



## Approaches to Protecting the Global Environment

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

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



## JT Group Environmental Management

### JT Group Environment Charter

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

As JT's business began to diversify and go global, the JT

Global Environment Charter was upgraded to the "JT Group Environment Charter" in March 2004, which was revised again in May 2010, incorporating biodiversity issues to act as a responsible corporate citizen in all countries and regions in which it operates and to make concerted efforts in striking a balance between its operations and the environment.

### JT Group Environment Charter

#### Basic Principle

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

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

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

#### JT Group Environmental Policy

##### 1. Management System

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

##### 2. Compliance

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

##### 3. Products and Services

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

##### 4. Process and Supply Chain

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

##### 5. Environmental Education

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

##### 6. Environmental Communication

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

Revised in May 2010



# JT Group Environmental Management

## Striving to Become an Environmentally Advanced Company

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

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

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

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

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

With such changes taking place in society and the busi-



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

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

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

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

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

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

ditioning systems at factories and laboratories.

Water consumption: JT achieved a 66.1% reduction (from FY 1995 levels) and the JT Group, a 13.6% reduction (from FY 2007 levels), both in FY 2009, by switching to air-cooled freezers at tobacco factories and optimizing water use at establishments.

Waste generation: JT achieved a 19.6% reduction (from FY 1995 levels) and the JT Group, a 14.0% reduction (from FY 2007 levels), both in FY 2009, by segregating waste at each establishment.

Recycling rate: JT achieved 100% and the JT Group, 87.9%, both in FY 2009, at factories.

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

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

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

#### Major Programs

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

### Promotion Systems of the JT Group Environmental Management

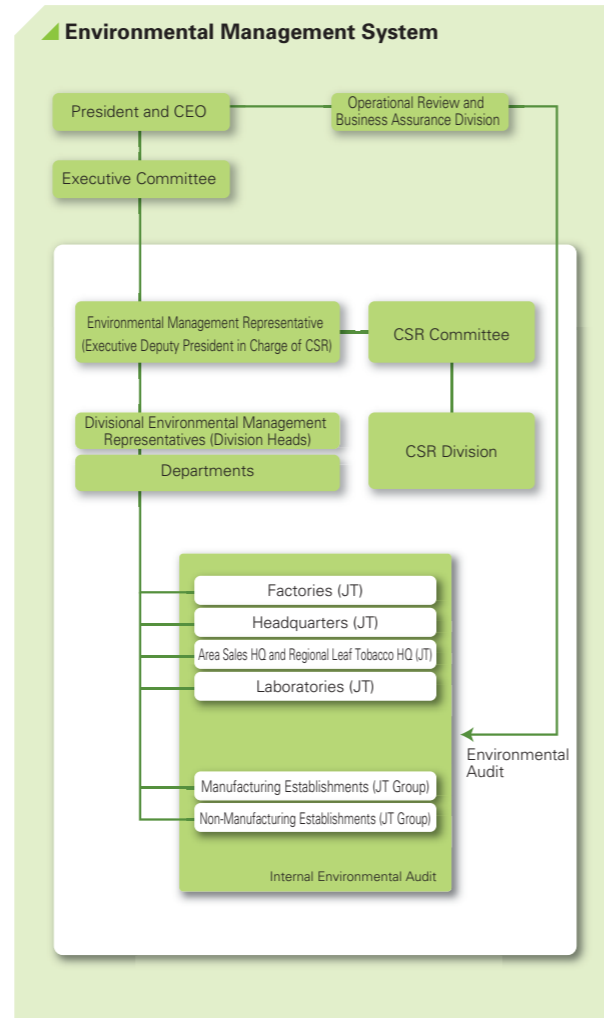
The executive deputy president, assistant to CEO in CSR, as an environmental management representative, supervises the JT Group's environmental management, while the head of each division, as a divisional environmental management representative, controls environmental management of the division and the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

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

### Management Systems Based On ISO 14001 Standards

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

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



### Status of the JT Group's Environmental Management

(As of the end of March 2010)

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

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

### Development of Human Resources That Drive Environmental Management Systems

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

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

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

#### Results of Environmental Manager Educational Programs (FY2009)

Name of training course	Newly-appointed environmental manager training	Training for environmental auditors	On-site training for environmental auditing
Target	Newly-appointed environmental managers and staff members	Environmental managers	Environmental auditors
Program description	Training for environmental managers	Training of internal auditors (theory)	Training of internal auditors (practice)
Number of trainees	145	40	14

### Measures in Procurement

#### Promoting Green Purchasing

The JT Group sets forth the "Green Purchasing Guidelines" to encourage the purchase of goods that have less environmental impact. These guidelines applied to a total of 983 items (office supplies, office furniture, office automation equipment, vehicles, etc.) in FY 2009, with JT's green purchasing rate standing at 69.7% in value terms.

#### Promotion of Green Procurement of Materials

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

The domestic tobacco business, for example, has been working with suppliers to promote green procurement according to the "Green Procurement Standards," which cover procurement of environmentally friendly materials and establishment of environmental management systems on the supplier side. As a result, 82.4% of the suppliers have established environmental management systems of their own in FY2009.

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

### Environmental Auditing

#### Environmental Auditing for Environmental Management

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

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

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

#### Environmental Audit Results in FY2009

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

#### Relevant Laws and Regulations

Act on the Improvement of Pollution Prevention Systems in Designated Factories, Factory Location Act, Energy Saving Law, Waste Disposal Law, Air Pollution Control Law, Offensive Odor Control Law, Noise Regulation Law, Vibration Regulation Law, Water Pollution Control Law, Law for Combined Household Wastewater Treatment Facility, Sewerage Law, PRTR Law, Law Concerning Special Measures against Dioxins, Fire Defense Law, High Pressure Gas Safety Law

#### Establishments Audited in FY 2009

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

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

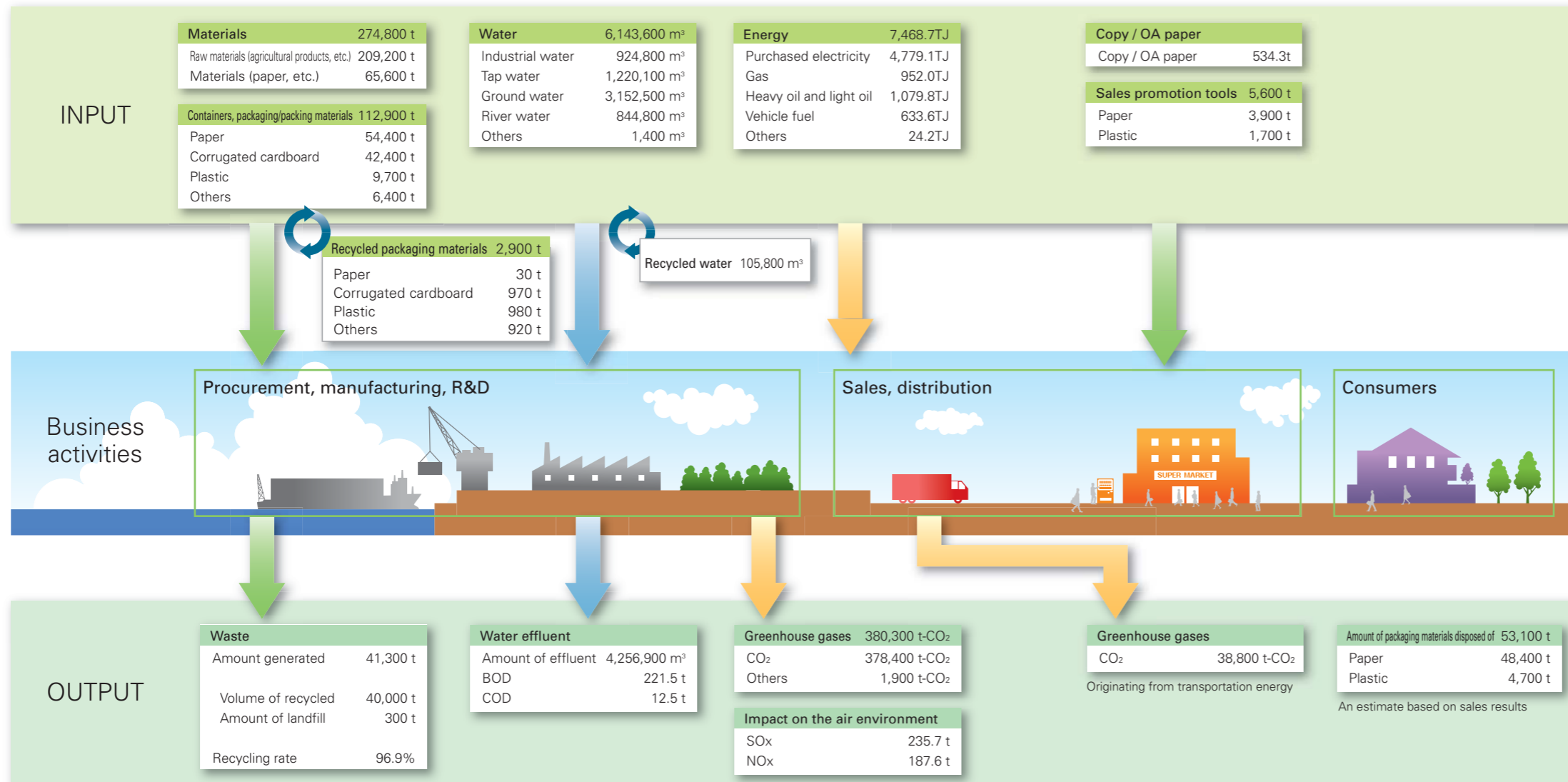


## Environmental Impact of the JT Group's Business (Domestic)

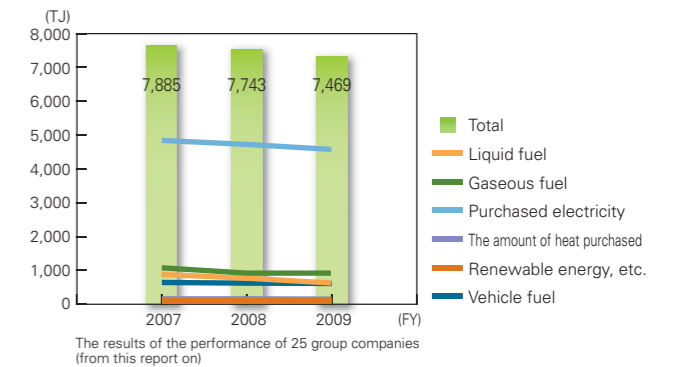
The JT Group keeps track of the use of energy, water and raw materials as well as the resulting greenhouse emissions, wastewater and waste materials to reduce the impact of its operations on the environment. It is also com-

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

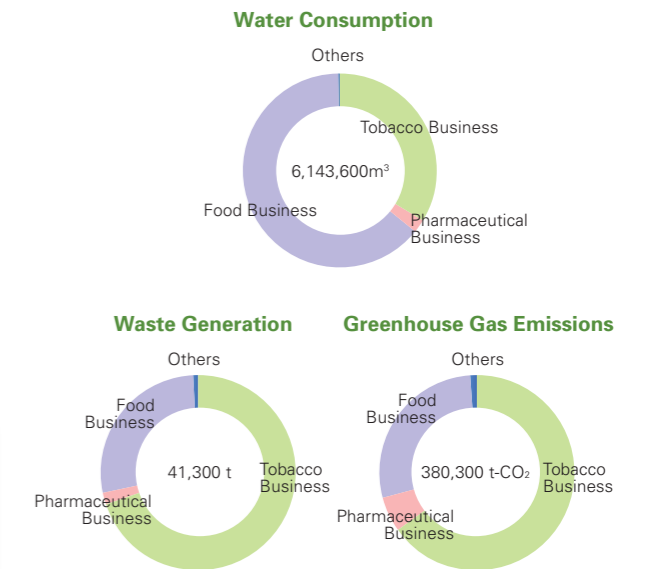
Targets: 25 domestic JT Group companies  
Period: April 2009 to March 2010



### Energy Consumption by Category



### Environmental Impacts by Business



### [Calculation of Environmental Load]

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

### Tobacco Manufacturing





## Approaches to Preventing Global Warming (Domestic)

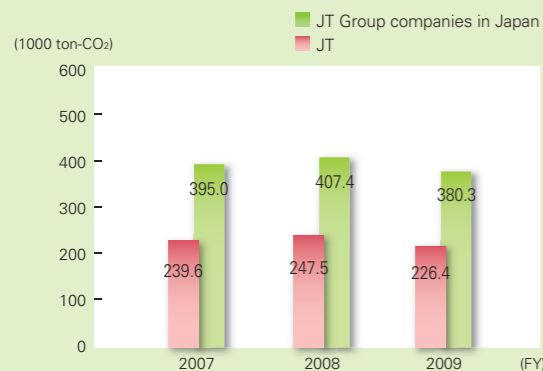
### Approaches to Reducing Greenhouse Gas Emissions

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

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

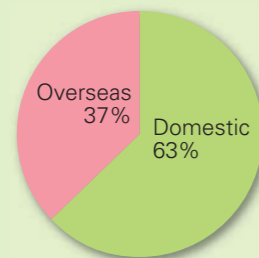
Major reduction measures include installation of turbo freezers at factories and laboratories, optimization of air conditioning systems and replacement of main air conditioning systems in office buildings. A fuel shift from heavy oil to natural gas that was implemented at the end of FY 2008 also contributed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

#### Actual Greenhouse Gas Emissions



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

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



### Energy-Saving Measures

#### Energy Saving Measures at Manufacturing Establishments

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

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

#### Energy Saving Measures at Offices

The JT Group is working on energy saving programs at offices as well as at manufacturing establishments to help curb global warming.

Specific measures include installation of sensor-controlled lighting equipment to turn off lights in unused rooms, use of blinds to control room temperatures and fine-tuning of air conditioning systems to optimize temperatures and operations.

In addition, all lights in offices are turned off during lunch hours and after office hours. The JT Group also took part in the COOL BIZ (June to September) and WARM BIZ (December to February) campaigns, with each employee playing a part in saving energy.

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

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

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



LED lighting



Solar panels

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

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

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

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



The JT Kyushu Factory

### Optimization of Transportation

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

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

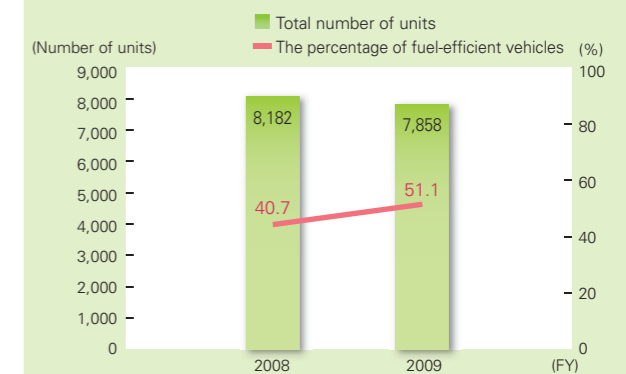


The percentage of railroad and marine transportation of tobacco materials with a hauling distance of over 500 km

### Introduction of Fuel-Efficient Vehicles

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

#### The Percentage of Fuel-Efficient Vehicles



### Environment-Conscious Vending Machines

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

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



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

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

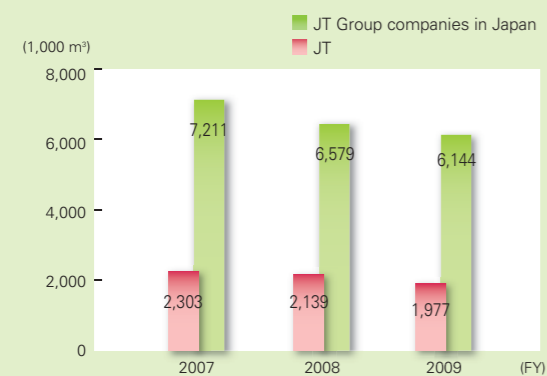
### Approaches to Reducing Water Consumption

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

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

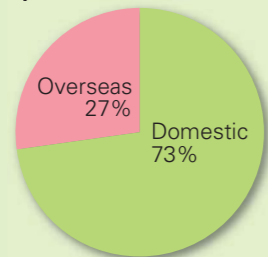
Specific measures include the use of recycled water to flush the toilet. At tobacco factories, moreover, resources saving programs are in place to continuously improve manufacturing processes and reduce water consumption.

#### Actual Water Consumption



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

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



### Reduce Waste Generation and Promote Recycling

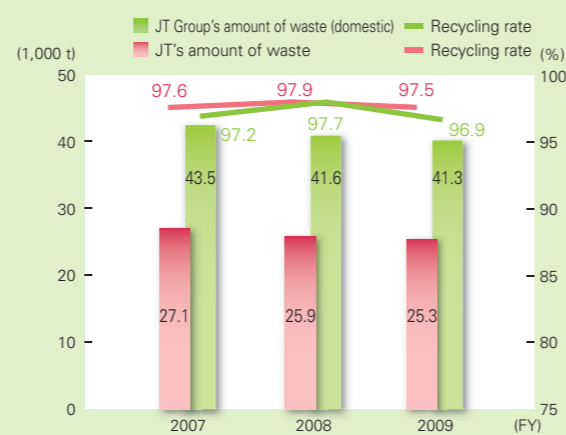
The JT Group is promoting 3R (Reduce, Reuse and Recycle) in an effort to create a recycling-based society.

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

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

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

#### Actual Amount of Waste and Recycling Rates



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

### Containers and Packaging Materials

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

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

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



"Sanukimen Ichiban Niku Udon" with less packaging materials

#### JT Group Definitions

##### Zero Emissions

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

##### Recycling

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

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

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

## Other Approaches

### Proper Management of Chemical Substances

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

### Proper Management of PCB Wastes

JT has a system in place to properly store and manage PCB wastes (high-voltage transformers, capacitors, fluorescent lamp ballasts, etc.) in accordance with the "PCB Waste Management Regulations."

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

### Soil Pollution Countermeasures

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

### Asbestos Countermeasures

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



## Approaches to Protecting the Global Environment (Overseas)

### International Programs

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

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

(For health and safety programs, see page24)

#### EHS

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

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

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

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

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



EHS Functional Training

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

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

#### Environment

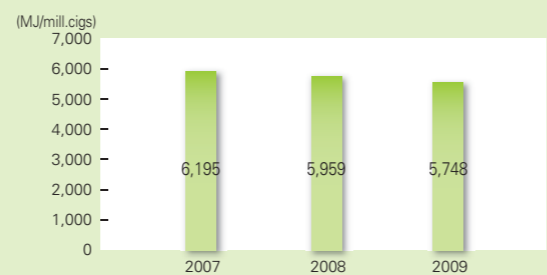
For the sixth consecutive year, energy consumption, CO<sub>2</sub> emissions, water consumption (per million cigarettes each), have shown improved performance; down 3.5%, 0.4% and 1.9% respectively versus 2008. Production waste fell by 8.6% and recycling rose 3%.

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

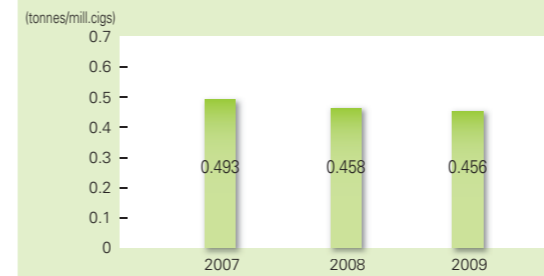


Through implementation of separation and recycling of waste (JTI Ukraine factory)

#### Energy Consumption



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



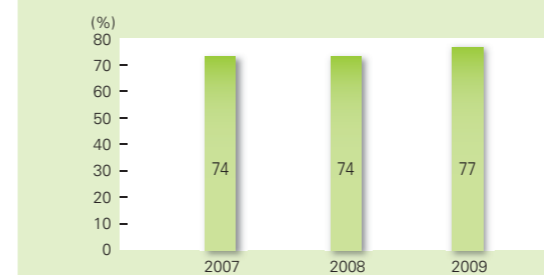
#### Water Consumption



#### Production Waste Generation



#### Production Waste Recycling Rate



### The Food Business's International Programs

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

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

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

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

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



Thai Foods International



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



# Environmental Communication

## The JT Group's Information Services

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

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



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



Internal magazine "Yours"

CSR Report

## Communicating with Local Communities

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

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

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



Exhibition at the Forest, River and Sea Watershed Summit

Presentation at the Corporate Forest Conservation Fair 2010

## JT Forest Environmental Learning

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

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

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



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



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

## Supplement Materials

### JT's Environmental Conservation Cost

Target: All JT establishments

Period Covered: FY 2008 (April 1st, 2008 to March 31st, 2009) and FY 2009 (April 1st, 2009 to March 31st, 2010)

Unit: million yen

Environmental Conservation Cost					
Category	Key Measures in FY 2009	Results in FY 2008		Results in FY 2009	
		Amount Invested	Amount of Expenditure	Amount Invested	Amount of Expenditure
(1) Environmental preservation costs to reduce production/service-derived environmental impact in JT's business areas (business area cost)	—	1,276	1,444	1,203	1,365
Breakdown	① Pollution prevention costs	187	629	37	463
	② Global environmental preservation costs	1,085	162	1,163	115
	③ Resource circulation costs	4	653	3	787
(2) Costs of reducing production/service-derived impact upstream or downstream during resource circulation (upstream/downstream costs)	Recycling of containers and packaging materials	—	141	—	70
(3) Environmental preservation costs in management activities (management activity costs)	Establishment of organizations responsible for environmental audits and measures, monitoring and measurement of environmental load, improvement of green space	—	585	5	457
(4) Environmental preservation costs involved in R&D (R&D costs)	Survey of the environmental impact of products	—	—	—	10
(5) Preservation costs involved in social activities (social activity costs)	Environmental cleaning activities, reforestation and forest conservation activities, contribution to environmental bodies, preparation of the CSR Report	—	3,306	—	3,541
(6) Costs of dealing with environmental damage	Pollution impact levies, soil pollution survey and remedial measures	—	673	—	407
(7) Other environmental costs	Asbestos survey and remedial measures	—	868	—	369
<b>Total</b>		<b>1,276</b>	<b>7,017</b>	<b>1,208</b>	<b>6,218</b>

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

\*Actual data at factories

### Guidelines for Environmental Accounting

#### 1. Amount of Expenditure and Investment

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

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

Expenditures for depreciation of facilities have been recorded under expenditure for the depreciation in the financial statement.

#### 2. Environmental Conservation Effect

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