispensable for both customers and tobacco retailers in Japan. Alternatively, the tobacco industry is responsible for preventing youth smoking. The program in place is designed to meet these two requirements.

JT's tobacco sales division and tobacco retailers are working together to help customers apply for "taspo" at outlets, including photo shooting and free copies of application forms. This is an effort to encourage "taspo" use among customers.

Cigarette vending machines with an adult identification system are scheduled for startup in July in the areas I'm responsible for. Our top priority at the moment is to promote "taspo" as much as possible. The startup of the vending machines, however, does not mean the completion of the program. Follow-up services are more important if we are to fulfill our social responsibility. For that matter, we are just at the starting point and there is a lot more to manage.

Applications for “taspo”

Cigarette vending machines with an adult identification system will be operating nationwide, with the startup in the third areas (the Tokyo metropolitan area and Okinawa) scheduled for July 2008. Accordingly, “taspo” will be required to purchase cigarettes from vending machines. The following are the procedures for applying for “taspo.”

How to fill in the application form

Front

Filled-in application form (example)

Enter the date of application

Read the instructions

Enter the date of birth (left justified)

Enter the address listed on the certificate

Enter the telephone number (left justified)

Write down the name on the back of the photograph before taping it on the form

Write down the name and address on the back of the envelope for mailing

Tape the four sides of the photograph to fix it



Tape a copy of the document bearing the address entered

- Driving license
- Health insurance card
- Basic resident register (with a photograph)
- Pension book
- Welfare book (physical disability certificate, mental retardation certificate, mental disability certificate)
- Foreign resident registration card
- Resident card (copy)

Back



Attach an original utility payment receipt or copy where the address in an identification document differs from that in the application form.

- Utility payment receipts: telephone bill (land phone/cellular phone), electricity bill, water bill, gas rate, or NHK subscription fee

Application Procedures for the “taspo” Card

① Obtain the application form.



Obtain a full set of the application form at tobacco retail outlets, other location, or download it from the “taspo” website (see below).

② Fill in the application form.



Fill in the application form clearly and accurately.

③ Attach a photograph of the face.



Attach a photograph (45 mm long and 35 mm wide, taken within three months of application, full-faced with no hat, sunglasses, face mask or background) on the designated part of the application form, with the name on its back.

④ Attach the documents required.



Attach a copy of an identification document to the designated part of the application form (driving license, health insurance card, basic resident register with a photograph, pension book, welfare book, foreign resident registration card or resident card).

⑤ Mail the application form.



See to it that the application form is in order before mailing it; the “taspo” card is delivered by a delivery-certified mail in about two weeks after mailing the application form.

Questions and Answers Regarding “taspo”

Q1 Why was the adult identification program introduced?

A1 It is socially important to prevent minors from buying cigarettes from vending machines, which is a key social responsibility of the tobacco industry. For this reason, as part of its efforts to improve and strengthen youth smoking prevention programs, which have long been in place, the tobacco industry has decided to switch to vending machines with an adult identification system nationwide.

Q2 Why is a photograph of the face required?

A2 A photograph of the face makes the card more exclusive to its holder; it also prevents the loss and lending of the card (the photograph can be either color or black and white).

Q3 Are there fees for issuing or using the card?

A3 The card involves no fees, except for reissuance in some cases.

Q4 Is user personal data secured?

A4 The Tobacco Institute of Japan sees to it that user personal data (date of birth, address, telephone number, and all other details) are secured and managed in compliance with the Personal Information Protection Law and relevant guidelines. All possible measures are in place to prevent data leakage.

Q5 Is there an expiration date for the card?

A5 The “taspo” card is valid for 10 years, with each holder required to apply for renewal.

Q6 What if the “taspo” card is lost or stolen? What will happen to the balance of e-money “Pidel” then?

A6 Those who have lost their cards or had them cards stolen are requested to notify the Tobacco Institute of Japan at “taspo” dial (see below). Cards will be immediately voided to prevent abuse, followed by the issuance of new cards, with the balance of the e-money “Pidel” transferred to them.

“taspo” dial

Office hours: 9:00 to 17:00, (excluding Saturdays, Sundays and holidays) Land phone: 0120-222-180 (toll free number)
Cellular phone: 0570-012-340 (charged call) PHS and IP phone: 011-330-3201 (charged call)

For details, visit the website <http://www.taspo.jp>

Management

- Company that Embodies the JT Group Objectives
- Approaches to promote CSR
- Corporate governance
- Risk management
- JT group compliance
- Human resources management
- CSR-oriented procurement

Company that Embodies the JT Group Objectives

◆ Medium Term Management Plan "JT2008"

The JT Group is engaged in tobacco, pharmaceutical and food businesses, aiming to become a global growth company that develops diversified, value-creating businesses. The medium term management-plan "JT 2008" positions the period between FY 2006 and 2008 as a critical three year period where investments are made to improve and strengthen the JT group organization, human resources and business base, all designed to embody the JT Group objectives.

◆ JT Group Mission

The JT Group is committed to providing all stakeholders with "irreplaceable delight," that is, values unique to JT, which boil down to pleasurable surprise surpassing stakeholder expectations. We call this commitment "Brand-ing", which we will strive to fulfill in order to become an integral part of society.

◆ Communication with Each Stakeholder

Shareholders

The results of the JT Group business performance are reported to shareholders and investors through briefings and periodical reports so that shareholders and investors can readily understand and evaluate business performance.



Quarterly Business Report

Customers

We provide customers with correct information on our products and services through our website and brochures, and with such information, a sense of security and satisfaction. At the same time, the customer service center gathers valuable feedback from customers, which contributes to improving our products and services.



Customer Service Center

Employees

Messages from top management are disseminated through the intranet, a group magazine is published periodically, employees are encouraged to provide inputs through questionnaires and measures are in place to strengthen the JT Group's organizing power – all designed to facilitate communication between top management and employees.



Internal Magazine "Yours"



Top management and employees exchanging views at the action meeting

Society

A variety of programs are in place to publicize the JT Group's business philosophy and activities so that the JT Group can be better understood and evaluated by society – that is, CSR reports, panel exhibitions, information dissemination through the Internet and participation in town meetings.



Participating in a town meeting

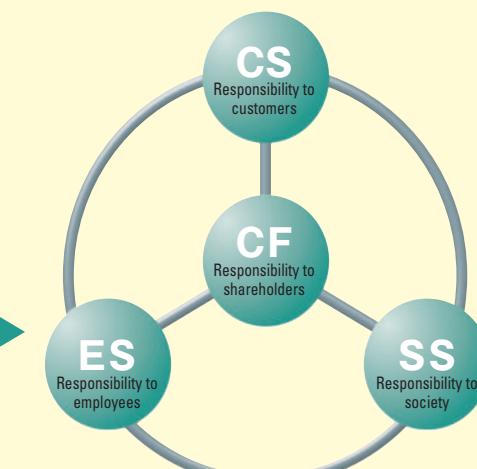


Panel exhibition

JT Brand-ing Declaration (adopted in 2002)

The JT Brand-ing Declaration is designed to ensure "irreplaceable delight" for all stakeholders.

- We aim to become a "Global Brand-ing Company" that develops unique brands that are trusted and respected by our customers.
- We believe that our most significant assets are those unique product brands and "JT" itself, which pursues developing the brands, as the unified corporate brand.
- We commit ourselves to use management resources to continually build our brands and keep them fresh.
- We are committed to developing and increasing the value of the "JT" brands as well as our product brands with pride.



4S Model

By circulating and expanding funds generated by high-quality business activities, JT is committed to fulfill — to the best of its ability and in a fair and balanced manner — its responsibilities to its shareholders, customers, employees and society and to ensure their satisfaction with JT's performance.

CS JT seeks to understand its customers' needs in depth, and to meet these needs by continuing to offer attractive goods and services.

ES JT offers attractive positions to talented people who have ability, drive and a sense of responsibility.

SS Through its business activities based on high ethical standards, JT intends to become a good corporate citizen welcomed by both global and regional communities.

CF Economic achievement constitutes the basic common language of the organization. Business structure is continually reviewed and reformed to raise corporate adaptability to the ever-changing environment.

Approaches to promote CSR (Corporate Social Responsibility)

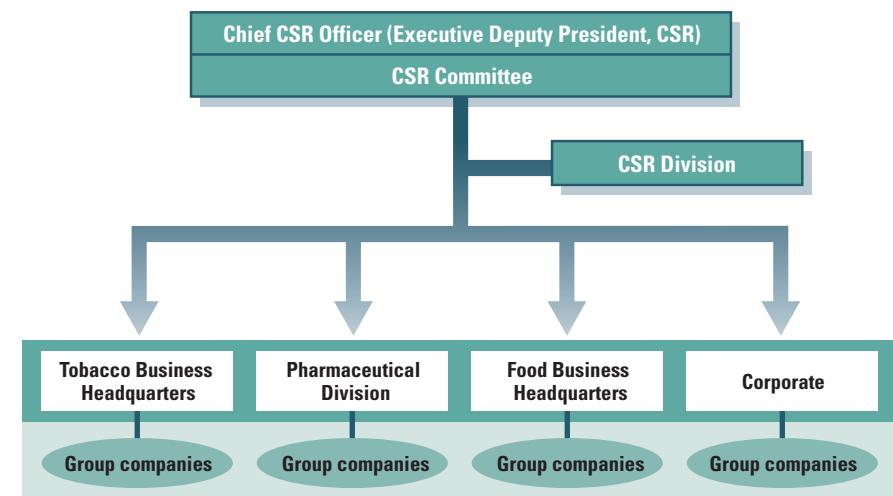
◆ The JT Group's CSR boils down to implementing the JT Brand-ing Declaration

For the JT Group, CSR boils down to implementing its mission: the Brand-ing Declaration. Specifically, the JT Group's CSR is to provide customers, shareholders, employees and society with "irreplaceable delight" in a high level and well-balanced manner, thereby continuing to be an "irreplaceable company" for all stakeholders.

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

◆ CSR Promotion System

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 company-wide basis.



◆ CSR Promotion Plan (2006-2008)

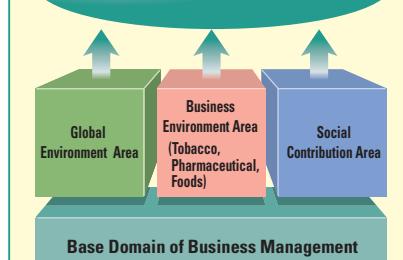
The JT Group established a three-year plan to promote CSR activities, while striving to put the PDCA cycle into practice.

The JT Group's CSR Promotion Plan

Target Area	Key Activities	Related pages
Base Domain of Business Management	Appropriate approach based on the risk management system Promotion of Compliance Implementation Plan	P21 P21,22
Business Environment Area	Human Resources Management Human resources management focusing on the growth of employees •Realization of fair merit system •Support for the self-sustained growth of employees •Support for upgrading the level of leaders Promotion of diversification	P23
	Promotion of Youth Smoking Prevention Approach •Smooth introduction of cigarette vending machine with an adult identification system Coexistence between smokers and non-smokers •Improvement of smoking manners •Promotion of the "Pick Up, and You will Love Your City" campaign •Installation of smoking areas	P11~16 P28~30
	Development and offering of new drugs based on the highest safety standard, strong sense of responsibility and high ethical standard •Strict compliance with pharmaceutical-related laws and regulations •Strengthening appropriate control of chemical substances •Strict compliance with Promotion Code Activities to raise awareness in the medical field	P37
Foods business	Effort to provide safe and reliable products Upgrading and expanding of traceability Response to the social change	P40,41
Global Environment Area	Activities carried out under the JT Group Environmental Action Plans 2005-2008 •Reduce CO ₂ emissions •Reduce the amounts of natural resource and water consumption •Reduce waste generation and promote recycling •Promotion of afforestation and forest conservation activities	P47~49 P50,53,54,56
Social Contribution Area	Activities based on the "JT Group's Social Contribution Policy"	P51~58

JT Group's CSR Promotion Policy

JT Brand-ing Declaration



To achieve "JT Brand-ing Declaration," the JT Group regards Corporate Governance, Compliance, Risk Management, Human Resource Management, Quality Control, etc. as "Base Domain of Business Management," and steadily approaches on CSR (A Social Responsibility).

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

Corporate Governance

◆ To Facilitate Quick, High-quality Decision Making and Operations

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

The JT Group adopted an executive officer system in 2001 to accelerate the decision-making process and strengthen corporate governance. Accordingly, the board of directors was downsized, and the decision-making power and the management of business were separated from each other, resulting in major changes in managerial power sharing.

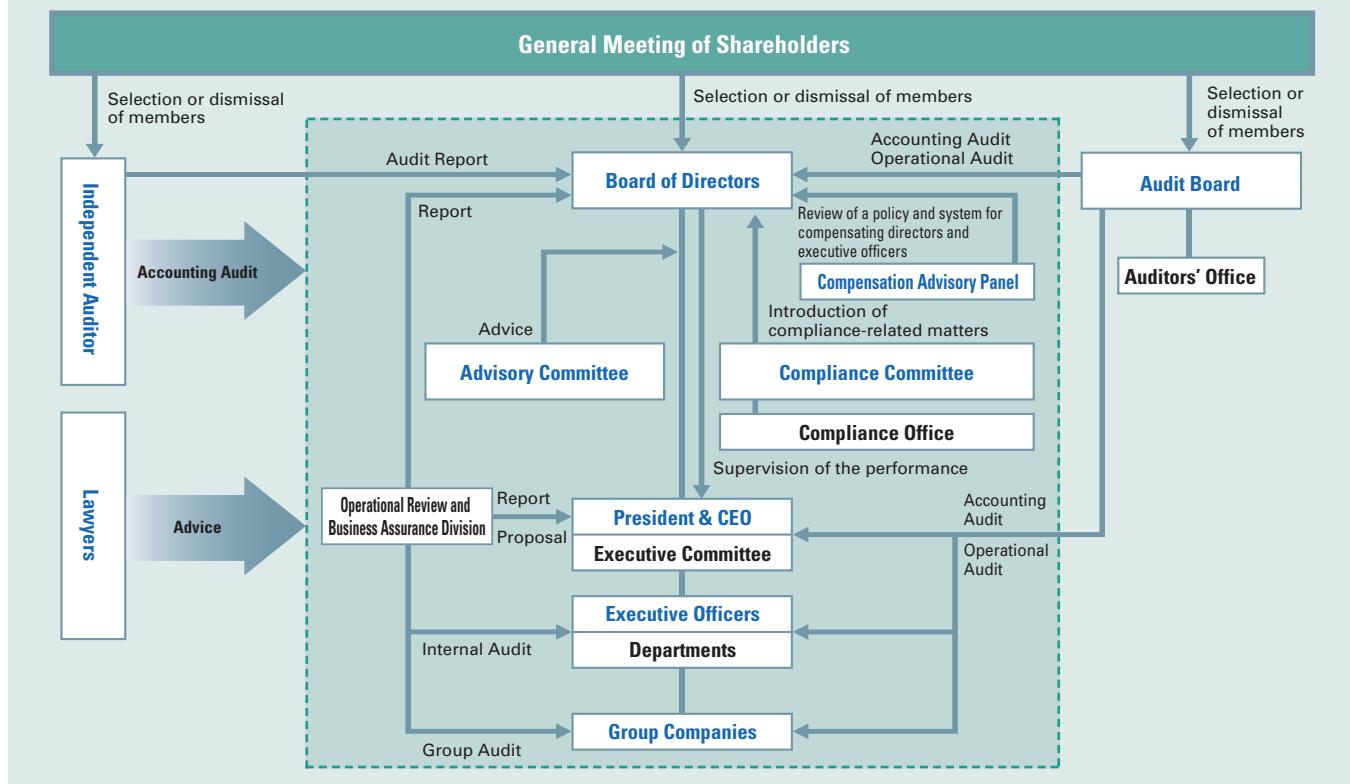
In addition, the Advisory Committee, comprised of five outside partners, is in place to review and discuss medium- to long-term management objectives and other key issues from a broad perspective.

◆ Establishment of an Internal Control System

In accordance with the internal control regulations of the corporate law, which took effect in May 2006, the board of directors of the JT Group decided on May 2006 to "formulate a basic policy and plan for the establishment of an internal control system."

At the same time, a project is underway to implement an internal control report system for financial affairs, scheduled for startup in FY 2008. The JT Group is making a concerted effort to establish an internal control system.

Corporate Governance System



Risk Management

◆ Risk Management System

With risk management and disaster preparedness manuals, the JT Group has a system in place to set up an emergency project system in the event of an emergency or disaster, in which top management plays a leading role in taking quick and appropriate measures in close cooperation with the divisions concerned.

Accordingly, the "Risk Management Guidelines" and the "Disaster Preparedness Manual" replaced the "Risk Management Manual" in September 2007.

◆ Information Security

The JT Group has been following the rules of the "Information Security Policy" since 2001 to protect its information assets and facilitate their safe and effective use, while the rules were reviewed and revised in FY 2007.

◆ Protection of Personal Data

In March 2005, JT prepared and announced a statement about the protection of personal data to appropriately protect personal data, as it is engaged in a variety of businesses.

Specifically, a foolproof system is in place to protect personal data, in addition to in-house training, e-learning and internal audits for data protection.

Statement about the protection of personal data

URL www.jti.co.jp/JTI/kojinjoho/

JT Group Compliance

◆ JT Group Compliance Management

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

The Compliance Committee, meanwhile, plays a central role in putting JT Group Compliance management into practice.

◆ JT Group Principles of Conduct and Guidelines for Conduct

The "Principles of Conduct" and the "Guidelines for conduct" are guides for conduct that have been formulated as the basic values and ethics underlying the daily conduct of all employees of JT Group, as well as all the members of the board.

The business environment surrounding the JT Group is dramatically changing such as information technology and economic globalization. In FY 2007, therefore, we revised "JT Group Compliance," the manual that summarizes the purpose and system of JT

Group Compliance and its principles of Conduct and Guidelines for Conduct, for distribution among group companies (available in both Japanese and English).



All employees are encouraged to carry the compliance card with their signature on it; the card stipulates law adherence, fairness, transparency and sincerity.

◆ Compliance Implementation Plan: the Basis of JT Group Compliance Activities

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

We design the Compliance Implementation Plan for the entire organization, a company-wide plan which identifies and addresses the company-wide key compliance issues, taking into account the status of compliance activities and the results of the employee question-

naires for Compliance, etc.

Based on the company-wide plan, each department looks back at its business conduct, identifies issues and challenges in the workplace, and design the Compliance Implementation Plan for departments to improve these issues.

The FY 2007 Compliance Implementation Plan for the entire organization focused on 1) appropriate monitoring of working hours and assurance of occupational safety and health, 2) observance of workplace rules, etc. to make better use of non-regular employees such as part-time workers, and 3) improvement of JT Group Compliance system.

◆ Compliance Promotion Month

October is designated as Compliance Promotion Month to further promote JT Group compliance activities. Programs in FY 2007 include a compliance seminar for managers, distribution of self-check sheets, Workplace Meetings and employee questionnaire for Compliance. Specifically, compliance activities and day-to-day operations were reviewed at Workplace Meetings with efforts underway to solve the problems identified.

At the same time, a series of questionnaires was distributed to the employees of non-regular employees such as part-time workers in addition to the regular employees of JT and 17 JT Group companies – the results of which, along with challenges to be addressed, were shared with all board members, employees and divisions in a bid to improve compliance activities at each workplace and for each employee.

◆ Compliance Training Programs

A variety of training programs are in place to increase awareness of compliance and promote its implementation, including rank specific training (compliance seminars, new employee educa-

tion, new manager training courses, and others) and compliance activities leader training. These efforts are also underway at JT places of business and group companies.

In FY 2007, a new program called "Compliance Case Studies" was launched. This program, in which employees can voluntarily participate, is designed to help employees better understand the implementation of compliance through case studies.



Katsuaki Saito
Marketing and Sales Group, Nagoya Area Sales Headquarters office

I joined "Compliance Case Studies" program, which provided me with an opportunity to exchange views on compliance issues with JT employees working at other locations. I reaffirmed the importance for each of us taking compliance seriously.



At a training program

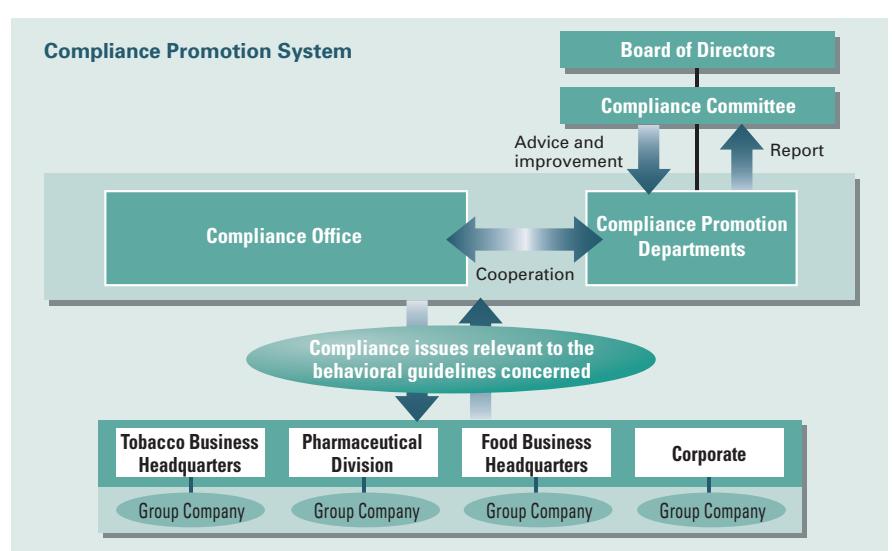
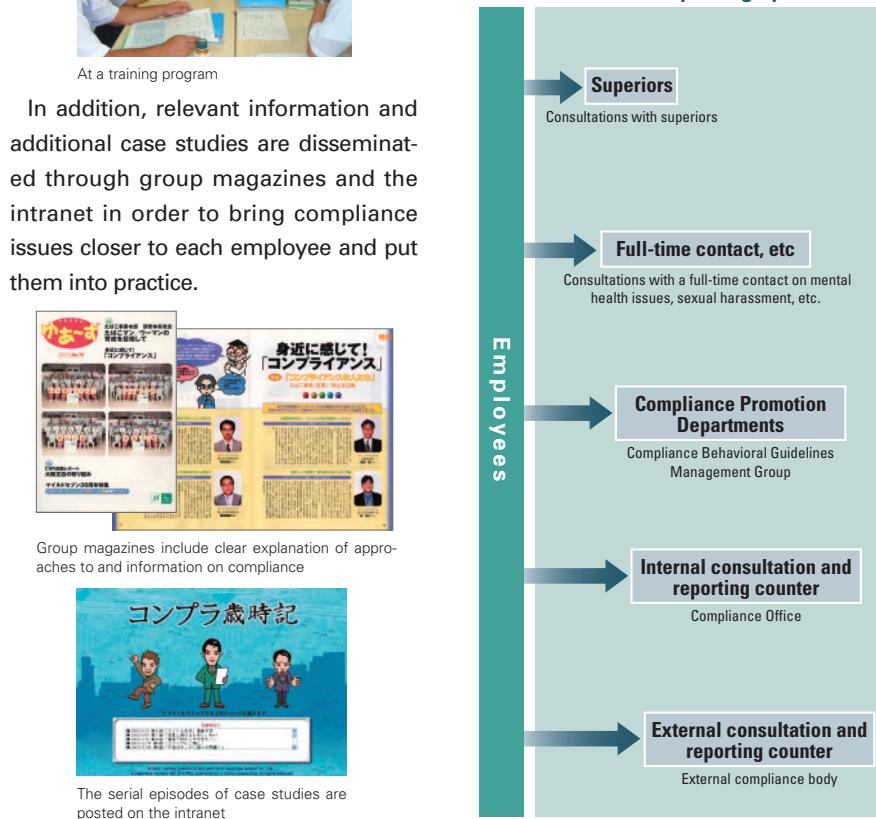
◆ Improvement of Consultation and Reporting System

In accordance with the Whistleblower Protection Act, the Compliance Office has a consultation and reporting counters, and others to listen to employee problems, take preventive measures and ensure self-improvement in the organization. In addition, external consultation and reporting counter was set up in January 2008, with the Guidelines for the Use of Consultation and Reporting Counters distributed to all employees.



Guidelines for the Use of Consultation and Reporting Counters

Consultation and Reporting system



Human Resources Management

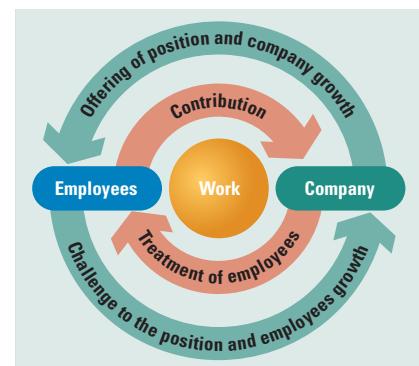
◆ Toward a Dynamic and Exciting Organization Climate

JT believes it is important for a company to always go ahead of the environmental changes and continue proactive self-improvement on its own will. Accordingly, JT is working on a variety of human resources development programs aimed at achieving the sustainable growth envisioned in "JT2008," the medium term management plan.

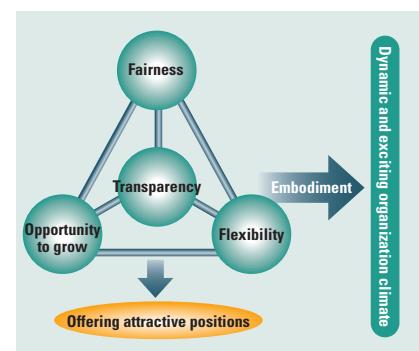
◆ Management Focusing on Employee Growth

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

Basic Principle



Basic Policy



employees fairly based on the performance-based appraisal system, and supporting employees to achieve self-sustained growth.

◆ Stabilization of Fair Merit System

The Grading System by Occupation, which reflects the difference and significance of each employee's job, is in place to ensure a fair merit system, focusing on his/her skill and specialty.

Specifically, job information is disseminated through guidebooks and the intranet, while interviews with employees are held as needed to help them better understand the system. At the same time, each division and workplace holds an appraiser meeting to standardize rating procedures. These efforts are all designed to establish a fair merit system.

◆ Support for Employee Self-Sustained Growth

Based on the recognition that human resources are the largest corporate asset, JT believes it is important that all employees make the most of their abilities and achieve self-sustained growth.

As an approach to support growth for each employee, we are working to improve and upgrade training programs as the first step. Many employees have participated in "optional style seminars and trainings" that provide basic knowledge of business, skills, and other such courses. To help employees develop their careers, moreover, the Career Management Training is offered to each employee in accordance with his/her career stage, with job information made available. In addition to these measures, the Career Challenge System was adopted in FY 2007, where employees could have transfer opportunities to the divisions of their choice to realize their career plans.

◆ Support to Upgrade Skill Levels for Leaders

We think it indispensable to upgrade skill levels for leaders to support the stabilization of fair merit system and employee self-sustained growth.

For this reason, the Leader Training Program (for incumbent managers who are expected to develop a leadership mindset and skills to help their subordinates grow) is in place in addition to the New Manager Training Program (for newly-appointed managers). These programs are designed to further enhance JT Group organizational strength.

◆ Promotion of Diversification

Recognizing that one of the key challenges JT faces is to enhance the competitiveness of its workforce and organizational power, based on the diversity of employees, JT is creating a working environment and a corporate culture in which a variety of personnel with different backgrounds and characteristics (gender, age, nationality, and others) make the most of their talents, thereby contributing to JT's business growth.

As part of a program to support female employees, case studies focusing on work-life balance and a support system were posted on the intranet in FY 2007.

In addition, JT and its overseas subsidiary, Japan Tobacco International



Melanie Scheuer
Human Resources Division
(JTI, Geneva)

I found the program very worthwhile because it is designed to build better understanding between JT and JTI employees, promote synergies between us and explore business opportunities. We're sure we will be able to leverage this experience to strengthen working relationships between JT and JTI.

(JTI), jointly held the JT/JTI Exchange Academy in Geneva (June) and Tokyo (October) for their high potential talents. This program is designed to deepen mutual understanding between the two entities and create a solid basis for growth through group studies, a means to communicate across the language and cultural barrier.

◆ Work-Life Balance

Work-life balance is a key issue for all employees. JT, therefore, has a variety of programs in place to support child care, nursing care, and others, some of which are more generous than those provided by the law. The child care support system, for instance, offers a short-time working option to employees until their children enter elementary school. Likewise, the nursing care system grants nursing care leave and short-time working option up to 365 days. JT is stepping up efforts to improve these systems.

As part of the measures to foster the next generation, moreover, JT developed and launched the Phase 1 Action



Next Generation Accreditation Mark (Kurumin)

Plan in April 2005 and was accredited by the Ministry of Health, Labour and Welfare in May 2008 as a company promoting measures to foster the next generation. The Phase 2 Action Plan, launched in April 2008, is designed for the following purposes:

Support for the Next Generation

- Review application requirements for the systems to help employees balance work and life.
- Expand child-care facilities, to which the Cafeteria Plan applies.

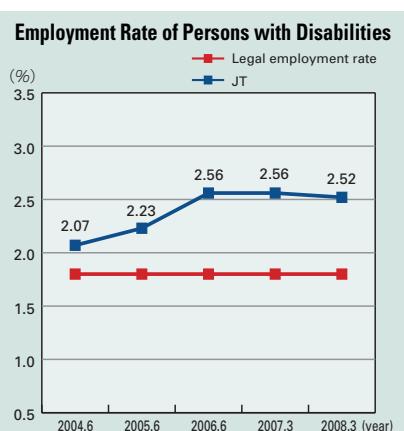
- Publicize the details of the work-life balance support systems along with examples of their use.
- Increase awareness among managers of work-life balance.

◆ Re-employment System

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

◆ Employment of Persons with Disabilities

Efforts are underway to create better workplaces for employees with disabilities. To help them make the most of their capabilities, for instance, they are assigned duties for which they are qualified, while facilities and installations are being improved, with due consideration given to the convenience of commuting to and from their workplaces. JT's employment rate of persons with disabilities stood at 2.52% as of the end of March 2008, well above the legal employment rate of 1.8%.



◆ Employees' Social Participation

JT has a system in place to encourage employees to contribute to society.

Volunteer Leave System

Employees are granted up to five working day of annual leave to participate in activities to support victims of disasters or people with disabilities.

Marrow Donor Leave System

Employees are granted a leave of absence required for marrow bank registration, medical examination or hospitalization for marrow transplantation.

Japan Overseas Cooperation Volunteers (JOCV) Leave System

Employees are granted administrative leave to participate in the Japan Overseas Cooperation Volunteers (approximately two years and three months for the term of dispatch).

◆ Creating Workplaces Where Employees are Gratified and Rewarded

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

JT Occupational Safety and Health Basic Policy

- ① Meet the requirements of the laws and regulations concerning occupational safety and health
- ② Improve the safety and health management system and define the role, authority and responsibility of each staff member
- ③ Eliminate or reduce safety and health hazards
- ④ Implement proper health management and help employees maintain and improve their health
- ⑤ Implement education and train-

ing programs for occupational safety and health to increase awareness among employees
 ⑥Evaluate the occupational safety and health management system regularly for its continuous improvement
 ⑦Invest in occupational safety and health programs in an appropriate and systematic manner

◆ To Eliminate On-the-job Accidents

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

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



Safety slogan



Visible presentation of occupational safety and health

◆ Promotion of Occupational Safety and Health Management

Efforts have been underway to have JT tobacco factories accredited with OHSAS 18001 to strengthen the occupational safety and health management system. With the Kansai Factory accredited ahead of the others in FY 2004, all 14 factories obtained the OHSAS 18001 certification in FY 2006.

* OHSAS 18001: OHSAS (Occupational Health and Safety Assessment Series) is an international occupational safety and health standard designed to help businesses set up a series of procedures (planning, implementation, checking and corrective action) for continuous self-management of safety and health. This is a means to improve safety and health conditions in workplaces.

◆ Health Management

Recognizing that each employee needs to stay healthy both physically and mentally to ensure continuous high performance, JT stations full-time medical personnel (13 physicians and 29 public health nurses) at 11 locations nationwide.

All employees undergo legal medical examinations, while additional examinations are annually conducted for those 35 years of age and older to prevent lifestyle-related diseases, with industrial physicians communicating the results to each employee, based on his/her medical records. In addition, industrial nurses individually interview all employees at least once a year to help them live healthier lives.

A variety of programs are also in place to enhance the health of employees, such as seminars and lectures on specific themes. In FY 2007, for instance, a total of 89 programs were held nationwide, including those for metabolic syndrome prevention, and diseases common among workingwomen and their health care.

There are also programs designed to promote mental health and prevent mental disease at workplaces, each of which is in accordance with the Guidelines for Mental Health Promotion at the Workplace set by the Ministry of

Health, Labour and Welfare. Programs include lectures and seminars on self-care approaches, training in care approaches for line managers, consultation services by specialists and counselors, and telephone/interview counseling services by external specialized institutions.



Masashi Sekiguchi
Human Resources Division

I know what the metabolic syndrome is, as I've often heard about it, but I've never worked out. I've never been on a diet, either, because they're a bit troublesome. But today's seminar taught me that light resistance training and a proper diet would be enough to prevent the syndrome. I'm going to start practicing them today.



Lecture on health maintenance and promotion

In FY 2007, for instance, a total of 51 seminars and lectures on self-care approaches were held nationwide, with focus on topics such as mental relaxation, sleep disorder and mental health and self-coping capability skills.

At the same time, basic manuals for care approaches were distributed to line managers, with seminars held in accordance with the needs of each business place.

◆ Human Rights Education

JT developed the Basic Policy on Human Rights Education in an effort to create a discrimination-free corporate

culture and a happy workplace. Furthermore, human rights issues are being discussed from an international perspective as JT business goes global.

Basic Policy on Human Rights Education

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

tation through which both sides engage in sincere discussion to arrive at conclusions. The two sides act with responsibility on the matters they have agreed upon, which results in good relations between labor and management, based on trust.



Exchanging information on CSR issues with the JT Group Union

CSR-oriented Procurement

◆ Raw Material Procurement

JT, which deals with tobacco products, pharmaceuticals and foods, is procuring raw materials in accordance with the characteristics of these three business areas.

Each business has its own green procurement standards and each of the three promotes green procurement of containers and packaging materials.

The tobacco business, for instance, works together with domestic leaf tobacco growers in procuring leaf tobacco, with efforts underway to reduce the use of agrochemicals and recycle and appropriately dispose of agricultural materials.

◆ Indirect Material Procurement

JT set the Indirect Material Procurement Policy to pursue CSR-oriented procurement. This policy focuses on compliance with law, respect for human rights, conservation of the global environment, sustainability of business, and security of information in procuring indirect materials (with some exceptions) and services.

In FY 2007, a program started to simplify its explanation and call for a better understanding and cooperation with suppliers.

◆ For Fair Procurement

JT is committed to abiding by the relevant laws and regulations, including the Subcontract Law, to ensure fair procurement, with manuals prepared for key laws and regulations for distribution to employees and posting on the intranet.

The Procurement Planning Division, meanwhile, holds study sessions as needed to discuss key issues with procurement representatives. The topic in 2006 was the Subcontract Law and in 2007 was contract activities.

Business

Tobacco business

- CSR Activities in the Tobacco Business
- "Pick Up, and You will Love Your City" Campaign
- Our Philosophy as a Tobacco Manufacturer
- International Tobacco Business – Improving Environmental, Health & Safety Performance

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



Ichiro Kumakura
President, Tobacco Business

The JT Group places a premium on fulfilling its corporate social responsibility as well as on delivering products to customers. One of the key CSR activities is introducing cigarette vending machines with an adult identification system, for which concerted efforts are underway in cooperation with the parties concerned. In addition, based on the recognition that minors should not smoke, a variety of programs are in place.

The JT Group, moreover, is rolling out campaigns to separate smoke in public places and improve smoking manners to create an environment where smokers and non-smokers will live in harmony.

A citizen participation cleanup campaign dubbed the "Pick Up, and You Will Love Your City" is also in place nationwide to help people develop a mindset for not throwing trash on the street.

The JT Group continues to fulfill the corporate social responsibility as a tobacco manufacturer in an effort to meet the expectations of smokers and all stakeholders, both direct and indirect.

CSR Promotion Plan for the Tobacco Business

- Promotion of Youth Smoking Prevention Approach
 - Smooth introduction of cigarette vending machine with an adult identification system
- Coexistence between smokers and non-smokers
 - Improvement of smoking manners
 - Launching the "Pick Up, and You will Love Your City" campaign
 - Installation of smoking areas

CSR Activities in the Tobacco Business

◆ To Prevent Youth Smoking

Minors should never smoke. In fact, minors are legally prohibited from smoking. They are in the process of developing, 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 and is extending its cooperation with concerned parties.

● Community Youth Smoking Prevention Programs

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

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

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



Poster urging minors not to smoke

● Educational Activities Through Newspaper Ads

JT supports an industry-wide initiative to prevent youth smoking and runs ads

twice a year in 50 national and local newspapers.



● Promotion of Cigarette Vending Machine with an Adult Identification System

As part of the program to prevent youth smoking, the Tobacco Institute of Japan (TIOJ), the Japan Tobacco Retailers Cooperative Association (JTF) and the Japan Vending Machine Manufacturers Association (JVMA) are rolling out cigarette vending machines with an adult identification system nationwide. The identification system was first introduced in pilot areas in March 2008 and is scheduled to be in nationwide operation in July.

See related article → p11

Special Feature: Industry-wide Approaches to Prevent Youth Smoking

● Voluntary Standards for Advertising and Sales Promotion

In an effort to further fulfill corporate social responsibility for youth smoking prevention, JT conforms to voluntary regulations for advertising and sales promotion in the domestic market. These regulations have been in place since the days of the Japan Tobacco & Salt Public Corporation, with advertising through the media phased out since 1969.

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

Website of TIOJ URL www.tioj.or.jp/

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

We advocate reasonable solutions to accommodate smokers and non-smokers, in the hope of providing a pleasant environment for both groups.

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

SMOKERS' STYLE
URL www.jti.co.jp/style/

● Setting Up Smoking Areas

JT and municipalities are jointly setting up smoking areas in the streets, which contribute significantly to smoke separation and improved smoking manners.

Specifically, various types of smoking areas are being set up across the country to help smokers improve smoking manners, which also significantly contributes to preventing smoking while walking and reducing cigarette butt littering.



Smoking area in Chiyoda-ku, Tokyo

● Smoke Separation in Public Places

JT, municipalities and facility administrators are jointly setting up smoking areas in public places.

In addition, JT offers smoke separation consulting services. Leading-edge technology is the key to smoke separation in smoking areas set up in terminal stations, airports and large-scale commercial facilities crowded with students, businessmen, tourists, and families.

● Promoting Better Smoking Manners

JT is promoting the need to improve

smoking manners through advertising campaigns that encourage smokers to show more consideration for non-smokers and society in general.



Graphic Advertising

● Promotion of Portable Ashtrays

JT aims to have more than 50% of smokers carry portable ashtrays with them. To this end, and to showcase portable ashtrays, the Mobile Ashtray Museum (MAM) was launched in April 2006.



MAM(Mobile Ashtray Museum)
JT Bldg. 1F, 2-1,Toranomon 2-chome, Minato-ku, Tokyo
TEL:03-5572-4950

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

A nationwide cleanup campaign, in corporation with municipalities, schools, volunteers and local communities, is in place to help people develop a mindset of not throwing trash by picking up trash.

In FY 2007 alone, a total of 223,309 people and 318 bodies such as municipalities, schools and volunteer organizations participated in 199 activities in 47 prefectures.

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

We pick up trash everywhere in Japan because we want good manners spreading throughout the country.

JT has been rolling out a citizen participation cleanup campaign dubbed the "Pick Up, and You will Love Your City" nationwide since May 2004. A total of 600,000 people have participated in this program, which is designed to help people develop a mindset of not throwing trash by picking up trash.



Calling for participation at various events through working with local institutions

The Alpinist Ken Noguchi and the "Pick Up, and You will Love Your City" Campaign

"Japan has a first-class economy and third-class manners," says a Western Alpinist, which is why I started mountain climbing for cleanup activities. I support the concept of "Pick Up, and You will Love Your City" campaign, where not only a handful of enthusiasts for cleanup activities but also other people are encouraged to participate.

Ken Noguchi, who has been involved in the campaign since October 2006



Shinobu Naganuma, a participant from North Pacific Bank. Ltd. (Hokkaido)

I was pleased to be able to work with more people than were expected. Some participants were even picking up grimy trash, which made me realize that the activities contributed to cleaning up the streets.



Participants from the Rotaract Club of Kagawa University

We called for cleanup activities to get rid of a massive amount of trash from the campus festival. This effort, though small now, will probably change our awareness of environmental issues.

Results of the "Pick Up, and You will Love Your City" Campaign in FY 2007

2007.04.01~2008.03.31

●Number of activities: 199 ●Number of participants: 223,309 ●Number of bodies participated: 318

With more than 500 cleanup activities completed nationwide, the campaign has now been in place for five years.

Local residents who support JT's concept are playing a central role in the campaign. Those who participate in the campaign feel invigorated from the cleanup activities.

Hyogo While participating in festivals, we pick up trash

"It was the first time that we carried out the campaign in the Akogishi Festival," says Toshiyuki Nagayasu, a member of the Ako Tobacco Cooperative Association. "But all the members of the association willingly took part in the event."



Participants in festival costumes

Hokkaido The campaign was a great success at the Snow Festival

The campaign in Hokkaido, where the Hokkaido Toyako Summit will be held, was a great success, with Ken Noguchi participating in the event. Local companies, volunteer organizations and children willingly work in the cleanup.



Calling for participation in front of giant snow statues

Miyagi Participating in the 25th Tagajo Citizens' Festival

Members of local Tobacco Retailers Cooperative Association called for cleanup activities to play a part in the tobacco industry in addition to selling tobacco products. The activity was introduced in the brochure for the event and a number of citizens participated in the campaign.



Even in the cold weather, participants worked on the cleanup

Kumamoto A local chamber of commerce invited the campaign

"We saw the TV commercial for the campaign and thought maybe we could do this at the Hatsuichi Festival of Ueki-machi," says Kazuhiro Arita, a member of the youth group of the Ueki-machi Chamber of Commerce. His enthusiasm for cleanup activities played a part in promoting good manners.



Everyone showed an interest in cleanup activities

Kagawa "Just wonderful!"

"No Brazilian companies call for cleanup activities. This is just wonderful!" says a Brazilian who joined a festival in Kagawa as part of an international exchange program.



International exchange through cleanup activities

Tokyo Working together with NPO staff at Meiji-jingu Gaien

People from the International Volunteer University Student Association (IVUSA) participated in cleanup activities at the Ginkgo Festival, Meiji-jingu Gaien. The campaign was impressive in that an international family on a sightseeing tour expressed great interest in the activities and asked staffs what they were doing.



Cleaning the streets is invigorating

The website of the "Pick Up, and You will Love Your City" Campaign [URL](http://hiromachi.jp/) hiromachi.jp/

Our Philosophy as a Tobacco Manufacturer

We have developed "Tobacco Brand-ing Declaration" as a tobacco business version of our corporate mission, "JT Brand-ing Declaration." It clarifies our recognition on tobacco product and our commitments towards actions based on the recognition in conducting tobacco business.

"Tobacco Brand-ing Declaration" consists of three sections: "Our Recognition on Tobacco," "Tobacco Business Mission" and "Tobacco Business Management Guideline."

We take pride in the brands we provide to consumers through our tobacco business. We aim to be an 'irreplaceable company' by keeping our commitment to "Tobacco Brand-ing Declaration."



Tobacco Brand-ing Declaration

● Our Recognition on Tobacco

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

Tobacco for Customers

Almost one third of the adult population of the world smokes. People smoke for various reasons; some people smoke for pleasure, to enjoy tobacco's rich taste and flavor, others to relax and gain a peace of mind, or to focus.

On the other hand, with smoking pleasure come real risks. There are many people who report difficulty with quitting.

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

Tobacco for Society

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

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

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

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

world.

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.



● Tobacco Business Mission

Bearing in mind our recognition on tobacco, we manage and operate our business in order to satisfy and deliver pleasure to our customers and to meet our stakeholders' expectations. We strive to become a leading global tobacco manufacturer through increased added brand value, taking advantage of our core competence—"Brand-ing":

Customers

We enhance customer satisfaction by offering a range of first class quality and value-added brands to adult smokers. To this end, we will not compromise in recognizing and addressing the various needs of our customers.

We are committed to offering comprehensive support to smokers' pleasure.

Society

We operate our business with high ethical standards, dedicated efforts towards protecting the environment and showing respect for local communities and the cultures of different countries. We strive to be a good corporate citizen welcomed by both local and global communities.

Minors should not smoke. We will continue to aggressively address this social problem and are committed to

playing a significant role in the prevention of youth smoking.

We are aware that smoking is controversial. This is why we will continue our efforts to listen to non-smokers' opinions and to achieve sensible accommodation where smokers and nonsmokers can work together and coexist.

Employees

We, as employees of one of the leading tobacco companies, take pride, dedication and responsibility in providing valued tobacco brands to our customers.

We will provide attractive business opportunities for those who are capable and motivated.

We will continue our efforts so that we can enhance employee satisfaction.

Shareholders

Our mission is characterized by the development of consistent positions in individual markets through selection and concentration, in order to generate long-term value in the tobacco business. We operate an open and transparent business in accordance with social rules and regulations in order to safeguard shareholder interests.



● 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:

◎ JT's Perspective on Health and Smoking

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

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

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

Smokers should be informed about the products. We acknowledge and take on the responsibility to tell them what we put into our cigarettes.

Endeavoring to reduce the risks of smoking

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

Youth smoking prevention

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

Accommodation of smokers and non-smokers

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

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

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

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



SMOKERS' STYLE Website

URL www.jti.co.jp/style/

Improving Environment, Health and Safety Performance in an Enlarged International Tobacco Business

2007 was a landmark year for JT's international tobacco business. On April 18th last year, JT acquired Gallaher Group PLC, nearly doubling the production volume and number of employees in Japan Tobacco International (JTI).

JTI controls the production, marketing and sales of the JT Group's cigarette brands in more than 120 countries around the world and now has more than 30 manufacturing operations in 25 different countries.

This section provides a snapshot of how JTI has integrated EHS across the expanded business and updates on its EHS performance and programs. For more detailed information please refer to JTI's Annual EHS Report.

[Website of JTI](#)
[URL](http://www.jti.com/) www.jti.com/



Work Group Team

JTI Worldwide Factories



Integrating Environment, Health and Safety Across the Enlarged Business

JTI has had robust Environmental and Health and Safety (EHS) management systems in place for a number of years, in accordance with the JT Group Environment Charter and the international standards ISO14001 and OHSAS18001. These systems, which include EHS policies, standards, tools and programs, are being rolled out across the enlarged business. This work started immediately after the acquisition, with baseline assessments of the new factories. In the second half of 2007, the new factories started to implement JTI's safety change program and monthly EHS data reporting.

Currently sixteen factories are certified to the EHS international standards, ISO 14001 and OHSAS 18001, and it is planned for all factories to be externally certified by 2010.

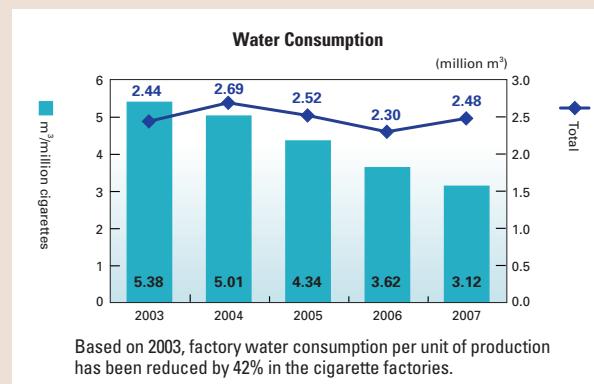
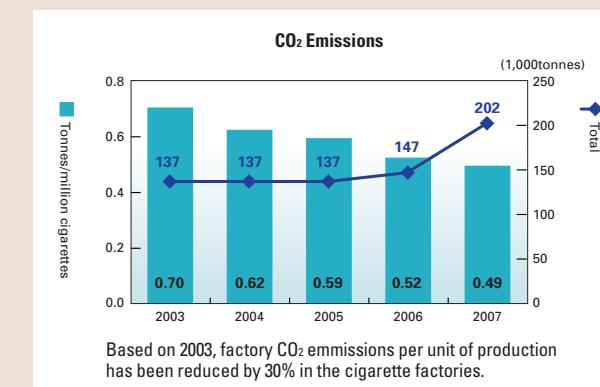
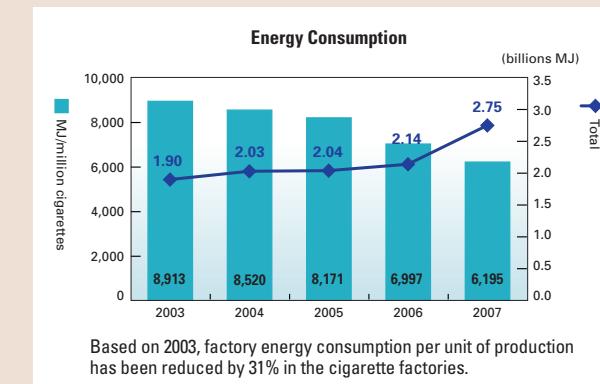
Continuing to Drive EHS Performance

JTI continued to show strong improvement in EHS performance across the enlarged business as measured by the EHS Key Performance Indicators (KPIs). Common KPIs have been applied across the business with safety data reported for the new factories from 18 April 2007, and environmental data from 1 July 2007. 2008 will be the first full year of operation for the enlarged JTI, and data will be collected to establish this as the baseline year for EHS performance. Future EHS performance targets will then be set and compared to this baseline year.

Environment

For the fourth consecutive year specific CO₂ emissions and energy and water consumption showed improved performance; down 6%, 11% and 14% respectively versus 2006. Production waste per unit of production increased by 2% and recycling fell by 4% as a result of the integration. Factories continued to implement efficiency programs including energy recovery projects, building climate control and a global tobacco case reuse project.

JTI Environmental Trend Data



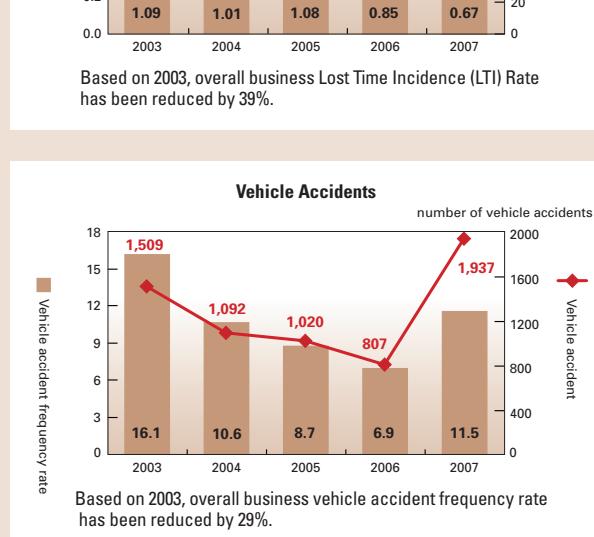
Notes: Environmental data
 1. Bars show performance for cigarette factories only (units/million cigarettes).
 2. Environmental data reported for former and new JTI cigarette factories from 1 July 2007 (29 in total). Data not include data for three small Other Tobacco Product factories (Sweden, Dominican Republic and La Nuba - Canary Islands).
 3. Line graph shows absolute KPI figure for JTI factories, including semi-finished goods (2 factories).

Focusing on safety

Despite nearly doubling the number of JTI employees, there were no business-related fatalities reported in 2007, and the Lost Time Injury (LTI) Rate decreased by 21% versus 2006 and 38% versus 2005. These results were due to an increased focus on safety across the business and implementation of the Safety Change Program, in which over 1100 managers participated, including all managers from the new factories as part of the integration process.

The fleet vehicle accident rate increased to 11.5 accidents per million kilometers driven. This increase is a direct result of the acquisition of Gallaher, where fleet safety performance had not been measured on a global basis. A Fleet Safety Change Program will be rolled out to the sales and market organization starting in 2008.

JTI Health and Safety Trend Data



Notes: Health & Safety
1. LTI figures include data for enlarged JTI business i.e. factories and markets.
Excludes data from some new markets (will be collected in 2008).
2. VAF figures for fleet vehicle drivers in JTI markets.
3. Safety data reported for new JTI factories from 18 April 2007.

JTI EHS Excellence Awards

JTI ran its third Annual EHS Excellence Awards, to recognize excellent efforts and achievements in EHS across the business. The following summarizes the 2007 winners.

Environment Category

Tunisia – solar energy for water heating.

An innovative, sustainable and transferable solution to replace fossil fuel based energy consumption by energy from a renewable resource.

Health and Safety Category

Tanzania – vehicle tracking system

Vehicle accidents have been reduced by 60% by measuring driving characteristics, which can be used to counsel drivers and change driver behaviours.

Teamwork Category

Canary Islands – Environmental improvement team

Sustained environmental improvements at the factory achieved as the result of the dedication and teamwork of the EHS improvement team.



Reforestation and Community Support Program in Africa

In addition to EHS activities in its own operations, JTI launched a Reforestation Program in 2007, with JT, aimed at addressing impacts from tobacco growing in developing countries, where large amounts of wood are consumed for domestic fuel, as well as for tobacco curing and barn construction. More than four million trees have been planted, and over 760 hectares of woodland are under management. In addition the program provides irrigation, water wells and sanitation to enhance rural livelihoods in tobacco growing areas in Malawi and Tanzania.

See related article → p56

Reforestation and Forest Conservation Activities in Africa

Business

Pharmaceutical Business

- CSR Activities in the Pharmaceutical Business

With a Strong Sense of Ethics and Responsibility Involving Human Life, Contributing to Society



Noriaki Okubo
President, Pharmaceutical Business

There are still a great number of incurable diseases, and therein lies our *raison d'être* – to provide suffering patients with the drugs we developed. With this in mind, we are striving to fulfill our primary mission – developing world-class drugs that are unique and innovative.

The pharmaceutical business is subject to relevant laws and regulations as well as to detailed guidelines. We also have elaborate in-house regulations that set out operating procedures with the Operational Review and Business Assurance Division and the internal auditing team of the Pharmaceutical Division constituting a foolproof audit system. In addition to observing such procedures and regulations, we always need to be clear in our minds that what we are doing has a direct impact on human life. That is, we always need to have a strong sense of ethics and responsibility.

As an integral part of our CSR activities, therefore, we have been focusing on strict compliance with pharmaceutical laws and regulations and strict management of chemical substances. In FY 2007, for instance, we continued to improve the safety management system and fully comply with relevant laws and regulations while observing prescribed operating procedures. Accordingly, Torii Pharmaceutical Co., Ltd., which manufactures and distributes the JT Group's pharmaceuticals, places a premium on strict compliance with the Promotion Code and has a system in place to raise awareness of pharmaceutical issues among employees.

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

CSR Promotion Plan for the Pharmaceutical Business

Development and offering of new drugs based on the highest safety standard, strong sense of responsibility and high ethical standard

- Strict compliance with pharmaceutical-related laws and regulations
- Strengthening appropriate control of chemical substances
- Strict compliance with Promotion Code
- Activities to raise awareness in the medical field

CSR Activities in the Pharmaceutical Business

◆ Developing and Offering New Drugs with the Highest Safety Standard, Strong Sense of Responsibility and High Ethical Standard

● Strict Compliance with Drug-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.

In fact, the Helsinki Declaration, the Pharmaceutical Affairs Law and a ministerial ordinance (GCP) based on the law stipulate that the rights of research subjects to safeguard their integrity must always be respected when conducting clinical trials. Accordingly, an independent committee of experts such as outside physicians examines the ethical and scientific grounds of clinical trials and sees to it that subjects are briefed on and agree to them in writing and that subjects' privacy is protected. In addition, a division independent from clinical trials conducts in-house audits (GCP audits) to see if the operating procedures are appropriately followed – that is, compliance of clinical trials with GCP. In FY 2007, JT strictly abided by relevant laws and regulations as we did in the previous year.

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.

● Strict Management of Chemical Substances

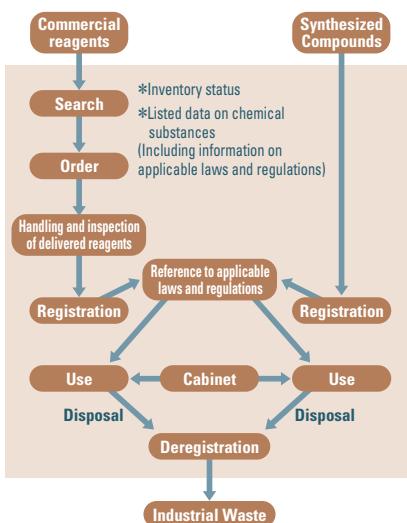
JT continues to comply with a variety of laws and regulations concerning the management of designated chemical

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 FY 2007, for instance, the institute reviewed and strengthened the self-checking function of its laboratories at three locations.*

* Four laboratories in Takatsuki City (Osaka), the Pharmaceutical Frontier Research Laboratories (Yokohama City, Kanagawa) and the Toxicology Research Laboratories (Hadano City, Kanagawa).

Chemical Substance Management System (The Central Pharmaceutical Research Institute)



In accordance with relevant regulations and procedures, Torii Pharmaceutical Co., Ltd. manages chemical substances in a systematic manner, setting up management categories based on the characteristics of each chemical substance. In FY 2007, for instance, the company established risk assessment procedures recommended by the Industrial Safety and Health Law, surveyed the use of volatile organic compounds and adopted a system to manage chemical substances used for the production of investigational new drugs.

● 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.

In FY 2007, the company held such seminars at 14 branch offices, with each branch having its own study sessions to raise awareness of MR activities and help MRs develop technical expertise.



At a seminar

◆ Awareness Raising Programs in the Medical Care Field

A variety of programs are in place to raise public awareness of the medical care. In particular, Torii Pharmaceutical Co., Ltd. disseminates health information through brochures, the Internet, and other media.



Health information is posed on the website
Brochure
Torii Pharmaceutical's website
URL www.torii.co.jp/

Services of the Customer Support Dept. (Torii Pharmaceutical Co., Ltd.)

The customer support dept. of the Torii Pharmaceutical Co., Ltd. answers all inquiries (primarily by telephone) from physicians, pharmacists, customers, JT's MRs, and others in a quick, accurate and detailed manner, acting as a liaison between customers and the field staff.

In particular, patient and medical expert opinions on products are always taken into account and immediately passed on to the relevant divisions.

The center staff, meanwhile, participate in study sessions to improve their skills. In addition, the MR Support System is in place to share information and ensure appropriate and speedy services for the benefit of customers. Inquiries from medical institutions are duly recorded and



passed on to the MRs in charge.

Inquiries are also handled on the website, with product information disseminated through the Internet and other means.



Yuko Kariya

General Manager, Customer Support Dept.
Torii Pharmaceutical Co., Ltd.

The customer support dept. handles inquiries from various sources such as patients (and their families), physicians, pharmacists and pharmaceutical dealers. When communicating with these people, our focus is on putting ourselves in the place of those on the other side of the line. While there are cases where we need to tell callers that this is what we can afford, we always see to it that we accommodate their requests as much as possible.

We continue to value the opinions of customers and convey their comments to the relevant divisions in an effort to improve our products.

Ethical Considerations to Animal Experiments / Gene Analysis

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

The Central Pharmaceutical Research Institute set in-house regulations for animal experiments in accordance with the Law of Humane Treatment and Management of Animals (Law 105, instituted in 1973 and revised in 2005) and its relevant guidelines (Notification 0601005, issued by the Ministry of Health, Labour and Welfare in 2006) to properly manage animal experiments and breed experimental animals. Specifically, the animal experiment committee is in place to examine and ensure that experiments are conducted in accordance with the 3R concepts*.

* 3R Concepts

Replacement: Where possible, opt for alternative test methods using no experimental animals

Reduction: Minimize the number of animals used for experiments
Refinement: Do not let experimental animals suffer unnecessary pain

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, revised in 2004 and partially revised in 2005).

Business

Foods Business

CSR Activities in the Foods Business

To Deliver Tasty, Safe and Reliable Products



Sadao Furuya
President, Foods Business

In fiscal year 2007 we renewed our recognition of the importance of food safety.

With the philosophy of "we want our foods to be eaten by the most important persons" in mind, we have been producing and dealing with beverages, processed foods and seasonings, focusing on safety and reliability, which are the responsibility of businesses providing customers with what they eat and drink.

Quite regrettably, however, some of the frozen foods distributed by our group company caused serious health problems for customers who ate them in December 2007 and January 2008. While investigations are underway to identify the causes, the JT Group takes this incident very seriously and is, therefore, working on overall improvement of its safety control system. Specifically, we are identifying and reviewing every possible means, existing and new, to ensure the safety of food, taking into account the view of experts outside the JT Group.

Our focus is strengthening a series of systems to inspect factories, raw materials and finished products, thereby reducing risks. At the same time, with integrity and responsiveness we are stepping up efforts to meet the requests of customers, while providing them with more information about our products.

The JT Group's foods business is committed to improving and strengthening its safety control, research and development, product development, hygiene control and quality control systems to deliver tasty, safe and reliable products – a conscious effort to become a reliable food manufacturer for both customers and society.

CSR Promotion Plan of the Foods Business

Effort to provide safe and reliable products
Upgrading and expanding of traceability
Response to the social change

CSR Activities in the Foods Business

◆ To deliver safe and reliable products

In the wake of an incident in December 2007 and January 2008 where some frozen foods were contaminated with a pesticide, the JT Group is stepping up measures to deliver safe and reliable products to customers.

● Ensuring the safety and reliability of products from the very beginning

The JT Group food factories have systems in place for sanitation and quality control that are in line with the Hazard Analysis Critical Control Point (HACCP) system or JT's own manual, which is based on HACCP. The JT Group, however, is strengthening measures to inspect the management of the factories concerned to deliver safer and more reliable products to customers.

Specifically, more stringent standards for selecting subcontract factories will be in place, with production outsourced to only those who meet the standards. At the same time, the JT Group factories will play a greater role in JT's foods business, including those of Katokichi Co., Ltd., the business of which is being incorporated into JT.

Biannual and no-notice inspections of all factories concerned, both domestic and overseas, will also be conducted, while a system that complies with ISO22000 (an international standard that defines the requirements of a food safety management system) will be created. The JT Group factories are gearing up to gain the accreditation in FY 2008, as are subcontract factories, in FY 2009. Likewise, the beverage business is requesting its subcontract factories to adopt a management system compatible with ISO22000 and the Comprehensive Sanitation-controlled Manufacturing Process (HACCP-equivalent guidelines set by the Ministry of Health, Labour and Welfare).

● Upgrading a system to manage and inspect pesticide residues

The JT Group is also strengthening measures to manage and inspect pesticide, feed additives and animal drug residues in food.

Imported raw materials are inspected for pesticide residues upon delivery, while a system is in place to analyze organophosphate pesticides before shipment. In particular, frozen foods imported from China will be inspected both in China and in Japan, with other pesticides, antibiotics and heavy metals scheduled for inspections.

For the Green Giant series (frozen vegetables), efforts have been underway to keep track of the types and use of pesticides, manage their storage, select pesticides that meet application standards and prevent JT farms from being contaminated with drifting pesticides – all designed to reduce pesticide residues. Other inspection items include soil pollution, water quality, cultivation conditions and pesticide residues in farms.

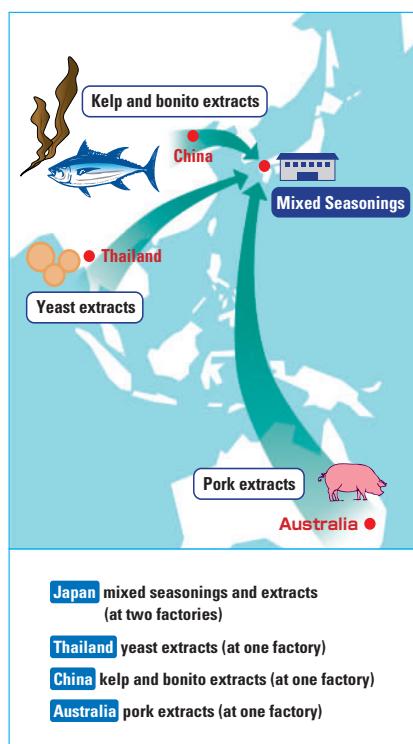
Furthermore, inspection centers were set up in Japan and China to independently analyze pesticides and chemical substances.

● Pursuing Traceability

A database on the Green Giant series is maintained, with focus on cultivation records (from planting to harvesting at each farm and by each grower), which can be traced by farm codes printed on the packages.



Alternatively, JT's five plants, primarily in Asia and Oceania, are producing seasonings, using ingredients with proven production records. Specifically, they are setting up a system to identify when and where ingredients were cultivated, grown, processed, manufactured and distributed.



◆ Emphasizing safety and reliability from the viewpoint of customers

● Providing customers with product information

In addition to delivering safe and reliable products, JT gives high priority to providing customers with accurate and easy to understand product information.

In addition to mandatory information, for instance, allergens in the 25 ingredients designated by the Ministry of Health, Labour and Welfare are printed on frozen food package to provide customers with a sense of security. Moreover, in April 2008 a program started to post key information on both JT's website and the packages of products – that is, the factories where products

were manufactured and the farms where ingredients were cultivated. Safety control activities are also posted on the website.



Mini Harumaki (spring roll)

- Produced by JT Group companies: Sunburg Co., Ltd. (Ibaraki) and Lipingshang Foods Corporation (Fukuoka)

● Inspecting the safety control system with the help of outside experts

A safety control system is one of the most prominent concerns of customers. The JT Group is thus creating a more reliable safety control system through internal and external audits.

Specifically, a variety of opinions and viewpoints will be sought from outside experts who will regularly participate in audits to evaluate and advise on the system.

◆ Meeting the needs of customers and the society

● Shifting to seasonings made from natural ingredients

The JT Group's seasoning business has been shifting from chemical seasonings to seasonings made from natural ingredients to meet the needs of the times: safe, reliable and additive-free. Major items include yeast extracts (derived from baker's yeast), natural extracts (derived from kelp, bonito, pork, and other foods) and mixed seasonings prepared in accordance with customer specifications. A variety of seasonings are being developed for processed food manufacturers with focus on natural ingredients.

Imadoki Wazen Katsuodashi, the industrial bonito seasoning, hit the market in 2007.

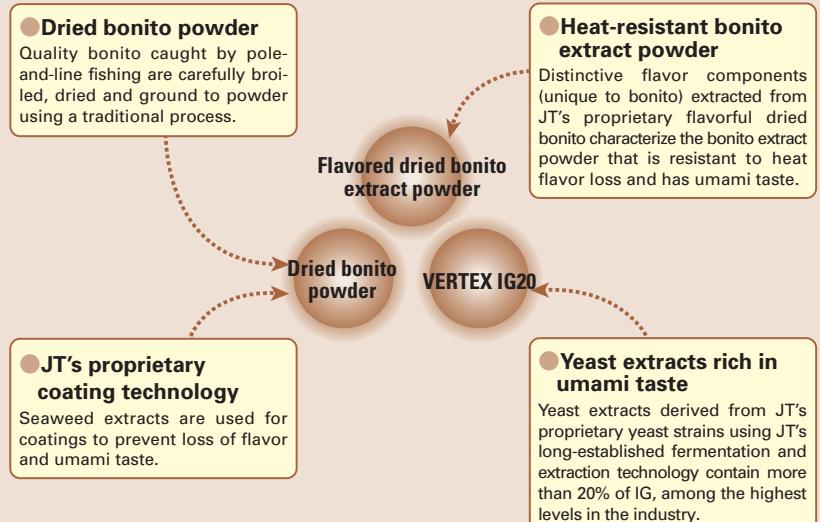
Imadoki Wazen Katsuodashi

■ Four Advantages

- 1 Stable flavor**
- 2 Resistant to heat and deterioration**
- 3 Resistant to phosphatase**
- 4 Rich in umami taste**

Flavorful dried bonito extract powder and VERTEX IG20 are fortified with JT's proprietary coating technology to minimize loss of flavor and umami taste.

■ Mechanisms



Global Environment

- JT Group Environmental Vision and Management
- The Impact of JT's Business on the Environment
- JT's Business Activities and Environmental Impacts
- Approaches to Reducing Environmental Impacts
- Environmental Communication

Toward Harmonization Between JT's Business and the Environment



Masami Shinohara
Vice President, CSR Division

In FY2007, we made a step forward in promoting the "JT Group Environmental Action Plans 2005-2008." In fact, we achieved goals for CO₂ emissions, water use, waste generation and the recycling rate in FY2006, with efforts underway to make further improvements in these areas. Based on the environmental management system, moreover, each business site has taken a variety of measures, while incorporating environmental conservation activities into its day-to-day operations. Entering the final year of the action plans in FY2008, we continue to work on these aggressive measures.

FY2008, meanwhile, is the period where the JT Group will gear up for the next phase, stepping up efforts to conserve the environment. With the first commitment period of the Kyoto Protocol starting this year, there is social responsibility to take more aggressive measures to reduce greenhouse gas emissions. As it expands the international tobacco business and restructures the food business, the JT Group gives priority to reconstructing and strengthening its environmental management system.

To reiterate, our commitment in FY2008 is to continue working on the "JT Group Environmental Action Plans 2005-2008" and reconstruct and strengthen the JT Group environmental management system. In addition, we will start mapping out the next environmental action plans.

CSR promotion plan as Part of Measures to Protect the Global Environment

Measures based on the JT Group Environmental Action Plans 2005-2008

- Reduction in CO₂ emissions
- Reduction in the use of natural resources (water)
- Reduction in waste generation and promotion of recycling
- Promotion of afforestation and forest conservation activities

Scope and period of data collection

- Data for Japan Tobacco International (JTI), the international tobacco division of JT, were collected between January 1 and December 31, 2007, including those for the Gallaher Group (between July 1 and December 31, 2007), which was merged into the JT Group.
- Data for Japan Metallizing Co., Ltd., which dissolved on July 31, 2007, were collected between January 1 and June 30, 2007.

The JT Group's Environmental Vision and Management

◆ JT Group Environment Charter

Addressing global environmental issues is an integral part of the JT Group's corporate social responsibility and management challenges.

With the JT Global Environment

Charter established in May 1995, JT has been working for the conservation of the global environment. This charter was upgraded to the JT Group Environment Charter in March 2004, as JT diversified and globalized its business. In all countries and areas it operates, JT

and JT Group are committed to acting as good corporate citizens and making concerted efforts to harmonize their businesses with the environment

JT Group Environment Charter

Basic Principle

We at JT believe that corporate social responsibility represents to provide "Irreplaceable Delight" to the customers, shareholders, employees and society through our operations, and serve as a good corporate citizen acclaimed by society on a continual basis. And also, we recognize that active involvement in environmental issues being primal theme in terms of corporate social responsibility.

Based on the basic policy, we continue to act as a good neighbor with local communities in all countries and regions where we operate, and try to bring about harmony between our corporate activities and the environment, with hoping to leave the healthy and productive environment to future generations.

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.

4. Process and Supply chain

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

5. Environmental Education

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

6. Environmental Communication

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

◆ Promotion systems of the JT Group Environmental Management

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

The CSR Committee, meanwhile, reviews developments in the environmental action plans with focus on their management and specific measures, while supporting each division and the JT Group as a whole in their environmental management.

◆ The JT Group Environmental Action Plans 2005-2008

The JT Group Environmental Action Plans set specific environmental conservation goals based on the JT Group Environment Charter. Accordingly, each business division sets and implements environmental action plans for itself and for the group companies. Currently, the JT Group Environmental Action Plans 2005-2008 are underway.

See related article → p59

Supplemental materials: Developments in the JT Group Environmental Action Plans 2005-2008

◆ Environmental Management Systems Based on ISO 14001 Standards

The JT Group designs ISO 14001 environmental management systems in

accordance with the characteristics of each business site: the scale and function of business activities, the impact of products and services on the environment, and other factors. In principle, all JT factories must be accredited with ISO 14001 certification, while branch offices and laboratories are setting up ISO 14001 environmental management systems or their simplified versions designed to prepare and implement environmental action plans.

All factories were accredited with the certification by FY2003, and the branch offices and laboratories, by FY2004.

At the same time, efforts have been underway to create environmental management systems at JT Group companies, particularly at manufacturing companies with relatively high environmental impact. Of 20 domestic manufacturing companies designated, 19 had put the systems in place by FY2007 and one dissolved, with similar systems scheduled for adoption by other group companies.

See related article → p60

Supplemental materials: Status of the JT Group's Environmental Management

◆ Development of Human Resources That Drive Environmental Management Systems

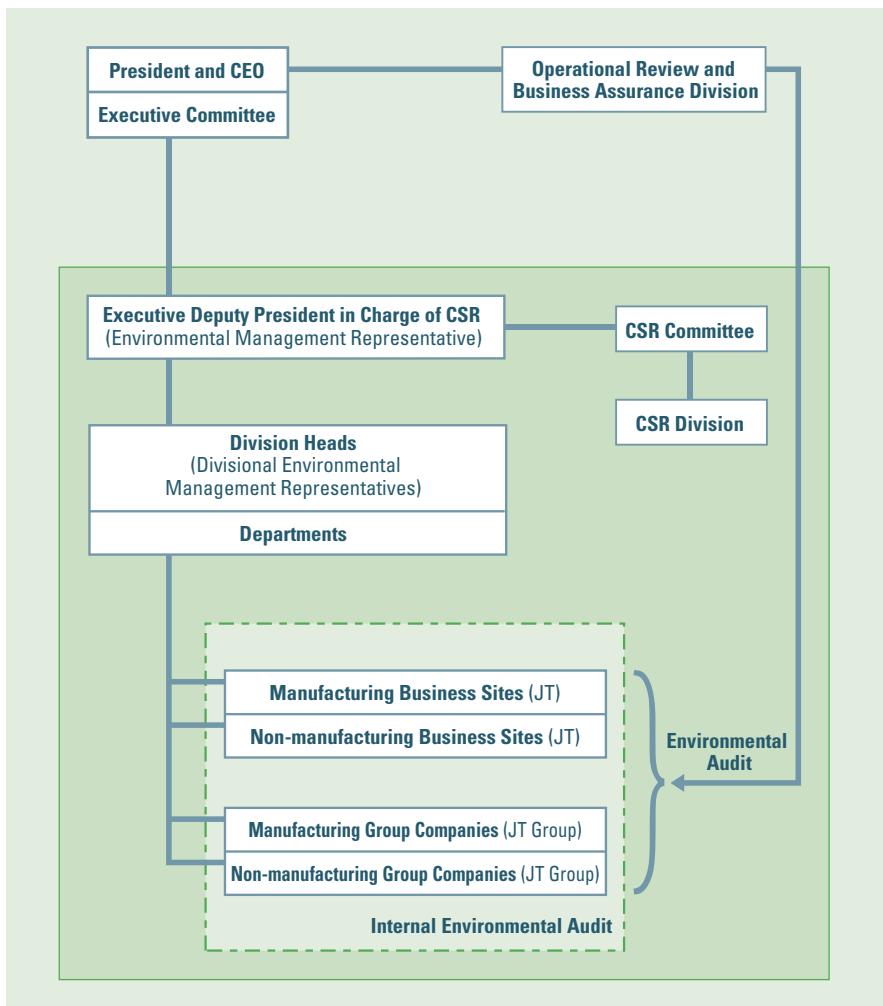
The JT Group, which emphasizes human resource development to promote environmental management systems, is training environmental management specialists through in-house programs designed for newly-appointed environmental management representatives, external training courses on the ISO 14001 accreditation.

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

See related article → p60

Supplemental materials: Results of Environmental Manager Education Programs in FY2007

Environmental Management System



◆ Environmental Auditing for Environmental Management

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

These systems are designed to improve JT's environmental management, with the Operational Review and Business Assurance Division, independ-

ent from those who are engaged in environmental conservation activities, reviewing and evaluating the JT Group's environmental conservation programs from an objective perspective.

Specifically, the Operational Review and Business Assurance Division selects business sites to be audited, based on its own standards (the environment surrounding a business site, the years passed from the last audit, the need to comply with relevant laws and regulations upon relocation of a business site, and other factors), focusing on compliance with environmental laws

and regulations and critical management challenges on the environmental front.

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

Environmental Audit Results in FY2007

The Operational Review and Business Assurance Division audited three JT business sites and two group companies in FY2007, focusing on compliance with environmental laws and regulations, management of chemical substances based on the "Chemical Substance Management Guidelines" (a key environmental issue on the management front) and management of consolidated storage facilities handling equipment using PCBs.

Summary of Environmental Audits in FY2007

We audited five business sites in FY2007, including tobacco factories and food factories.

Through the audits of compliance with environmental laws and regulations, we identified an incomplete description in a contract for outsourcing waste disposal and in a notification changes in the use of factory sites. The contract had been addressed and resolved, while corrective actions are in place for the factory sites, with notifications made to the municipalities concerned.

We also audited key environmental issues such as management of chemical substances and equipments using PCBs, and found no non-conformance that could have an impact on the environment. All business places were managed properly in compliance with corporate rules.

With respect to the issues considered "non-conforming," our auditors came up with recommenda-

tions for improvement and communicated them to auditees. For broader issues that could involve business divisions and their group companies, meanwhile, the CSR Division in charge of the JT Group's environmental management played a central role in taking group-wide measures such as monitoring improvements and issuing individualized instructions.

Each site obtains updates on revisions to environmental laws mainly from the Global Environment Department of the CSR Division. As a result, we expect JT to continue to comply with environmental laws and regulations.

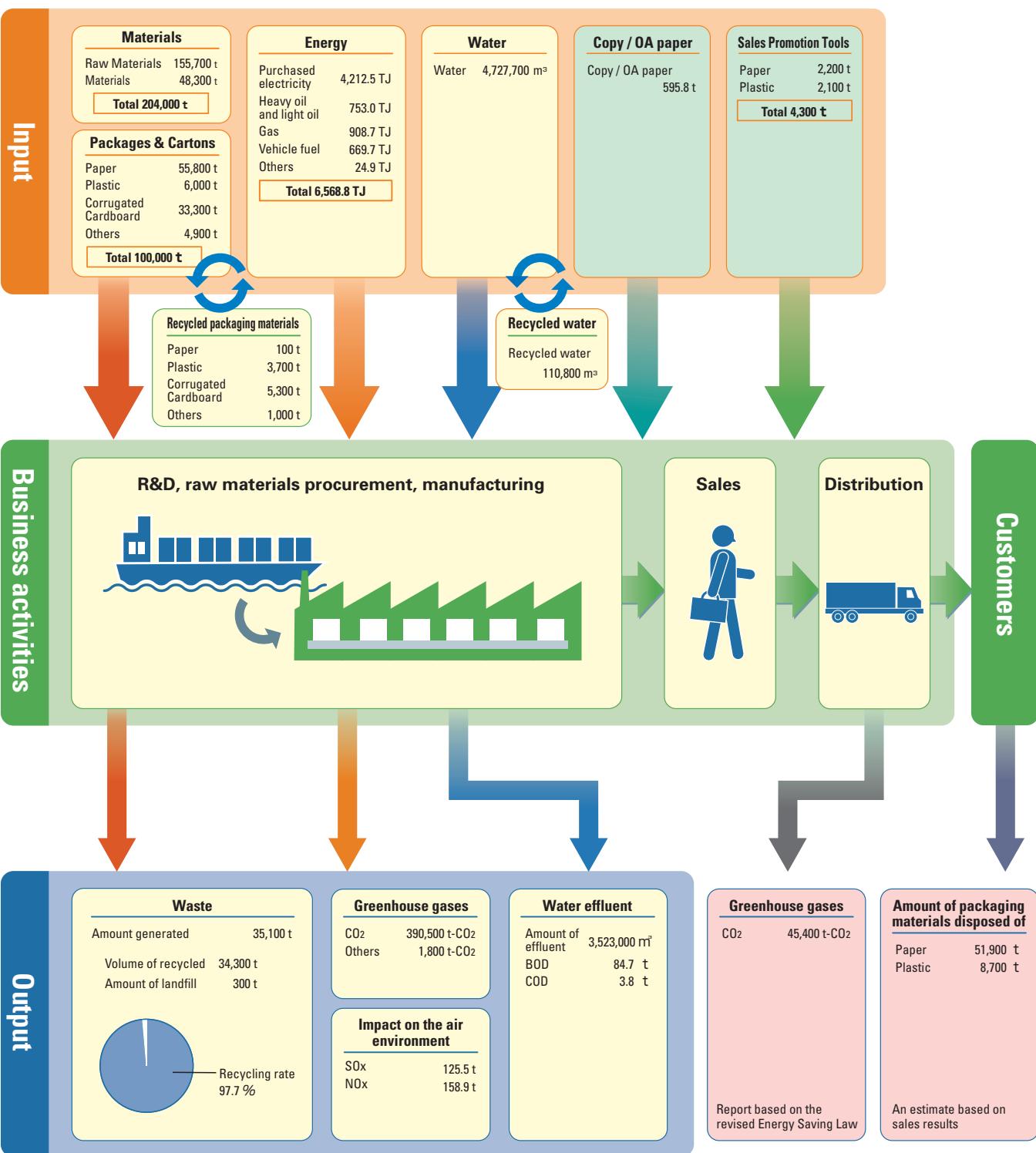
早道信宏

Nobuhiro Hayamichi
Vice President, Operational Review and Business Assurance Division
Japan Tobacco Inc.
March 31, 2008

Environmental Impact of JT's Business

◆ Input into and Output from the JT Group in Japan (FY2007)

The figure below summarizes the process from raw materials procurement (input of resources) to product consumption (output of waste), focusing on 20 companies to which domestic environmental management is applied.



Business Activities and Their Environmental Impacts

◆ Results of Key Environmental Performance Indicators (FY2007)

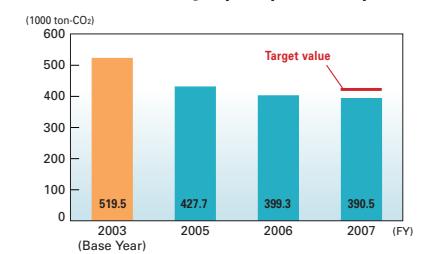
The JT Group is striving to reduce the impact of its operations on the environment, focusing on CO₂ emissions, water consumption and waste generation. The graphs below show the performance in the past three years, with 1995 or 2003 as the base year.

See related article → p59

Supplemental materials: Developments in the JT Group Environmental Action Plans 2005-2008

● Greenhouse gas emissions are being reduced to curb global warming

CO₂ emissions (JT group companies in Japan)



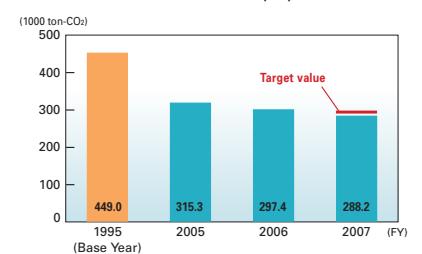
□ Performance in FY2007

CO₂ emissions were reduced 2.2% from the FY2006 level or 24.8% from the base year level (as against a target of 20%).

□ Key contributors

A decrease in tobacco production, improvements in production efficiency, introduction of energy-saving programs, and other items.

CO₂ emissions (JT)



□ Performance in FY2007

CO₂ emissions were reduced 3.1% from the FY2006 level or 35.8% from the base year level (as against a target of 32%).

□ Key contributors

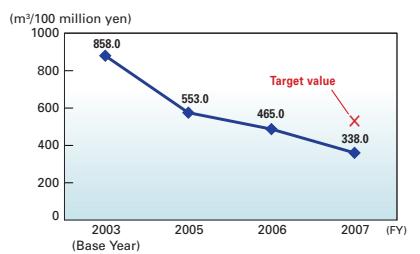
A decrease in tobacco production, improvements in production efficiency, a shift in fuel use, and other elements.

● Greenhouse gases other than CO₂

Emissions of greenhouse gases other than CO₂ accounted for a mere 0.46 percent of those of CO₂ in FY2007, while there were no PFC (perfluorocarbon) emissions.

● Water consumption is being reduced to save resources

Water consumption per unit of sales (including JTI)



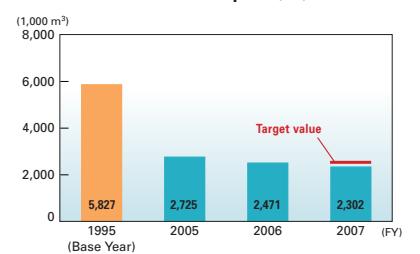
□ Performance in FY2007

Water consumption was reduced 27.3% from the FY2006 level or 60.1% from the base year level (as against a target of 40%).

□ Key contributors

Introduction of water consumption reduction programs, control of day-to-day water use.

Water consumption (JT)



□ Performance in FY2007

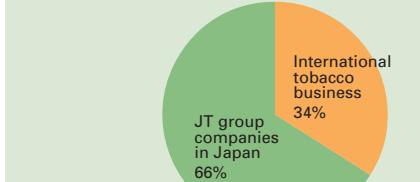
Water consumption was reduced 6.8% from the FY2006 level or 60.5% from the base year level (as against a target of 56%).

□ Key contributors

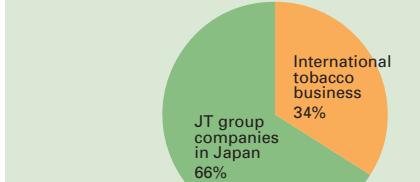
Replacement of facilities resulting in a decrease in the use of washing and cooling water, control of day-to-day water use.

CO₂ Emissions and Water Consumption by Domestic and International Businesses (FY2007)

CO₂ emissions



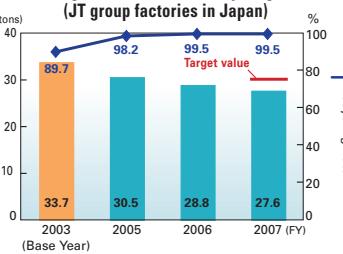
Water consumption



Data for Japan Tobacco International (JTI), the international tobacco division of JT, were collected between January 1 and December 31, 2007

● Waste generation is decreasing and the recycling rate is increasing

Waste generation and the recycling rate (JT group factories in Japan)



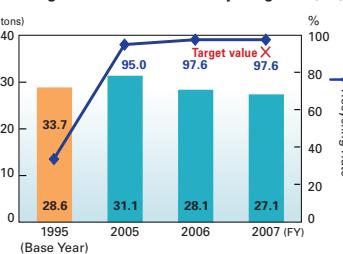
□ Performance in FY2007

Waste generation was reduced 4.2% from the FY2006 level or 18.0% from the base year level (as against a target of 14.0%), with zero emission achieved (a recycling rate of over 99.5%).

□ Key contributors

Promotion of waste recycling at factories (with zero emission achieved).

Waste generation and the recycling rate (JT)



□ Performance in FY2007

Waste generation was reduced 3.6% from the FY2006 level or 5.2% from the base year level, with a recycling rate of 97.6% achieved.

□ Key contributors

Promotion of waste recycling at factories (with zero emission achieved).

Approaches to Reducing Environmental Impacts

◆ Chemical Substances are Managed Properly

The JT Group continues to appropriately manage chemical substances at its laboratories and factories in accordance with the "Chemical Substance Management Guidelines," keeping track of their purchase, release and transfer – an effort to prevent pollution around business sites and ensure the safety of employees. The PRTR Law applies to five business sites, down from six in the previous year.

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

Chemical Substances	Amount Released		Amount Transferred	
	FY2006	FY2007	FY2006	FY2007
Xylene	0.0002	0.0002	0.29	1.44
Chloroform	0.13	0.15	7.19	8.00
Acetonitrile	0.04	0.03	7.55	6.51
Chlorodifluoromethane	1.23	1.30	0	0
Toluene	0.83	0	0.03	0
Dioxins (mg-TEQ)	0.17	0	8.73	0

◆ PCB Wastes Are Managed and Disposed of Properly

JT has a system in place to properly store and manage PCB wastes (high-voltage transformers, capacitors, fluorescent lamp ballasts, and other products) in accordance with "PCB Waste Management Regulations." In fact, 10 high-voltage condensers were disposed of in FY2007. PCB wastes are stored at 29 business sites as of the end of FY2007 and will be managed properly until they disposed of.

Storage of PCB Wastes (JT)

Types of wastes	Transformers, capacitors, etc.	Fluorescent Lamp Ballasts	Waste PCB oil (in containers)	Others
Amounts of Units	910	81,620	464	881

As of the end of March 2008

◆ Soil Pollution Survey

JT began to independently survey soil pollution at all its properties in FY2003. Specifically, a system is in place to look into the land history to identify the need for soil pollution survey. Any chemical substances, whose concentrations exceed the levels laid down in the Soil Contamination Countermeasures Law, are reported to the administrative agencies concerned and are made public.

of 2008, is one of those packed using a paper tray.



Paper trays are replacing plastic trays

◆ Environment-conscious Vending Machines

All parts and components of vending machines, when they are disposed of, are collected separately and recycled: e.g., metal parts, fluorescent lamps and batteries.

Japan Beverage Inc., which controls the business of beverage vending machines, is switching to environment-conscious vending machines, adopting those complying with its own standards. At the same time, vending machines for both canned and in-cup beverages are equipped with a peak cut system designed for energy-saving operation during the peak power consumption in summer.

Such measures are also underway to reduce power consumption of tobacco vending machines, some of which include replacement of fluorescent lamps with LEDs, and weight saving and environment-conscious design of vending machines.



CSR Report 2008

● Promotion of 3R* of Waste

Total waste generation of JT group factories in Japan was down 18.0% (or 6,100 tons) from FY2003 levels in FY2007, and 20 factories achieved zero emission (more than 99.5% of recycling rates). In addition, carton boxes for transporting raw materials were reused at tobacco factories (5,300 tons were recycled in FY2007).

* Reduce, Reuse, Recycle

◆ Energy-saving Measures

● Energy saving at Factories

Energy-saving measures are in place at the offices and shops of JT group factories and incorporated into their day-to-day operations, such as streamlining of production processes, use of nighttime electricity and a shift from heavy oil to natural gas.

Likewise, tobacco factories launched the Energy-saving Promotion Program in an effort to share achievements and success stories in energy-saving measures between them, with effective measures implemented at all factories,

The JT Kyushu Factory Received the Director General Prize of Regional Bureau of Economy, Trade and Industry

The JT Kyushu Factory received the "Director General Prize of Regional Bureau of Economy, Trade and Industry" at the "Awarding of Successful Case of Energy Conservation in Factory & Building 2007," sponsored by the Energy Conservation Center, Japan (ECCJ). Specifically, the factory succeeded in reducing unit energy consumption by 5% for two consecutive years by changing the rotation speed of blowers and visualizing the operation of air-conditioning equipment. These detailed energy-saving measures were highly valued.



At the presentation of achievements

where energy consumption is on the decline.

● Approaches to Complying with the Revised Energy Saving Law

With the revised Energy Saving Law taking effect in April 2006, cosigners, which consign more than 30 million ton-kilometers, are considered "specified consigners," and require to promote the rational use of energy in freight transportation. JT, TS Network Co., Ltd. and Japan Beverage Inc. fall into this category.

In FY2007, JT shipped a total of 445 million ton-kilometers of cargos, including raw materials, tobacco products and beverages.

● Promotion of Modal Shift

JT's domestic tobacco business is promoting modal shift by shifting to railroad and marine transportation, with focus on tobacco materials to be transported more than 500 kilometers. At the same time, efforts are underway to increase the loading rate of trucks. The modal shift rate stood at 61.6% in FY2007, and the loading rate of trucks at 99.9% (on a pallet basis) for 10-ton trucks hauling finished products from factories to distribution centers.

● Introduction of Low Emission Vehicles

The JT Group's fleet of sales vehicles and delivery trucks is switching to low emission vehicles. As of the end of March 2008, 6,101 out of 7,903 units are low emission vehicles, accounting for 77.2% of the total.

● Participation in the Team Minus 6%

The JT Group is an active member of the Team Minus 6 Percent. Specifically, a program is in place to turn off lights in unused rooms and optimize the operation of air-conditioning systems (temperature, operating hours, and other factors). In addition, all the lights in JT headquarters building offices are turned off at lunchtime and after 19:30. The JT Group also took part in the COOL BIZ (June 1 to September 30) and WARM BIZ (December 1 to February 29) cam-

paigns in FY2007.

● Improvement of Office Facilities

The open cold-water circulation system (for air conditioning) at the JT headquarters building was replaced with a closed system in FY2007, which dramatically reduced total energy consumption. As a result, CO₂ emissions associated with the use of electric and cold-water energy were down 7% year on year in FY2007.

◆ Measures in Procurement

● Promoting Green Purchasing

JT Group sets forth the "Green Purchasing Guidelines," which specify standards and procedures for green purchasing, to encourage the purchase of goods that have less environmental impact. Goods to which the guidelines apply are expanding to include office supplies, items used for welfare purposes, printed matter, office furniture, office automation equipment, vehicles and uniforms. The green procurement rate stood at 87.2% in FY2007 by value. Recycled-paper products, meanwhile, are not included in the calculation of the rate since it is difficult to determine whether they are in compliance with the standards.

The green procurement program covered a total of 1,689 items in FY2007.

● Promotion of Green Procurement of Materials

JT is promoting an environment-conscious green procurement in partnership with suppliers. The domestic tobacco business, for instance, has been following the Green Procurement Standards, which are designed to procure materials with less impact on the environment and select suppliers with an environmental management system. Accordingly, 94% of the suppliers have established an environmental management system in FY2007.

Environmental Communication

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

The CSR Report and the JT Forest paper are issued periodically to publicize the JT Group's approaches to global environmental conservation, with relevant information disseminated through the Internet.

● The JT Forest paper

The JT Forest paper (tabloid), which features "JT Forest" activities in several locations, is issued periodically.

● Panel Exhibition at Various Events

Panels summarizing the JT Group's approaches to global environmental conservation are exhibited at various events.

● Dissemination of Information through the Internet (JT delight world)

The JT Group's approaches to global environmental conservation are posted on JT's website: JT delight world "Environment Activities"

URL www.jti.co.jp/JTI/environ>WelcomeJ.html

● Issuance of the CSR Report

The CSR Report is issued annually to publicize JT Group activities with focus on the management, businesses and contributions to society and global environmental conservation.

◆ Offering Environmental Education Programs and Information to Employees

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

● Dissemination of Information through the Internal Magazines

The internal magazine "Yours" features the JT Group's policy and approaches to environmental conservation so that each individual employee can have a clear understanding of environmental issues and measures to address them.

● Communication through the Intranet

The JT Group's intranet "Beyond" has a section called "Hajime no Ippo," which briefs JT Group employees on environmental topics such as biogasoline.

It also disseminates environmental information through the "Environment Delight Wave," focusing on three themes designed to trigger environment-conscious activities: a deeper understanding of environmental issues, a clear understanding of JT's approaches to environmental conservation, and an awareness of what each individual

employee can do.

● Environmental Education through JT Forest Activities (Afforestation and Forest Conservation)

JT Forest activities include weeding, tree planting and thinning, in which JT Group employees participate. These activities also provide opportunities to learn the significance of forest conservation through firsthand experience and lectures by forestry association representatives.



Hiroshi Masumoto
Distribution Planning Division

Although I like to hike mountains as I was brought up in a mountainous village, I had been away from mountains for quite a while. So, I decided to take part in the JT Forest activities, partly for a change. Ever since I have been involved in the activities, specifically in JT Forest Nakahechi when I was working for JT Osaka Branch Office, and now in JT Forest Kosuge. While JT is responsible for CO₂ emissions, forest conservation certainly contributes to improving the global environment. I think not only knowledge but also firsthand experience is the key to understanding the importance of protecting the global environment.



Panel exhibition at an event



The intranet "Environment Delight Wave"



"Environment Activities" (JT's website)



Internal magazine "Yours"



JT Forest activities



JT Forest Paper

Contribution to Society

● Social Contribution Activities of the JT Group

● Domestic Programs JT Forest Activities Designed to Restore Forests

● International Programs JTI's Corporate Philanthropy

■ Social Contribution Activities of the JT Group

◆ Compliance with the Basic Policy

The JT Group has been involved in a variety of social contribution activities to act coexistence with society as a "good corporate citizen" in all countries and areas in which it operates. In order to further promote its activities, it also developed the "JT Group's Social

Contribution Policy" by focusing on "Social Welfare," "Culture and Arts," "Environmental Activities" and "Aid for Disaster-stricken Areas" as the four top priorities.

JT and its group companies exchanged views about social contribution activities in 2007 to comply with the basic policy.

JT Group's 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 the local communities, focusing on:

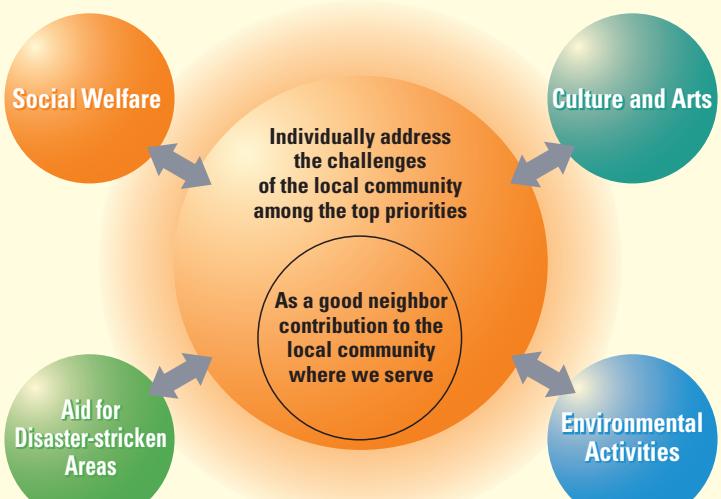
- "Social Welfare"
- "Culture and Arts"
- "Environmental Activities"
- "Aid for Disaster-stricken Areas"

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.

Towards being a "Good Corporate Citizen" in Communities

Goal: Regeneration and revitalization of the local community



■ Domestic Programs

Social Welfare

As a good neighbor, JT is implementing various social welfare programs to contribute to regeneration and revitalization of the local community.

- NPO Support Projects for Youth Development
- JT Asia Scholarship
- JT Citizenship Event
- JT Shogi Japan Series Tournament for Kids
- JT Honobono (Heartwarming) Concerts
- Volleyball Classes
- Opening Company Facilities to the Local Community



Culture and Arts

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

- Tobacco & Salt Museum
- Support for Nurturing Musicians
- The Affinis Arts Foundation
- JT Biohistory Research Hall
- JT Delight Forum



Aid for Disaster-stricken Areas

The JT Group provides aid for victims in disaster-stricken areas in cooperation with its group companies when disasters occur in Japan and around the world. Aid for disaster-stricken areas overseas are provided through JTI Foundation.



Environmental Activities

The JT Group is engaged in afforestation and forest conservation activities and cleanup activities around its business sites, and others from the standpoint of showing an appreciation for the natural world that supports JT business, and in consideration of the importance of the global environment.

- Afforestation and Forest Conservation Activities
- "Pick Up, and You will Love Your City" Campaign
- Local Cleanup Activities



JT Forest Activities Designed to Restore Forests

Why is JT Involved in Afforestation

The JT Group uses leaf tobacco, vegetable, tea leaves and other natural raw materials, depending primarily on natural blessings including plants. The JT Group is thus involved in afforestation and forest conservation activities at home and abroad to express its appreciation for nature supporting its business and to consider the importance of the global environment.

Today's Forests in Japan

Healthy forests provide clean water and air, prevent floods and landslides, produce wood, provide habitats for wildlife and contribute to curbing global warming. They function in a variety of ways to protect our lives and the environment.

Parts of the forests in Japan, however, are becoming dysfunctional, with trees not growing fully. This shift can be attributed to changes in energy associated with eco-

nomic growth and to decreased use of domestic lumber due to an influx of imported lumber.

About 40% of the forests in Japan are artificial forests, where conservation measures are needed to help trees grow and keep them healthy. Some of these measures, however, are not in place due to a variety of reasons such as a drop in the price of domestic lumber and the aging or the lack of forest workers, resulting in a halt in the forest cycle.

JT Forest Activities for the Future of Forests

JT Forest activities are designed to restore the forest cycle, thereby revitalizing neglected forests.

In addition to tree planting, JT Forest activities involve a variety of conservation measures such as thinning, pruning, mowing and construction of strip roads that are needed for forest conservation. Areas where the cycle is halted vary from forest to forest, as do the functions expected of forests, from region to region. An improvement plan

should thus be developed according to the characteristics of each individual forest, with focus on restoration and maintenance measures. Specifically, support programs are in place to embody the hope of local residents: restoration of their forests.

Cooperation with Local Communities to Restore Forests

JT Forest activities are also unique in that they encourage interaction between communities. While day-to-day management and maintenance of forests are commissioned to local forest cooperatives and planning committees, local residents and JT Group employees get together a few times a year to jointly work on tree planting and forest conservation programs, which provide opportunities where they can interact with each other and learn about the environment and local history through lectures.

In Kochi prefecture, students at local junior high schools worked together with JT Group employees, while in Gifu prefecture, those engaged in agriculture, fishery and

tourism as well as in forestry participated in the programs. These programs encourage interaction between communities through forest restoration and conservation.

JT Forests Established in Five Locations Nationwide

The JT Forest was first established in Nakahechi Town (Wakayama) in 2005; the surface of a mountain, where the soil was left exposed after deforestation, is turning green. Following those in Kosuge Village (Yamanashi), Nahari Town (Kochi) and Chizu Town (Tottori), meanwhile, the fifth JT Forest was established in Nakatsugawa City (Gifu) in March 2008. A variety of programs are in place to restore clearcut areas, turn water source forests into mixed forests and enhance their multiple functions in accordance with the characteristics of each area and cooperation with local communities.



JT Forest Chizu
Location: Chizu Town,
Yazu District, Tottori Prefecture
Area: Approximately 23 hectares
Activities launched: August 2007

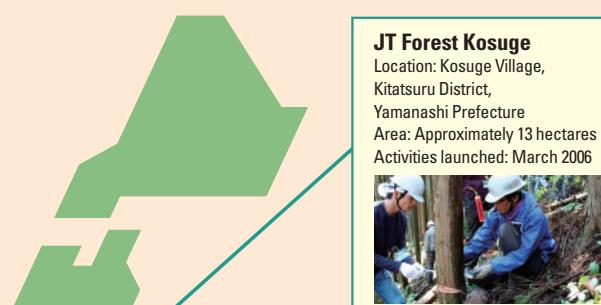
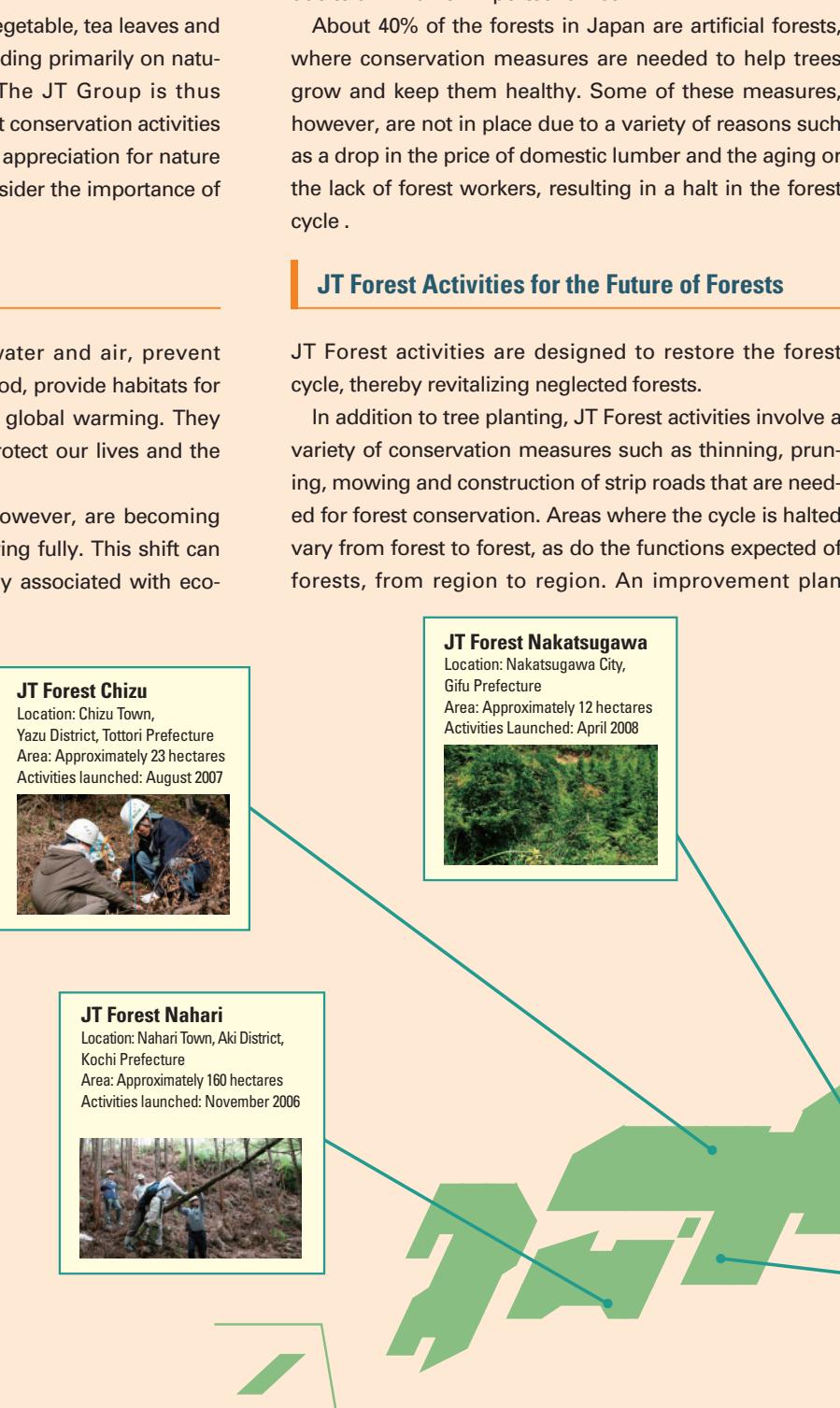


The forestry industry is indeed in a difficult situation as lumber prices have been declining since the middle of 1980s, and thus forest owners can no longer maintain their property on their own. Forest conservation as part of corporate social contribution, therefore, is a very worthwhile effort. I believe such approaches to protect forests are becoming increasingly important.



JT Group employees take part in tree planting activities at JT Forest Chizu. As a local resident of Chizu, I think JT Forest Chizu is meaningful in that it gives them access to forests and mountains. I would like JT employees to see what's happening in the mountains and share their experiences with others.

JT Forest Nahari
Location: Nahari Town, Aki District,
Kochi Prefecture
Area: Approximately 160 hectares
Activities launched: November 2006



JT Forest Kosuge
Location: Kosuge Village,
Kitatsuru District,
Yamanashi Prefecture
Area: Approximately 13 hectares
Activities launched: March 2006



Forest denudation has a serious impact on those who live downstream, which, however, can be prevented with the support of private companies. Neglected forests, if well maintained, can be restored. What's more, participants in JT Forest activities revitalize not only the forests but also our village.

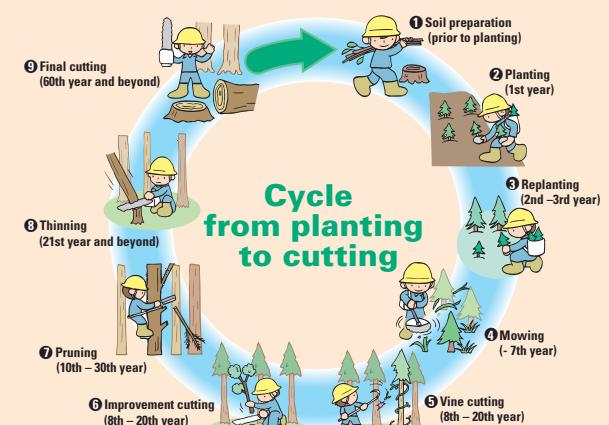


JT Forest Nakahechi
Location: Nakahechi Town,
Tanabe City, Wakayama Prefecture
Area: Approximately 50 hectares
Activities launched: January 2005

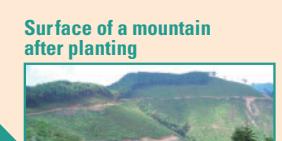


While working on a steep slope is quite a tough job, we have to thin out forests in addition to planting trees to make the forests healthy. I've come to realize that forest conservation is not just about planting and growing trees.

Growth Cycle of Artificial Forests



Surface of a mountain before planting
Forests, if not well-maintained, will be devastated.
(JT Forest Nakahechi)



Surface of a mountain after planting
The surface is steadily turning green.

Japan Beverage and Local Communities Working Together on Environmental Education

Japan Beverage Inc., a JT Group company operating beverage vending machines, is working on environmental education and activities in collaboration with NPOs and local schools.

In October 2007, for instance, the company organized the "Environmental Education Support Team" in partnership with Saitama Prefectural Government. Employees visited the Kawagoe City Kasumigaseki Minami Elementary School and taught students about the importance of efficient use of resources through a demonstration and lecture on beverage container recycling. In February 2008, the company set up a booth at the Town Teachers' Exhibition, sponsored by the Shinjuku Environmental Action Network (SEAN), to display beverage container recycling.

The Eco & Hello Campaign, which focuses on both environmental conservation and welfare, is also in place to promote recycling used aluminum cans primarily at local elementary, junior high and high schools. Collected cans are exchanged for wheelchairs for donation to welfare institutions and other worthy causes.



A Japan Beverage's employee explaining the importance of recycling

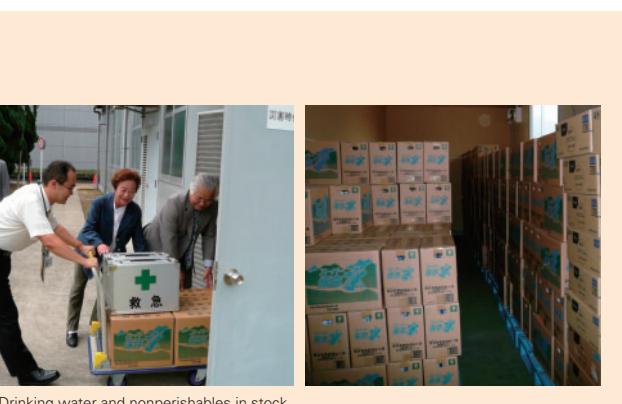


The Town Teachers' Exhibition

The Central Pharmaceutical Research Institute's Community-based Activities

As part of its disaster contingency plan for local communities, the Central Pharmaceutical Research Institute (Takatsuki City, Osaka) stores drinking water and nonperishables in its warehouse. This plan is based on an agreement, which was concluded with nearby resident associations on July 20, 2007, for supplying nonperishables and other items in time of disaster. A voluntary disaster drill held in January 2008, meanwhile, involved distribution of nonperishables.

A program is also in place to plant trees and maintain the green space on the institute premises, part of which have been open to the public since spring 2006 during cherry blossom season. In addition, the institute is involved in consecutive community-based activities, such as cleanup of its surroundings and the area around Takatsuki Station.



Drinking water and nonperishables in stock



The premises are open to the public during cherry blossom season

International Programs

♦ Contribution to the Development of Local Communities

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

Such activities are supervised by

Japan Tobacco International (JTI), a JT Group international subsidiary controlling the production, marketing and sales of the group's cigarette brands in more than 120 countries around the world. JTI is also proactively involved in social contribution activities as part of its responsibility for the local communities in which it operates.

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

Reforestation and Community Support Program in Africa

In January 2007, JT and JTI jointly launched reforestation and community support program in Tanzania and Malawi.

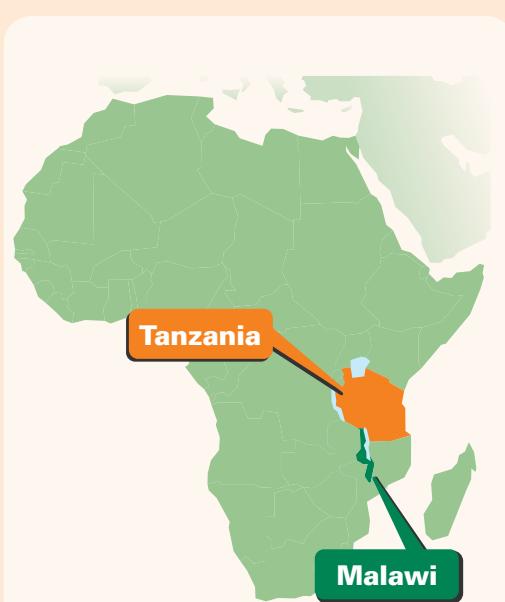
Because wood is widely used in Africa as domestic fuel for cooking and other purposes, logging is rife. Hence deforestation is becoming a major social issue. Tanzania and Malawi, meanwhile, are major leaf tobacco producers in Africa, both of which are closely related to the JT Group. In these countries, wood is also used to cure tobacco leaves. Given the significance of reforestation, JT and JTI decided to work on reforestation and forest conservation activities in Tanzania and Malawi.

In addition to reforestation, these activities are designed to conserve natural forests, reduce wood consumption, promote irrigation, secure safe water and improve public health.



Well with hand pump

Seedlings raised in Malawi



Tanzania

Malawi

Approaches to the Child Labor Problem

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

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

The website of the ECLT Foundation
URL www.eclt.org/

JTI's Corporate Philanthropy

For JTI, the international subsidiary of JT, Corporate Philanthropy is an integral component of its commitment to the communities in which it operates. JTI Corporate Philanthropy policy and guidelines are aligned with the JT Group's Social Contribution Policy, and have

Social Welfare (Charity)

In its social welfare-related activities, JTI specifically focuses on caring for the elderly and supporting adults with literacy problems. The following are a few examples of the types of activities JTI is supporting.

In Netherlands, JTI joined with the Lezen & Schrijven (Reading & Writing) foundation, to help an estimated 1.5 million people whose literacy difficulties prevent them from participating fully in Dutch society. JTI has engaged in a sustainable partnership for three years since 2007 by contributing to the cost of publishing books for adults with low reading skills.



3 Books published in 2007 (Netherlands)

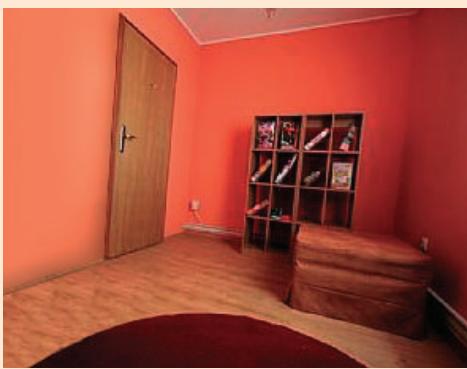
JTI Milan is involved in a project known as "Il Custode" (the Guardian) that seeks to assist elderly. The project arranges home visits, provides transport and shopping help, and assists them in dealing with administrative and social services. So far, over 3,600 elderly Milanese have benefited. JTI is committed to a three year partnership from 2006 and to assisting its partners to eventually become self-sustaining.



Home Visit with a Senior Citizen (Italy • Milan)

been shared with employees throughout the company. JTI is actively involved in philanthropic activities in three areas in particular: social welfare (charity), arts and culture and disaster relief.

For the last four years, JTI has been sponsoring a shelter for victims of family violence in Serbia, supporting the only local NGO dedicated to tackling this distressingly common problem. JTI meets the cost of renting of a safe house at an undisclosed Belgrade location which has sheltered hundreds of women at risk from family violence, as well as victims of human trafficking.



Shelter for Victims of Family Violence (Serbia • Belgrade)

Arts and Culture

JTI has taken a number of initiatives in order to make the rich Japanese artistic and cultural heritage more visible. In Greece JTI sponsored an event where the rituals and traditions of the kimono were showcased.



Kimono demonstration (Athens • Greece)

In France JTI was the exclusive sponsor of a Japanese exhibition at the Sèvres National Ceramics Museum in

Paris. Visitors learned about the 17th century origins of Satsuma ware during the "golden age" of the tea ceremonies and how its artistic influence spread to Europe and to France, in particular.



Japanese exhibition at the Sèvres National Ceramics Museum (Paris • France)

In early 2008, as part of its long-term commitment to the Mariinsky Theater, JTI acted as the sponsor for the celebration of the Theatre's 225th anniversary. The program of events that followed featured scenes from operas, ballets, and world premieres that had taken place throughout the Theatre's history. In 2008, the Mariinsky will also mark its anniversary by staging performances across Russia and abroad.



Mariinsky Theater (Russia)

Disaster Relief

In 2001, JTI established the JTI Foundation in order to support the underprivileged around the world, with a particular focus on providing relief aid for victims of earth-

quakes and other natural disasters, in cooperation with major relief organizations like the Red Cross as well as NGOs and government agencies.

Donations made by the JTI Foundation included funding for the Peruvian Red Cross to provide emergency relief to local communities in the wake of a massive earthquake in August 2007. In addition, the Romanian branch of Malteser International continues to drill wells to provide local communities with access to safe water supplies following last summer's heat wave and flooding.

Since 2005, the JTI Foundation has provided ongoing support to GEA; an organization spearheading search and rescue missions after disasters. This has been followed, in 2008, by the Foundation renewing its commitment for a further 3 years. This continued partnership will contribute to taking GEA search and rescue missions to a higher level of sustainability. GEA will have the resources to launch relief missions within the first two critical hours of a disaster, and enable the purchase of specialized search and rescues equipment.



Construction of a water well (Romania)

Developments in the JT Group Environmental Action Plans 2005-2008				
Objective		Target (FY2008)	Results (FY2007)	Target Companies
Management System	Improve environmental management of the group	Expand the targets of group companies for environmental management	Evaluated the environmental performance of Thai Foods International	A
			Obtained ISO 14001 certification at Asahi Shokuzai	
			Began to establish an environmental management system at TS Network	
Products and Services	Promote development of eco-products	Continue to develop and launch eco-products	Continued to develop eco-products	B
			Promoted the use of paper trays for commercial frozen foods (Foods Business)	
Process and Supply Chain	Reduce CO ₂ emissions	JT6 Reduce total CO ₂ emissions by 20% below FY2003 levels	Reduced by 24.8% below FY2003 levels	C
		JT Reduce total CO ₂ emissions by 32% below 1995 levels	Reduced by 35.8% below 1995 levels	
		JT6 Increase the percentage of LEVs to the fleet of company-owned vehicles to over 50%	Switched 77.2% of company-owned vehicles to LEVs.	
		JT Maintain the modal shift rate of long distance transportation (railroad and ocean) at over 50% (Tobacco Business)	Achieved a modal shift rate of 61.6%	
	Reduce the amounts of natural resources	JT6 Reduce water consumption by 40% below FY2003 levels (at factories on a unit sales basis*)	Reduced by 60.1% below FY2003 levels	B
		JT Reduce water consumption by 56% below 1995 levels (total)	Reduced by 60.5% below 1995 levels	
	Proper management of chemical substances and reducing their use amount	Manage chemical substances properly in accordance with local laws and regulations in each country, sharing chemical substance management policy	Four business sites audited by the environmental audit team, with no non-compliances identified	B
		Comply with management classification determined by JT Group chemicals management guidelines, and reduce the use amount of those substances	One business site exempted from PRTR, with the amount of chemical substances subject to PRTR reduced by 15% below 2006 levels	C
		JT6 Reduce the total amount of waste by 14% below 2003 levels (at factories)	Reduced by 18.0% below 2003 levels	C
	Reduce the waste generated and promoting recycling	JT6 Increase the recycling rate to over 90% (at factories)	Achieved a recycling rate of 85.0%	B
		JT Achieve zero emissions at factories and the headquarters Increase the recycling rate to over 60% (at offices)	Achieved zero emissions at factories and the headquarters Achieved a recycling rate of 88.4% at offices	
		JT6 Establish green purchasing standards and systems for office supplies, etc.	Green purchasing standards and systems being established	
Environmental Education	Raise awareness for the environment among employees	JT Increase the green purchasing rate of office supplies, etc. to over 80%	Achieved a green purchasing rate of 87.2%	B
		JT6 Establish green purchasing standards and goals for containers and packaging materials	Green purchasing standards for containers and packaging materials being established	B
		JT Establish green purchasing goals for containers and packaging materials	Environmental management systems adopted by 94% of raw material suppliers, as against the target of 85% (Tobacco Business)	B
		Require that major suppliers for raw materials establish the environmental management system		D
		Develop and conduct environmental education programs for employees and management	Environmental managers: Reviewed education programs All employees: Provided environmental information through the intranet	B
Environmental Communication	Support government and environmental organizations	Continue to work on environmental projects of the Administration, etc. and support environmental conservation groups	Continued to support environmental conservation groups	E
	Afforestation projects	Conduct of afforestation activities for the conservation of ecosystems and forest resources	Domestic: Worked on reforestation and forest conservation at JT Forests, with their area expanded Overseas: Worked on reforestation, agricultural productivity enhancement, and living standard improvement projects in Africa	E
	Appropriate disclosure of environmental information	Improve the contents of reports from the perspective of the entire JT Group	Renewed and improved the website and issued the 2007 CSR Report	E

Definition of target companies

A: the entire JT Group; B: JT Group companies (domestic and overseas); C: JT Group companies (domestic); D: major JT Group companies; E: JT only (companies categorized as B-E are subject to environmental management)

* Sales refer to those exclusive of tobacco tax in order to eliminate the effect of changes in the tax rate

Status of the JT Group's Environmental Management		
	ISO 14001 Certification	Complying with ISO14001
JT	Cigarette Factories, Printing Factories, Vending Machinery Division, regional leaf tobacco headquarters (factories)	Company Headquarters, all branches, all laboratories, regional leaf tobacco headquarters
Group Company	Tobacco Business	JT International S.A., 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 Co., Ltd., Fuji Flavor Co., Ltd.
	Pharmaceutical Business	Torii Pharmaceutical Co., Ltd., Sakura Plant
	Foods Business	Japan Beverage Inc., Nihon Shokuzai Kako Co., Ltd., Sunburg Co., Ltd., Lipingshang Foods Corporation
	Others	JT Real Estate Co., Ltd. (*1)

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

*1: JT Real Estate Co., Ltd. withdrew from the ISO 14001 program at the end of August 2008.

Environmental Auditing		
Auditees		
JT audited the following business sites for environmental issues in FY2007.		
Category	Business Site	
Tobacco Business	Kumamoto Area Sales Headquarters Hiratsuka Factory (P, C) Kita-Kanto Factory (P, C) Tagawa Factory of Japan Filter Technology Co., Ltd. (P, C)	
Foods Business	Saint-Germain Co., Ltd. (P, C)	
Total	Five business sites	

(P) Business sites audited for consolidated storage management of PCB

(C) Business sites audited for chemical substance management

Relevant Laws and Regulations

Environmental auditing is designed to review site status in respect of compliance with 15 specific environmental laws and related ordinances.

Air Pollution Control Law	Water Pollution Control Law	Law for Combined Household Wastewater Treatment Facility
Sewerage Law	Noise Regulation Law	Vibration Regulation Law
Offensive Odor Control Law	PRTR Law	Factory Location Act
Fire Defense Law	High Pressure Gas Safety Law	
Law Concerning Special Measures against Dioxins		
Waste Management and Public Cleaning Law		
Law Concerning the Improvement of Pollution Prevention Systems in Specified Factories		
Law Concerning the Rational Use of Energy		

Results of Environmental Manager Education Programs in FY 2007

Name of training course		Target	Contents of training course	Number of trainees
Environmental Management System	Newly-appointed environmental manager training	Newly-appointed environmental managers and staff members	Training for newly-appointed environmental staff and others	65
	Training for environmental auditors	Environmental auditors	Training of internal auditors (theory)	26
	Training for environmental auditing through the intranet	Environmental audit team leaders	Training of internal auditors (practice)	18

Reducing Environmental Impact from Containers and Packaging

In March 2002, having formulated JT's Environmental Guidelines for Designing Packaging Materials that is environmentally compliant in order to reduce the environmental impact caused by containers and packaging, JT switched to environmentally friendly packaging forms and structures.

JT's Environmental Guidelines for Designing Packaging Materials (Formulated on March 20, 2002)

- Do not affect adversely the human and the environment.
(1) We shall discharge no substance which would be likely to have a bad influence on the human, the ecosystem and the natural environment, through the life cycles of the packaging.
- The constituents of the package shall not contain the harmful chemical substance stipulated by the national laws and industry voluntary standards.
- Efficiently utilize energy and resource.
(1) Energy saving
We shall use materials which necessitate small amount of energy through their life cycles.
(2) Resources saving: reduction
While ensuring required strength and functions, we shall commit ourselves to simplify packaging and omit outside packaging, as well as to reduce the weights of the packaging as much as possible.
(3) Resources saving: reuse
We shall utilize the packaging for transports, the form and the structure of which could be reusable as much as possible.
(4) Resources saving: use of the recycled materials.
We shall consider safety, functionality and economical efficiency, and shall utilize recycled materials and those which highly contain recycled goods as much as possible.
- Ensure the recyclability after consumption.
(1) Usage of the easily recyclable materials.

Changes in Environmental Impact Associated with Business Operations

For JT

FY	1995	2003	2004	2005	2006	2007	Unit
Amount of energy used	7,280	6,408	6,248	5,367	5,114	4,947	TJ
Heavy oils, etc.	1,646	1,008	1,047	812	575	543	
Gas	524	969	1,048	1,010	1,055	852	
Purchased electricity	4,864	4,220	3,948	3,362	3,309	3,378	
Vehicle fuel	221	187	180	164	155	153	
Others (*1)	26	23	25	19	19	21	
CO ₂ (*2)	449	381	370	315	297	288	1,000 tons-CO ₂
Waste, etc.	Amount of waste generated	28.6	31.3	35.2	31.1	28.1	1,000 tons
	Recycling rate	33.7	83.5	89.5	95.0	97.6	%
Amount of water used (*3)	5,827	4,014	3,611	2,725	2,472	2,303	1,000 m ³
Amount of copy and OA paper	618	451	407	309	295	290	t

Base Year

Domestic JT Group Companies (Total)

Base Year

FY	1995	2003	2004	2005	2006	2007	Unit
Amount of energy used	—	8,539	8,357	7,133	6,735	6,578	TJ
CO ₂ (*2)	—	519	508	428	399	391	1,000 tons-CO ₂
Waste, etc.	Amount of waste generated	—	41.0	45.5	39.8	36.3	1,000 tons
	Recycling rate	—	84.3	89.5	94.8	97.6	%
Amount of water used (*3)	—	11,121	10,594	6,163	5,153	4,728	1,000 m ³

*1 Figures indicate total heat supplied by thermal providers, use of solar heat and heat recovered from incinerators.

*2 CO₂ emissions, in this report, refer to energy-related emissions unless otherwise specified.

*3 The amount of recycled water is not included.

Calculation of Environmental Load

Energy Each energy consumption is converted into joule heat, based on the conversion factor.

■ Conversion into TJ: The value in the General Energy Statistics of Japan (FY 2000) (The Agency for Natural Resources and Energy) is used (38.7MJ/L) ($1\text{L} = 1 \times 10^{12}\text{J}$)

■ Conversion factor: Table 1 of the regulations of the Law Concerning the Rational Use of Energy (FY 1999) is referred to.

■ Town gas: An oil equivalent factor is set for each gas.

■ Cold and hot water: Based on the actual heat supply from a heat supply company

The factor of the GHG Protocol is used for the international tobacco business

NOx (nitrogen oxides) Emissions are calculated based on the Environmental Activity Evaluation Program (issued by the Environment Agency in September 1999)

SOx (sulfur oxides) Emissions are calculated, with the amount converted into SOx, based on the sulfur content and density of the fuel used as well as on the efficiency of desulfurization equipment. A factor of 0.00024kg/kWh (the results in 1999, the Federation of Electric Power Companies of Japan) is used for purchased electricity.

Greenhouse gases Based on the Manual for the Calculation and Report on Greenhouse Gas Emissions (issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry in June 2007).

Amount of water used The total consumption of tap water, well water, river water and industrial water, excluding that of recycled water

CO₂ Emissions are calculated based on the Environmental Activity Evaluation Program (issued by the Environment Agency in September 1999)

■ Purchased electricity: A factor of 0.55kg-CO₂/kWh is used for thermal power

JT Group Definitions

Zero Emissions

The JT Group's "zero emission" refers to a recycling rate of over 99.5%.

Recycling

The JT Group's "recycling" refers to "recycling use," which is stipulated in the Basic Law for Establishing the Recycling-Based Society, and "recycling use" refers to "reuse, recycling and heat recovery."

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

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

Intermediate disposal

Intermediate disposal refers to processes for reducing the weight or volume of waste,

that is, incineration, shredding, compression and neutralization.

Amount disposed

The amount disposed refers to the total amount of intermediately disposed of (by incineration, shredding, compression and neutralization, etc.) and sent to landfills (excluding the amount recycled).

Amount of final disposal

The amount of final disposal refers to the total amount sent directly and indirectly (through intermediate disposal) to landfills (excluding the amount of residues after recycling).

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

JT's Environmental Conservation Cost

Tabulation subjects: All JT business sites (factories, branches, local business sites, laboratories, etc.)

Period Covered: FY 2006 (April 1, 2006 to March 31, 2007) and FY 2007 (April 1, 2007 to March 31, 2008)

Unit: million yen

Category	Key Measures in FY 2007	Environmental Conservation Cost			
		Results in FY 2006	Results in FY 2007	Amount Invested	Amount of expenditure
(1) Environmental preservation costs to reduce production/service-derived environmental impact in JT's business areas (business area cost)	—	650	1,503	1,134	1,394
① Pollution prevention costs	Introduction of denitrification equipment Improvement of effluent treatment facility Adoption of LEVs Facility depreciation costs Maintenance of pollution-control facilities	546	550	786	656
	Optimization of air-conditioning control systems Conversion of energy-saving equipment Facility depreciation costs Maintenance of energy-saving facilities, etc.	85	107	301	102
	PCB waste management Facility depreciation costs Waste disposal and recycling Maintenance of waste disposal facilities	19	846	47	636
(2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs)	Recycling of containers and packaging materials	—	115	—	206
(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	—	541	—	486
(4) Environmental preservation costs involved in R&D (R&D costs)	—	—	18	—	—
(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	—	4,116	—	3,438
(6) Costs of dealing with environmental damage	Pollution impact levies Soil pollution survey and remedial measure	—	764	—	1,195
(7) Other environmental costs	Asbestos survey and remedial measures	—	753	—	196
Total		650	7,810	1,134	6,915

Environmental Conservation Effect

Actual Effects	Item	Environmental Conservation Effect	
		Results in FY 2006	Results in FY 2007
Effect on resources invested in business activities	Amount of electricity purchased	1,000 kWh	349,023
	Fuel consumption (crude oil equivalent)	kL	42,121
	Vehicle fuel consumption (crude oil equivalent)	kL	4,009
	Amount of water used	1,000 m ³	2,472
Effect on environmental impact and waste produced by business activities	SOx emissions*	t	110
	NOx emissions*	t	138
	Amount of CO ₂ emitted	1,000 t	297,359
	Amount of wastewater*	1,000 m ³	1,494
	Amount of waste, etc	t	28,114

* Factory data

Guidelines for Environmental Accounting

1. Amount of Expenditure and Investment

The amount of expenditure and investment is based on the "Environmental Accounting Guidelines 2002" of the Ministry of the Environment.

Expenditure for and investment in environmental conservation programs are tallied in. For those partially made in environmental conservation programs (more than 50%), the total amount of investment and depreciation costs are tallied in.

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 of the main areas of environmental impact have been deemed to be environmental preservation effect.