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JT International

Investor Field Trip

UK Market

Luxembourg / Trier

September 19-20, 2011

quality commitment innovation synergy

Forward-Looking and Cautionary Statements

This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of operational results and financial condition and state other forward-looking information.

These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

1) health concerns relating to the use of tobacco products;
2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, governmental investigations and privately imposed smoking restrictions;
3) litigation in Japan and elsewhere;
4) our ability to further diversify our business beyond the tobacco industry;
5) our ability to successfully expand internationally and make investments outside of Japan;
6) competition and changing consumer preferences;
7) the impact of any acquisitions or similar transactions;
8) local and global economic conditions; and
9) fluctuations in foreign exchange rates and the costs of raw materials.

This presentation contains packages of our brands in some slides. Those slides have been developed to explain JTI's performance to our investors. And they are not intended to promote the purchase of our products.

Martin Southgate

UK

General Manager

Agenda

- Introduction
- Economic and Tobacco Market Overview
- JTI UK Strategy and Performance
- Concluding Remarks
- Appendix

- Introduction -

The UK is an important market for JTI due to its volume and financial contribution

Country

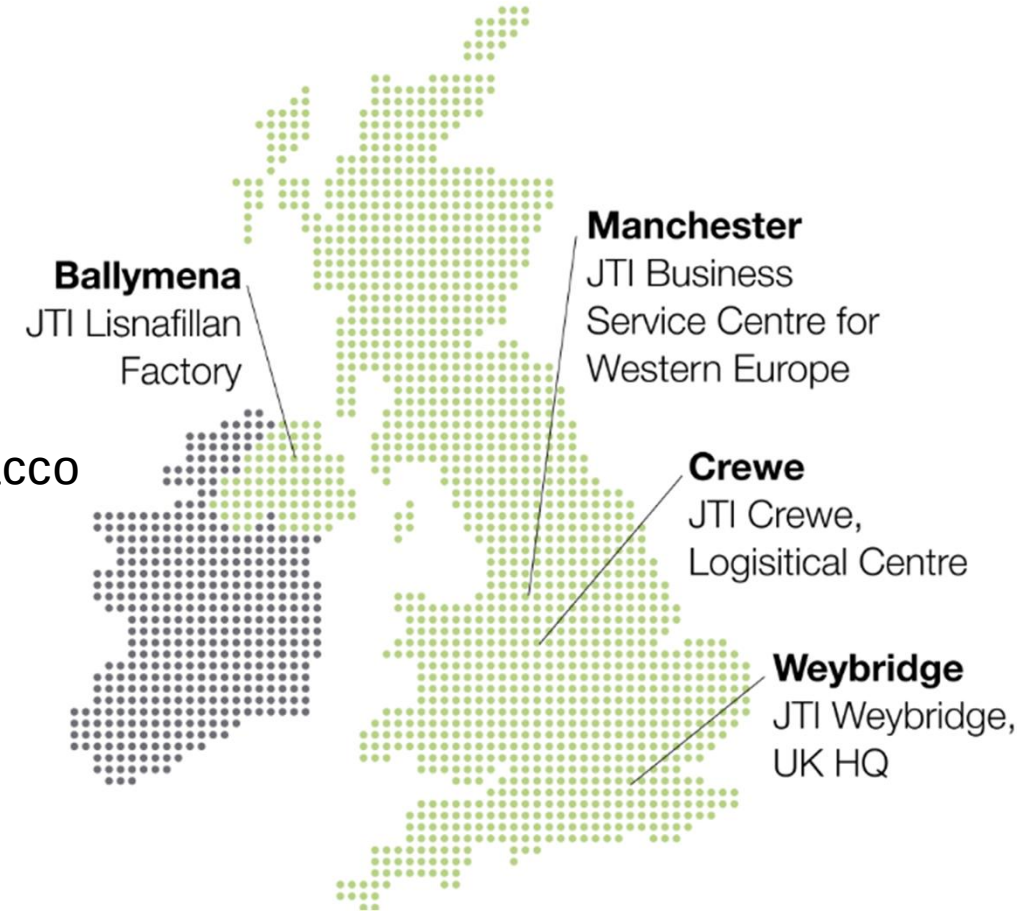
- 62 million people
- 243,610 km^2

Tobacco

- 46.7bn Ready-Made Cigarettes (RMC)
- 14.1bn stick equivalents(1) Roll-Your-Own / Make-Your-Own tobacco (RYO/MYO)
- Retail value £14.2 billion
- Smoking incidence 21%

JTI UK

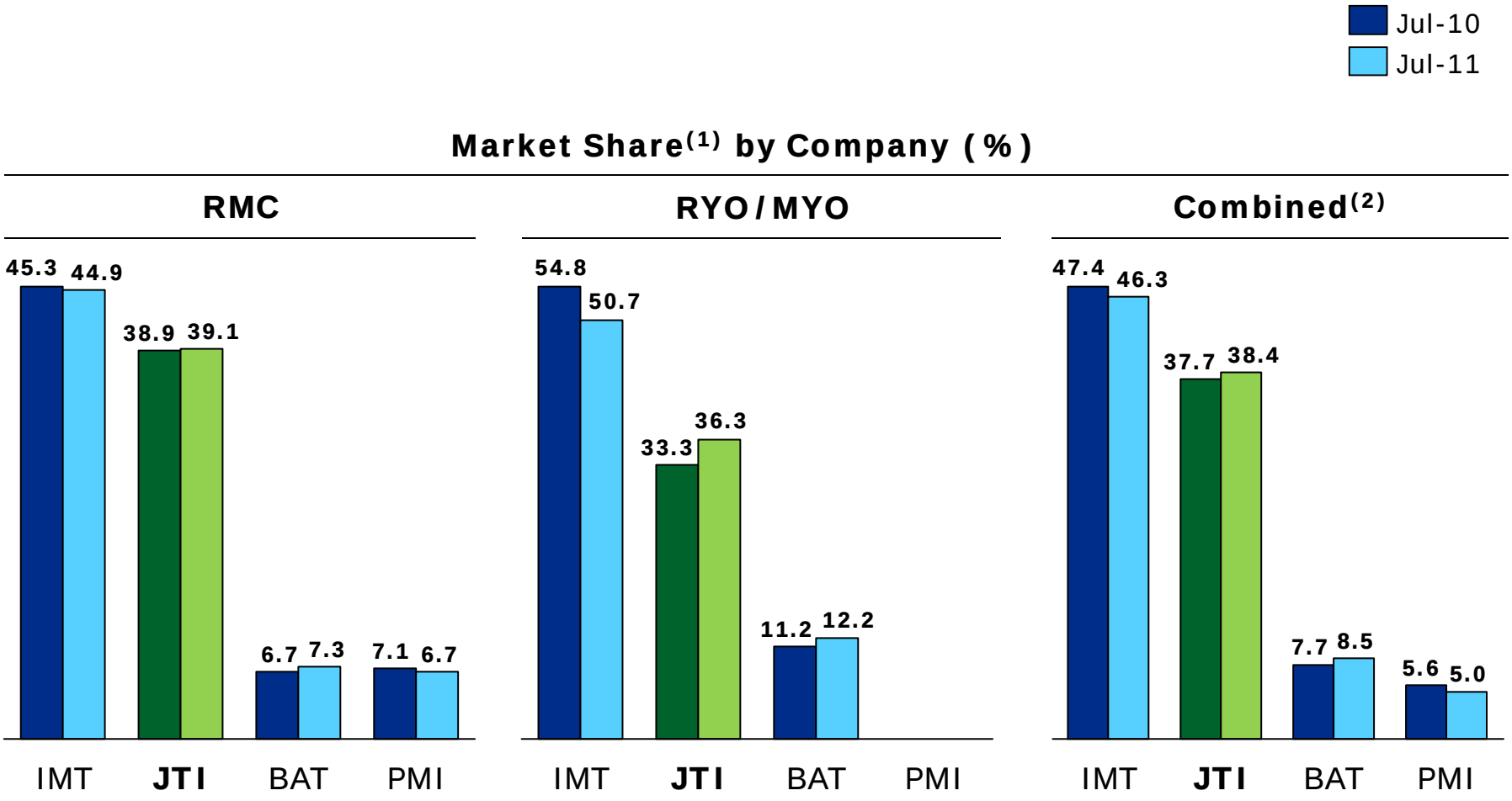
- 4 locations
- Employs 1,800 people



Note: (1) RYO/MYO converted to sticks at 0.4g per stick

Source: Office for National Statistics (mid-year estimate 2010), CIA World Factbook, TNS 2010, JTI Estimates 2010

JTI is a strong #2 player in both Cigarettes and RYO, with a combined share of 38.4%



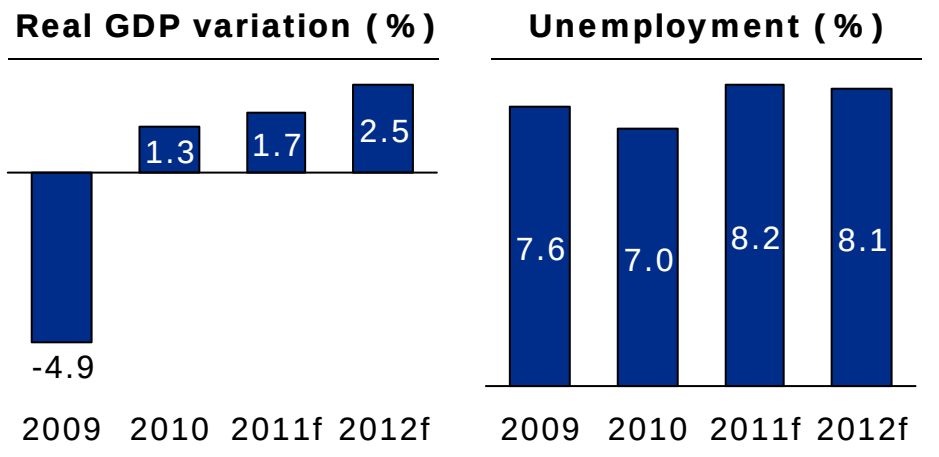
Note: (1) 12 month Moving Average Share of Market
(2) RYO converted to sticks at 0.4g per stick

Source: AC Nielsen

- Economic & Tobacco Market Overview -

Economy remains challenging, with disposable income under pressure and rising unemployment

Economic outlook by Office for Budget Responsibility (March 2011)

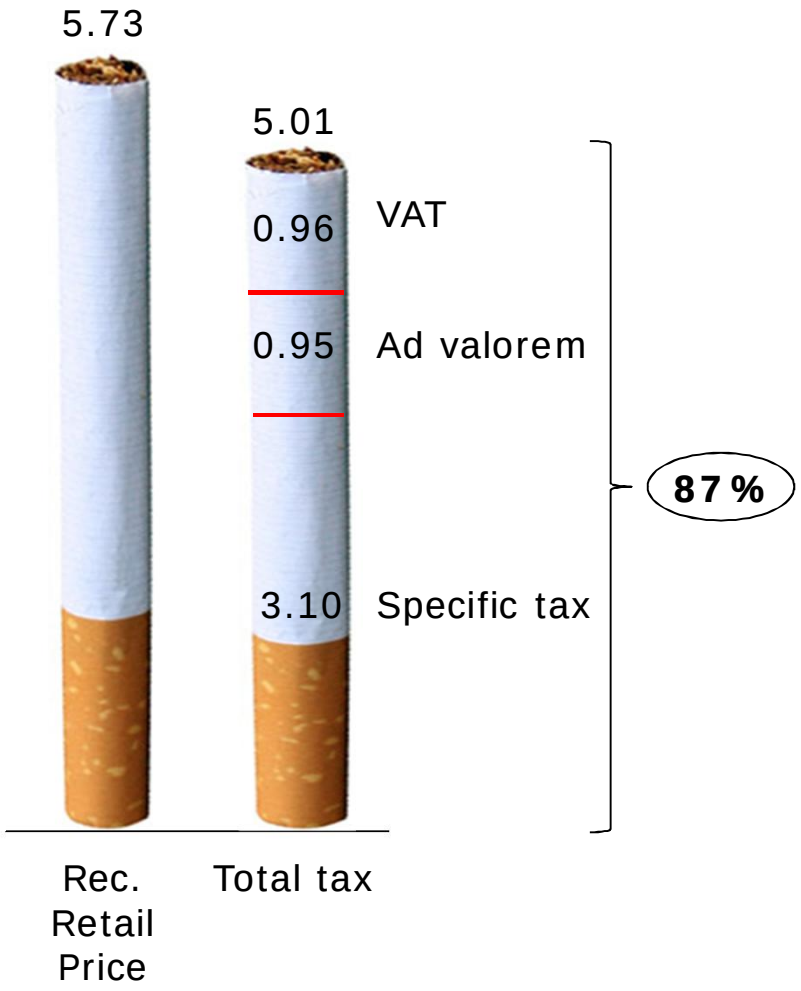


- Widening differential between disposable income and inflation
- Consumers forced to make tough choices
- Chancellor expected to revise down UK growth forecasts in Autumn Statement 29/11/11

Source: Office for Budget Responsibility (Economic and fiscal outlook, March 2011)

UK taxation is amongst the highest in the EU

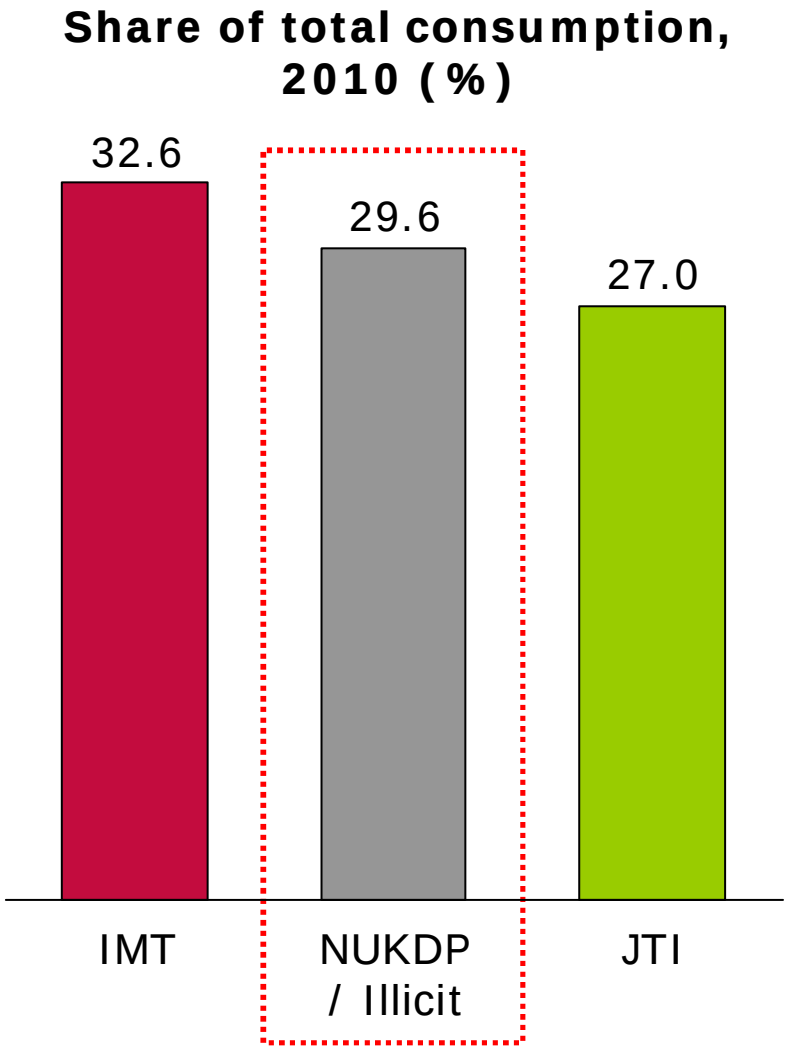
Recommended retail price and tax incidence, Sterling (£)



- UK Government committed to raise excise by inflation +2ppt to 2014
- Opportunity for HMRC to further review the tax structure to reduce downtrading and stabilize their revenues
- A tax escalator policy is proven to significantly increase illicit trade

Source: Office for Budget Responsibility, HM Revenue & Customs, HM Treasury, JTI

NUKDP is the 2nd largest player on the UK market, a major challenge for Government and the industry



- Significant NUKDP/Illicit consumption in both cigarettes & RYO
- Positive volume opportunities from repatriation
- Above inflation tax increases undermine Government revenues and increase criminality
- Industry and JTI co-operate extensively with Government to combat NUKDP and illicit trade

Source: AC Nielsen July 2011 MAT, JTI Pack Swap Survey, JTI estimates

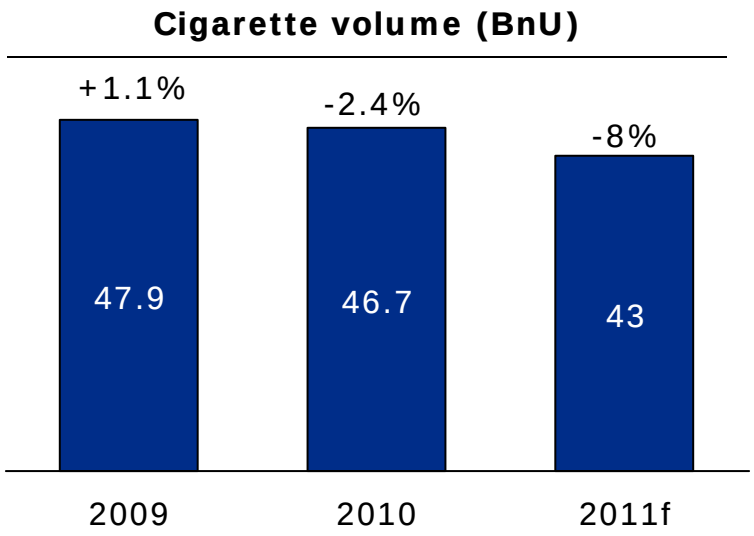
The UK is already one of the most highly regulated markets in the world

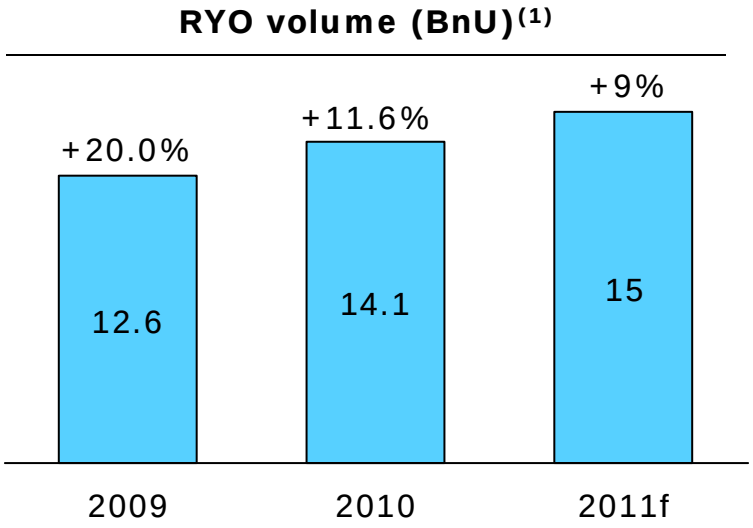
- **Regulatory measures**:
  - Implemented: Smoking In Public Places, Pictorial Health Warnings, LIP(1)
  - Announced:
    - Vending Machine ban
    - Display ban:
      - Currently under judicial review (hearing Feb. 2012) and thus uncertainty exists
  - Under consultation: Plain packaging

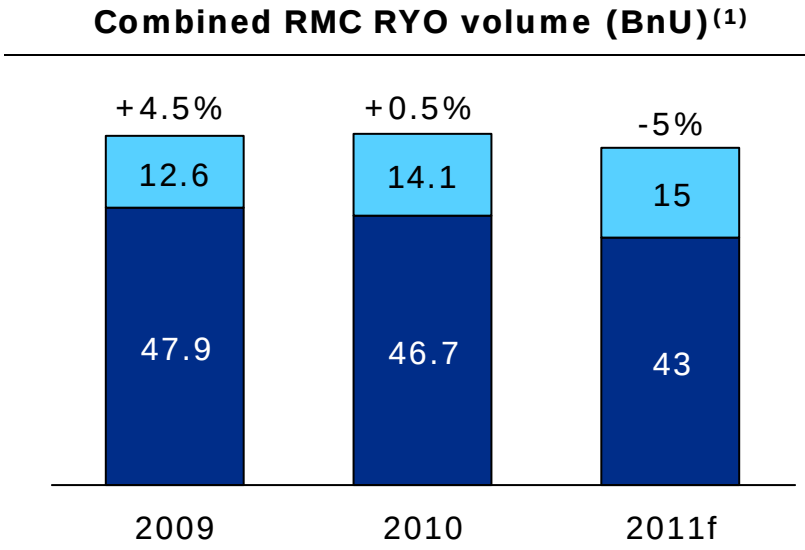
- **Our position:**
  - We recognise the need, when appropriate, for regulatory tobacco control measures but not disproportionate regulation, such as Display Ban and Plain Packaging
  - We comply with regulation but will continue to insist on evidence based policy and better regulation principles

Note: (1) Lower Ignition Propensity

The combined Duty Paid market is relatively resilient, though smokers are becoming more cost conscious



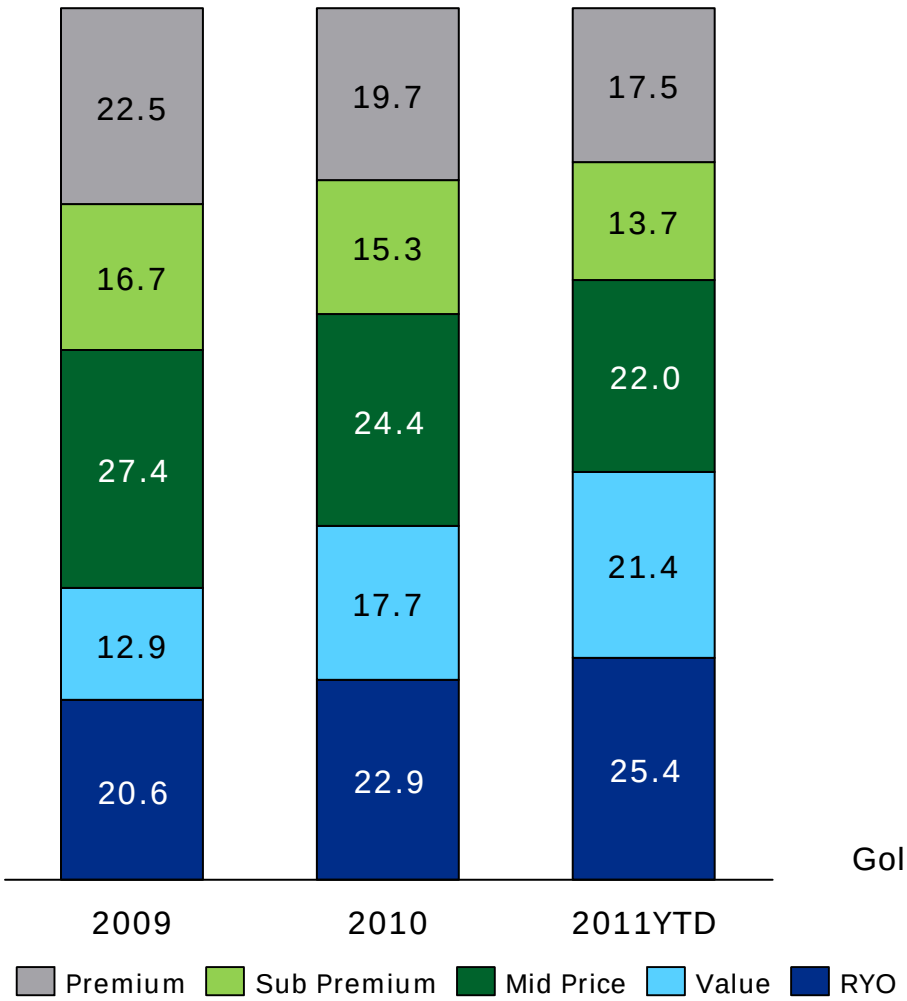




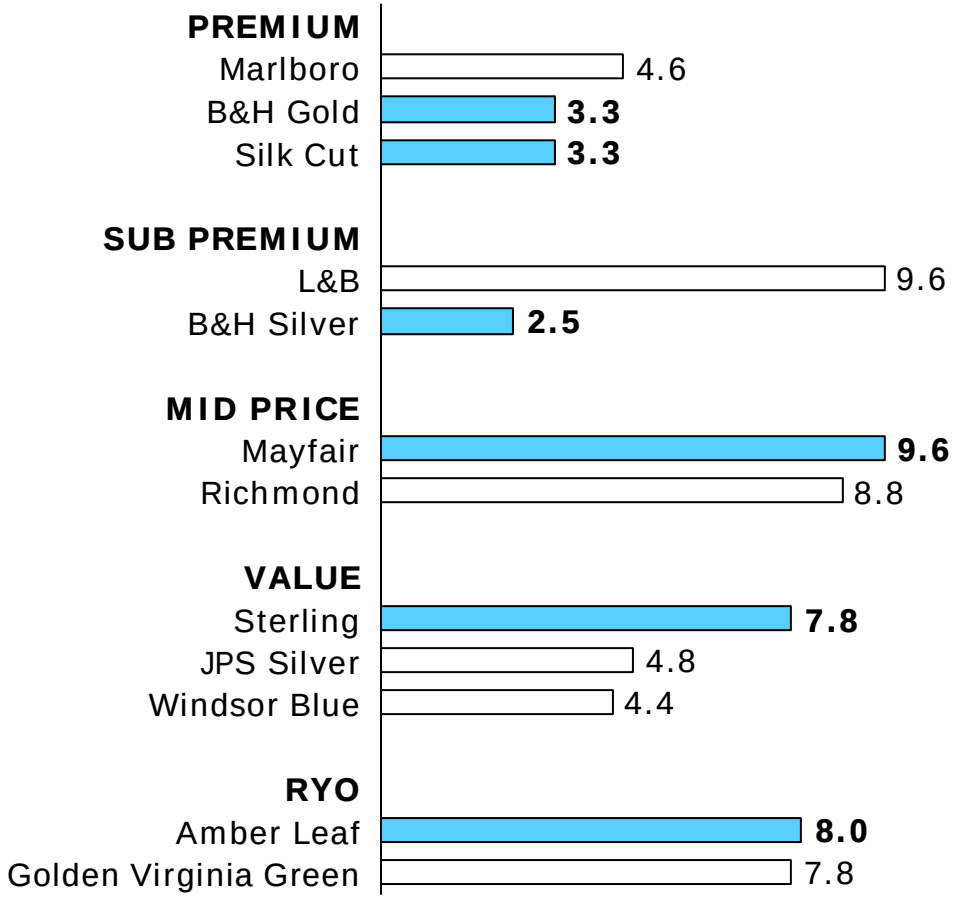
Note: (1) RYO converted to sticks at 0.4g per stick
Source: JTI Estimates based on AC Nielsen and HM Revenue & Customs

Down-trading continues, with growth for Value Cigarettes, and RYO now the largest segment

Cigarettes + RYO[1] : Share of Market (%)

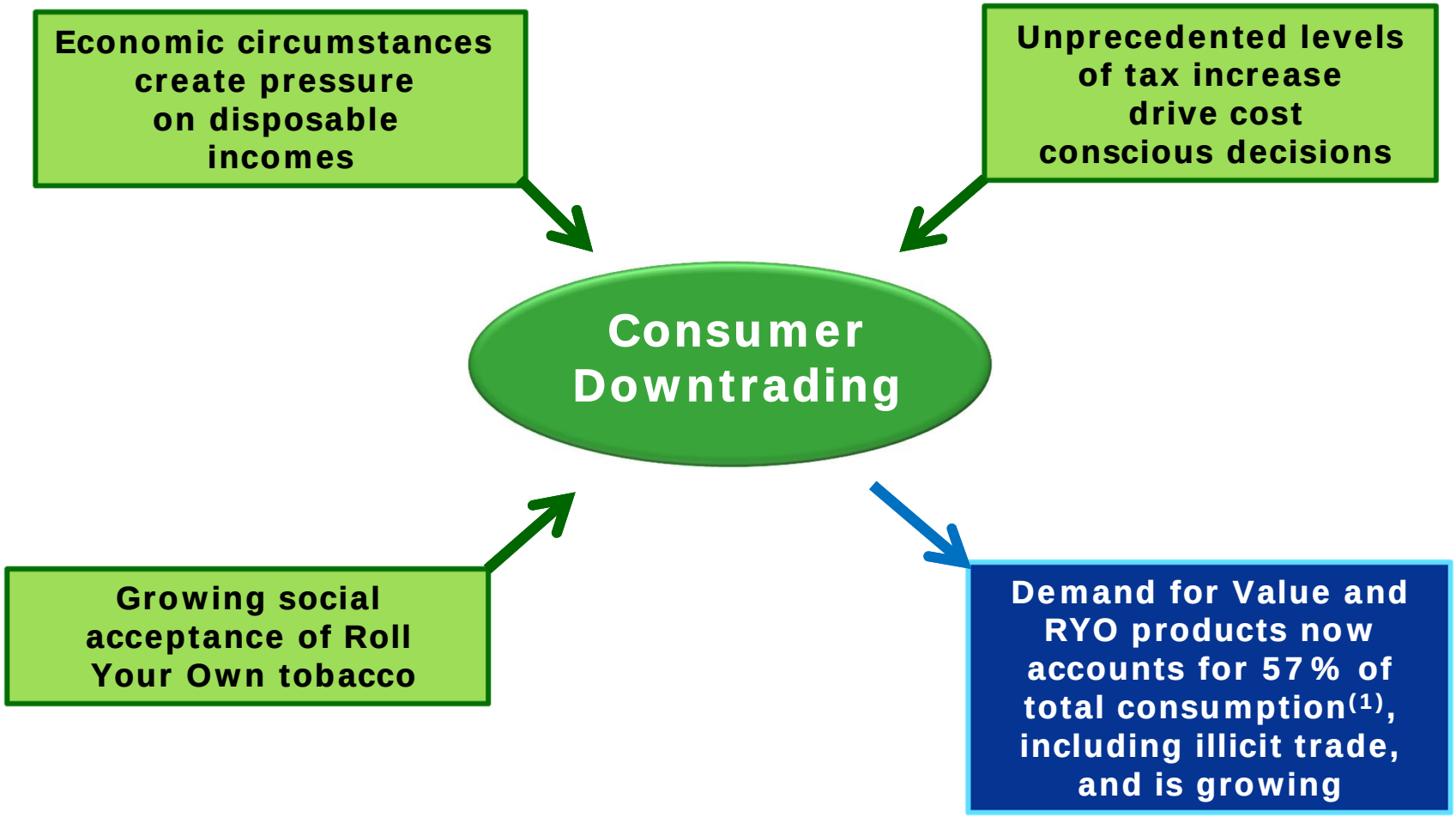


Brand Share of Market, 2011 YTD (%)



Note: (1) RYO converted to sticks at 0.4g per stick
Source: AC Nielsen 2009 – 2011 YTD July

High tax increases and economic pressures shape consumer behaviour, leading to downtrading



Note: (1) JTI estimates

- JTI UK Strategy & Performance -

New strategies and investment since the Gallaher acquisition have reversed market share erosion trend

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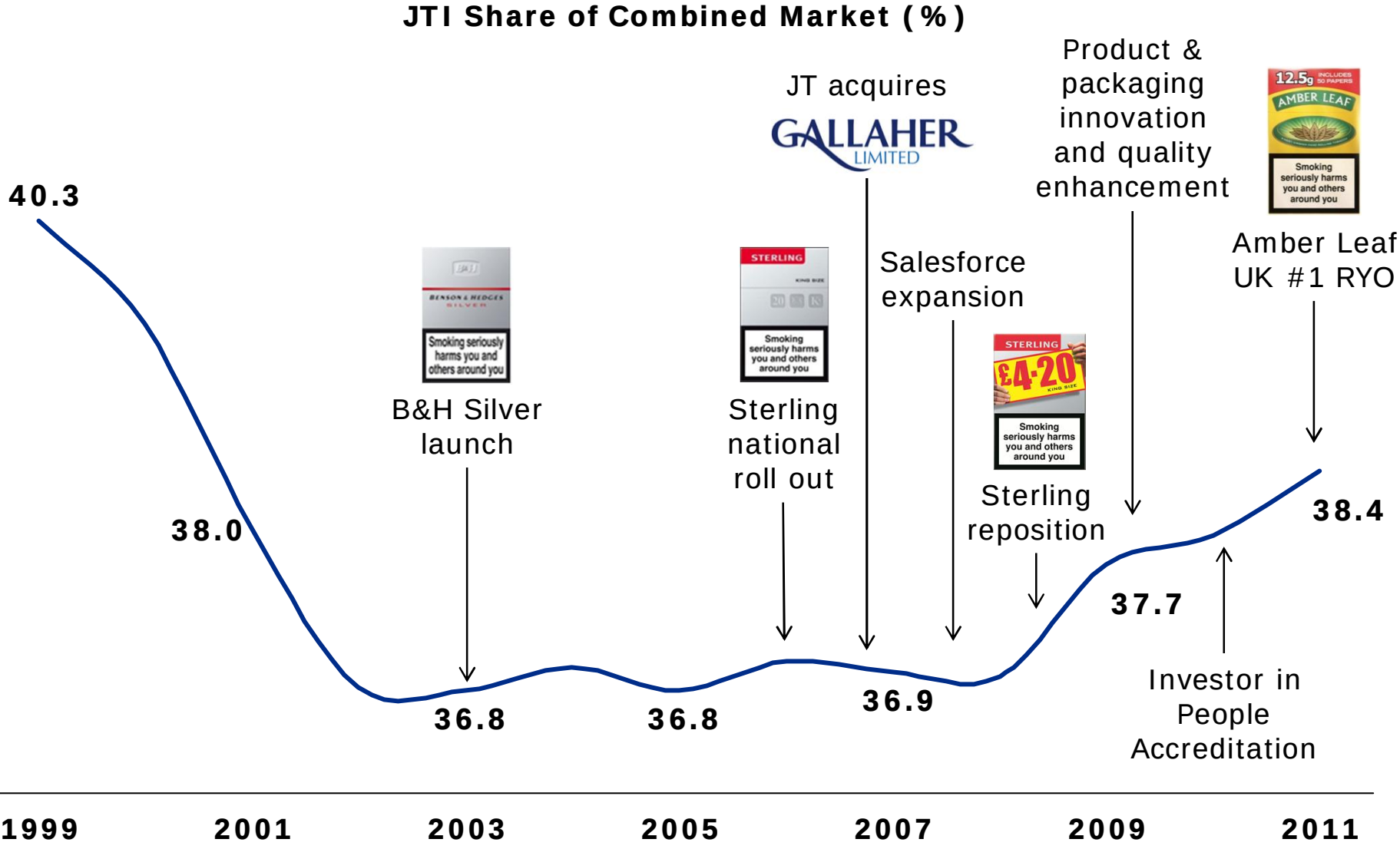

Source: AC Nielsen July 2011 YTD (Combined Cigarette/RYO share), JTI

Our proven strategies will continue to drive future growth in the UK

- Leverage our strong and growing market share to enhance profitability
- Continue investing in Premium GFB innovation
- Further develop our strong local brands to increase share in Value RMC and RYO
- Continuous improvement in operational efficiencies to enhance our competitiveness
- Optimize sales and trade marketing programmes by continuously investing in technology
- Attract, develop, retain and reward talent to ensure continued development of the UK business

The JTI brand portfolio is strong in all price segments with a combination of GFB and local brands

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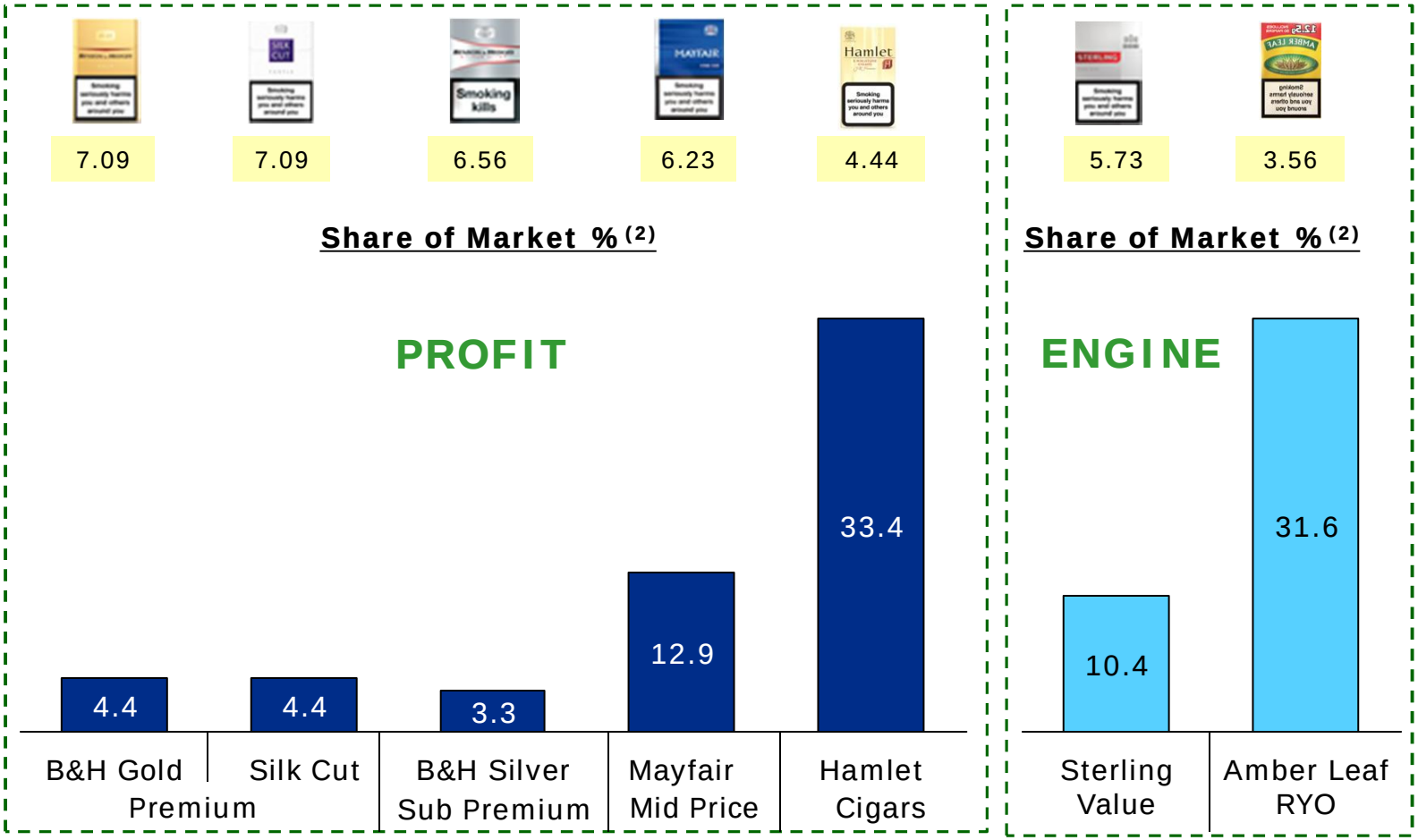

Note: (1) Recommended retail price as of September 2011 : Cigarettes price per 20, Cigars price per 5, RYO price per 12.5g

(2) Benson & Hedges Gold/Silver, Silk Cut, Mayfair, Sterling – share of Cigarettes; Hamlet- share of Cigars; Amber Leaf – share of RYO

Source: AC Nielsen 2011 YTD July, JTI

To defend our profitability, we are growing our share in Premium through brand equity building and innovation

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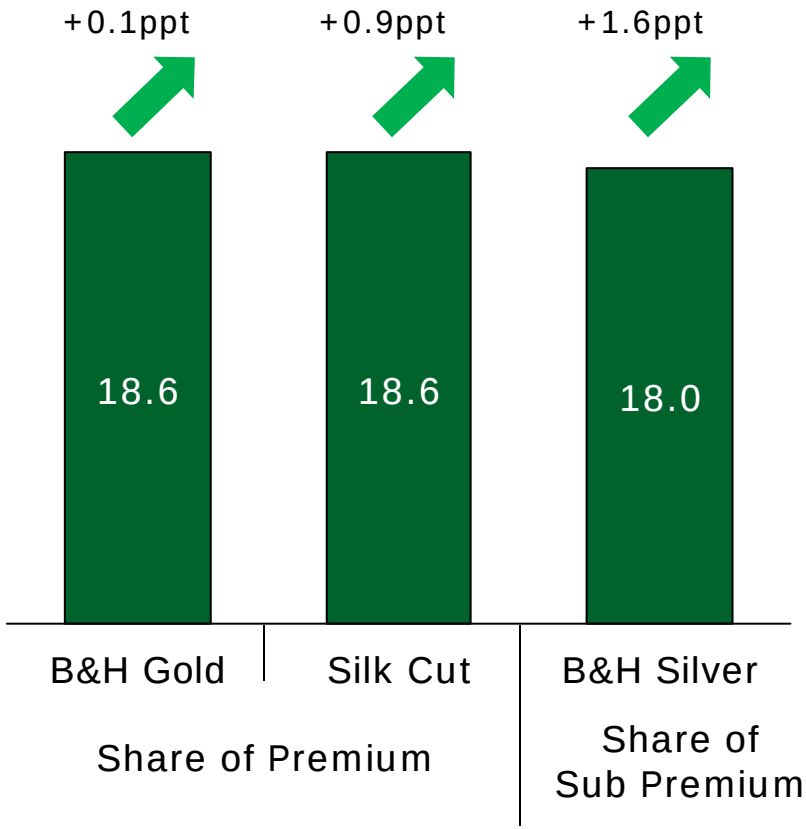
Unique and innovative offerings and formats to build brand equity



Premium / Sub-premium share growth and franchise retention

Share of segment (%) and year on year(1)



Note: (1) Share of Segment 2011 YTD July and percentage point change vs. 2010 YTD July
Source: AC Nielsen

In Mid Price, we protect leadership through increased differentiation, brand affinity and quality perception

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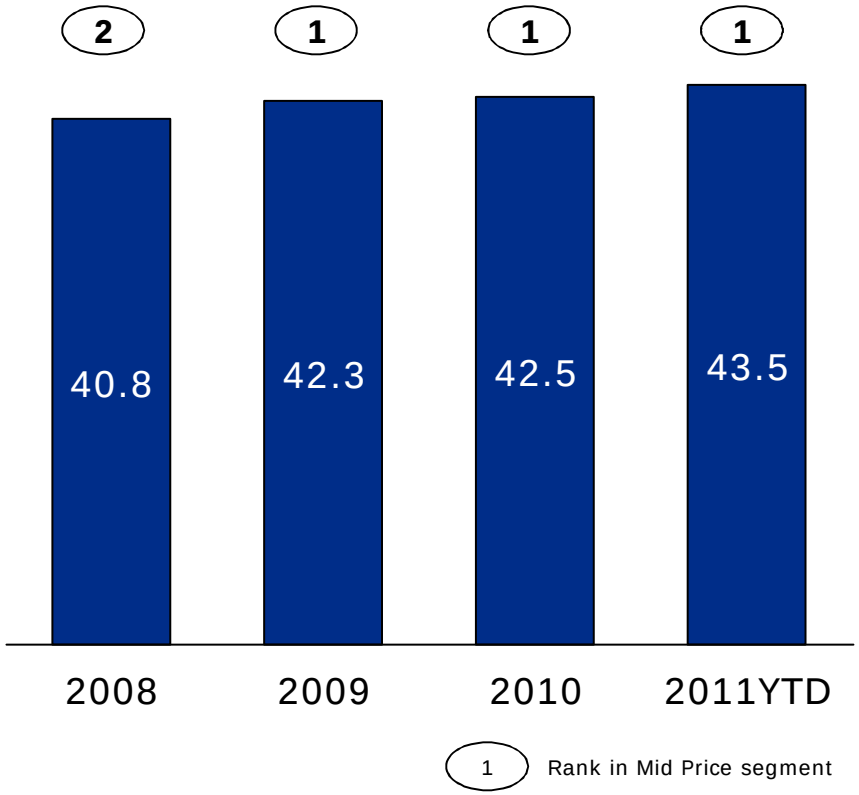
Increasing differentiation, brand affinity and enhancing quality perceptions



Strengthening our #1 position, capturing down-traders

Mayfair share of Mid Price segment (%)(1)



Note: (1) Share of Segment 2008 – 2011 YTD July
Source: AC Nielsen

We capitalise on the growth opportunity in Value & RYO, exceeding consumer expectations

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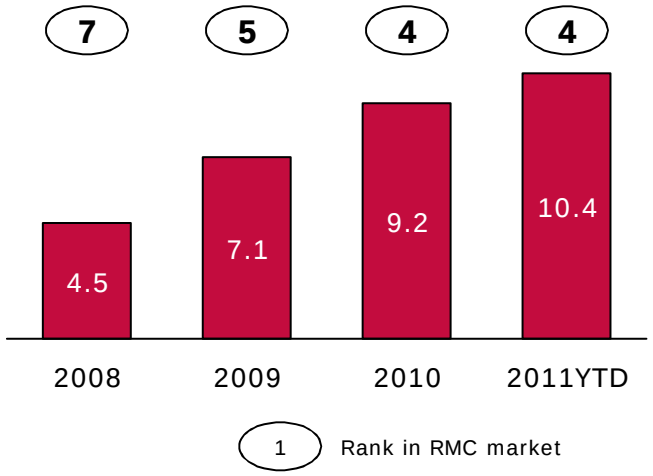
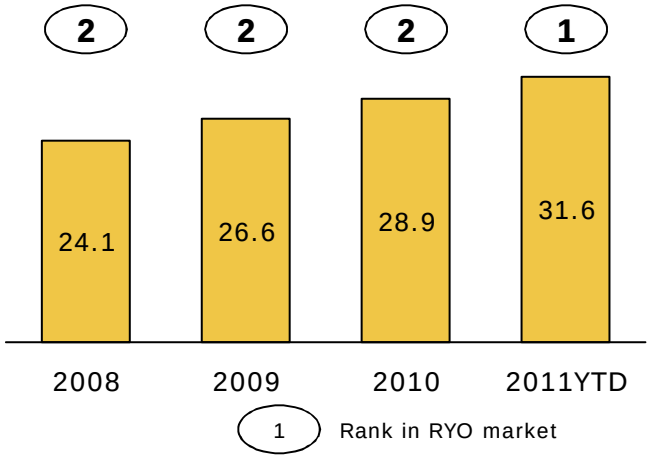
Sterling share of RMC market (%)(1)



Amber Leaf share of RYO market (%)(1)



Note: (1) Share of Market 2008 – 2011 YTD July
Source: AC Nielsen

JTI leverages its trade marketing excellence to drive competitive advantage

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- Improve market penetration by increased headcount
  - Sales force increase to 222 from 178



- Channel Trade Marketing strategy
  - Extending JTI strength across Key Multiple Grocer store formats
  - Strengthening discipline in Category Management
  - Focus on Strategic brands



- Innovative Merchandising Equipment



Recruiting and developing top talent to ensure the continued performance of JTI in the UK and beyond



- **RECRUIT**
  - Significant investment by JTI following the acquisition in 2007
  - Graduate program: Backbone of our future succession plans
- **RETAIN**
  - Main focus in Training and Development programs, 360 degree feedback
  - Succession plans in place
- **REWARD**
  - Competitiveness in the UK market is key to our reward strategy
  - Looking beyond P75: Share Incentive Plan, review of key policies and benefits
- **OTHER**
  - Leading on EHS: Fleet safety, minimising our environmental impact

- Concluding Remarks -

We will reinforce our successful strategies while adapting to changing consumer and trade dynamics

- The ongoing investments made by JTI post acquisition have resulted in a shift to market share growth
- We have sustained our investment in brands, people and our trade partners to grow share
- We will continue to invest in our GFB portfolio whilst targeting share growth in the key consumer segments of the future – RYO and Value
- Continuous improvement and innovation to capitalise on the fast changing market dynamics whilst satisfying the needs of our consumers and customers

- Appendix -

Route to market

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Manufacturers

Wholesalers

Multiple Accounts

45 %

33 %

21 %

1 %

Traditional

Supermarkets

Gas & Organised Convenience

Leisure / Vending









- Approximately 95,000 retail outlets
- Traditional shopping places and supermarkets are the key volume driving channels

Source: JTI estimate

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Daniel Sciamma

France

General Manager

Agenda

- Introduction
- Economic and Tobacco Market Overview
- JTI France Strategy and Performance
- Concluding Remarks
- Appendix

- Introduction -

France is the 3rd largest RMC market in JTI's Western Europe region

Country

- 65 million people
- 551 500 km^2



Tobacco

- 54.8bn Ready-Made Cigarettes (RMC)
- 10.1bn stick equivalents(2) in Roll-Your-Own / Make-Your-Own tobacco (RYO/MYO)
- Retail value €16.1 billion

JTI France

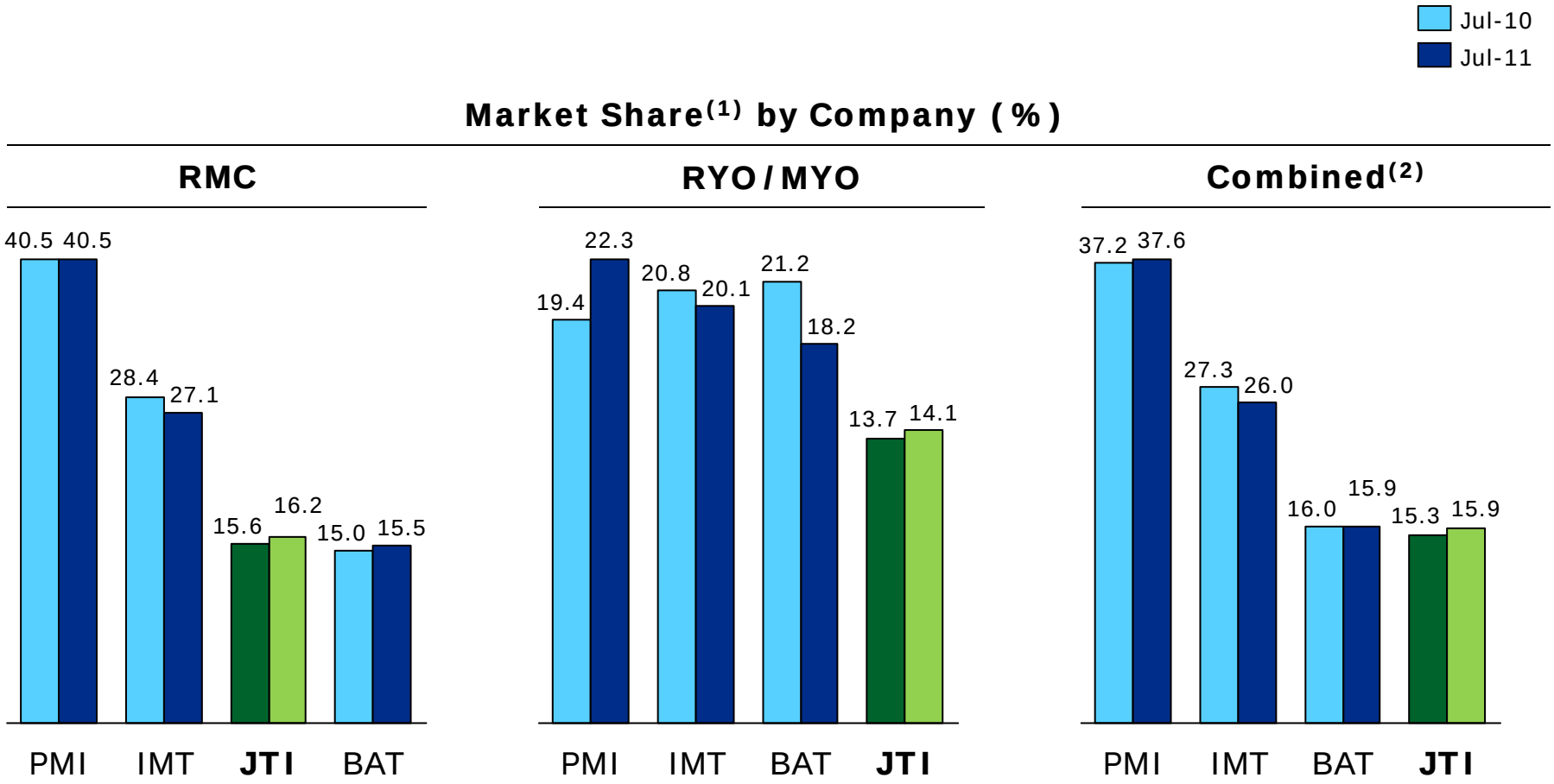
- Based in Paris
- Employs 225 people

Note: (1) all figures in 2010 unless otherwise specified

(2) RYO converted to sticks at 0.75g / stick

Source: Altadis Distribution France (ADF)

JTI is the #3 RMC player on the French market with a combined market share of 15.9%



Note: (1) 12 month Moving Average Share of Market

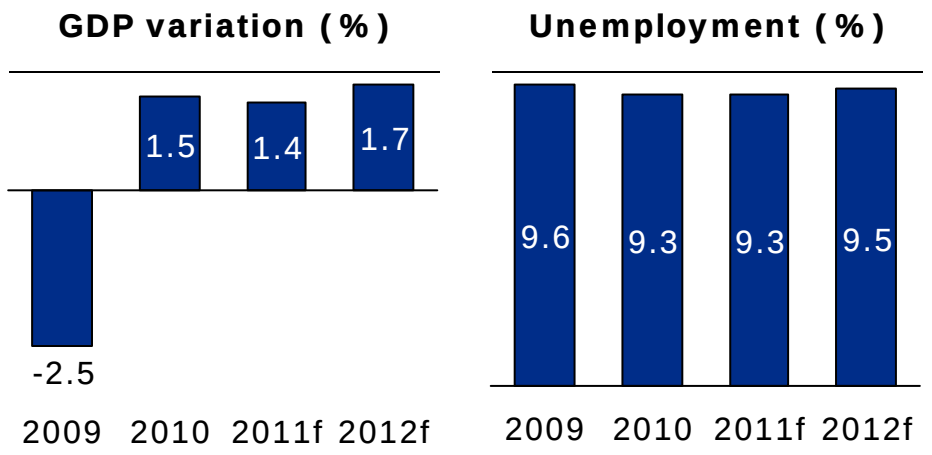
(2) RYO converted to sticks at 0.75g per stick

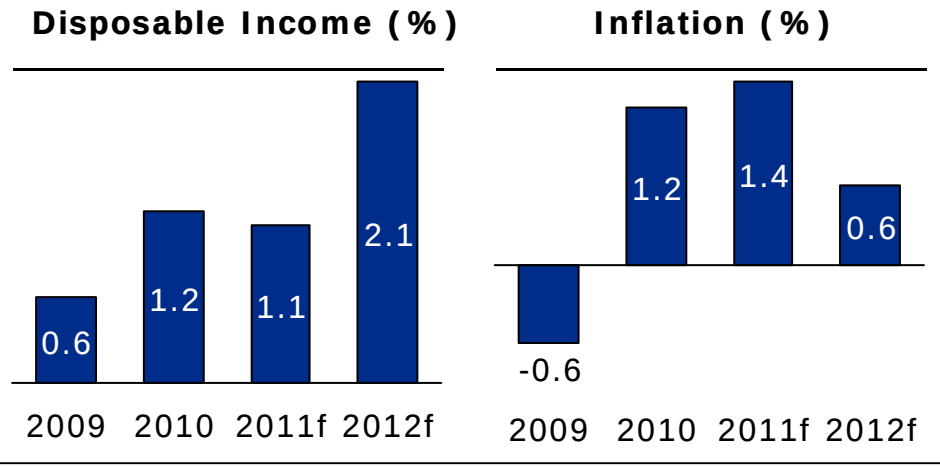
Source: Altadis Distribution France (ADF)

- Economic and Tobacco Market Overview -

The French economy shows signs of resilience

Economic outlook by INSEE and OFCE





- Structural weak economic growth, and a stabilized high level of unemployment
- State redistribution mechanisms maintain disposable income growth in a context of limited inflation
- Prime Minister announced plan to reduce deficit through public expenses reduction and targeted tax increases

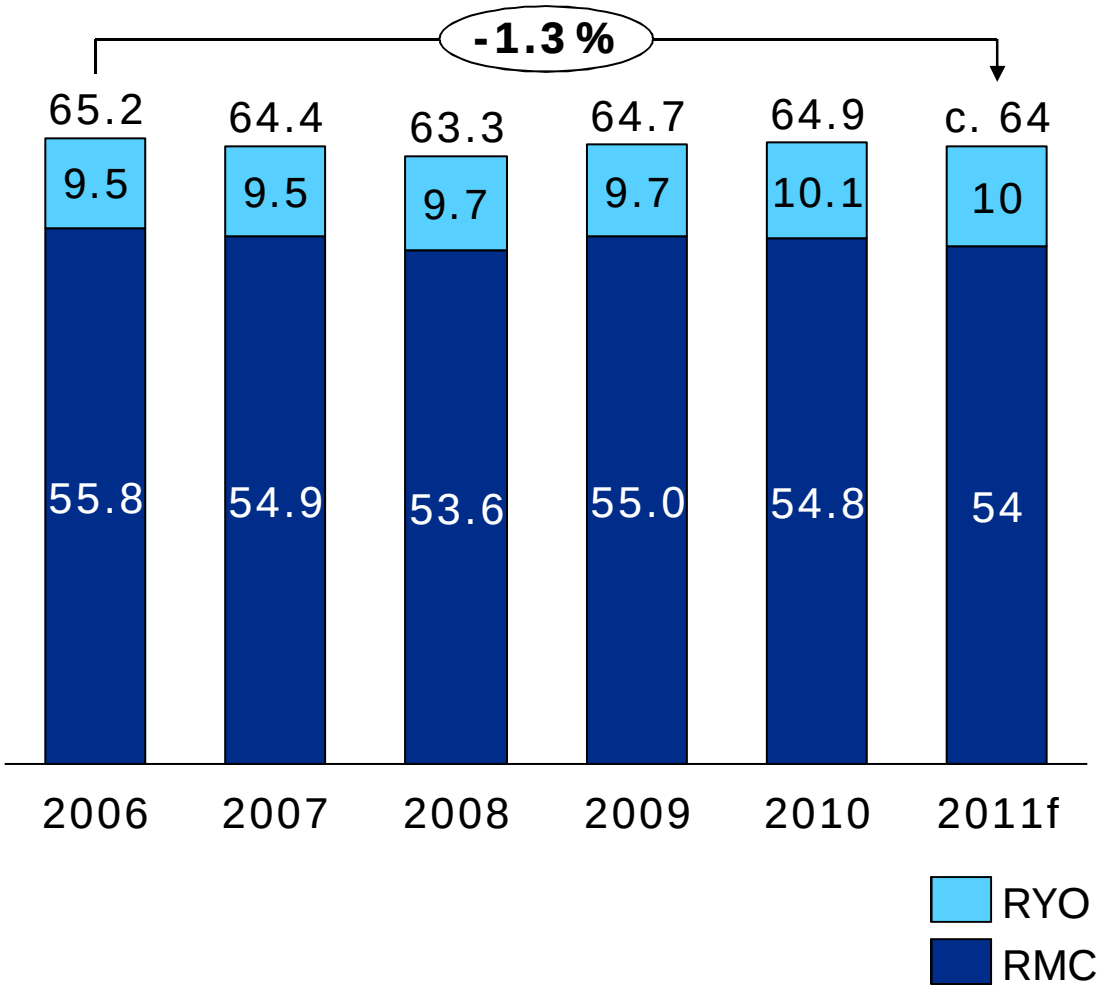
Source: INSEE: French National Institute of Statistics and Economic Studies; OFCE: French Economic Observatory

France is historically a highly regulated market

- Smoking ban in all public places since January 2008
- Packs of less than 20 cigarettes (RMC) and pouches of less than 30 grams (RYO/MYO) are banned
- Only limited communication at Point of Sale is allowed since 1993
- Pictorial Health Warnings since April 2011
- National Selling Price for each SKU
- Retailers State Monopoly: tobacconists' trade margin fixed by the government

Underlying trend of industry volume contraction, with steady RSP increases

Industry shipment volumes (BnU)(1)



- RSP increases in the range of 6% in 2007, 2009 and 2010
- Announced a 6% RSP increase effective as from beginning of October
- Changing consumer trends drive some migration from RMC to RYO/MYO

Note: (1) RYO converted to sticks at 0.75g per stick
Source: Altadis Distribution France (ADF), JTI estimates

RMC centers on 2 price segments with limited down-trading

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Segment	Price[2] in €/pack	JTI	PMI	BAT	IMT
Premium (49.9%)	5.90		Marlboro	Dunhill	
	5.80		Philip Morris	Peter St.	
Popular (50.1%)	5.40		Chesterfield L&M Basic	Pall Mall Lucky Strike Rothmans	Gauloises Bl. News Fortuna Gauloises
Share of Market[1]		**16.2%**	40.7%	15.5%	26.8%

Note: (1) 12 month Moving Average Share of Market
(2) as of Sept. 2011
Source: Altadis Distribution France (ADF)

RYO / MYO concentrates on one price point

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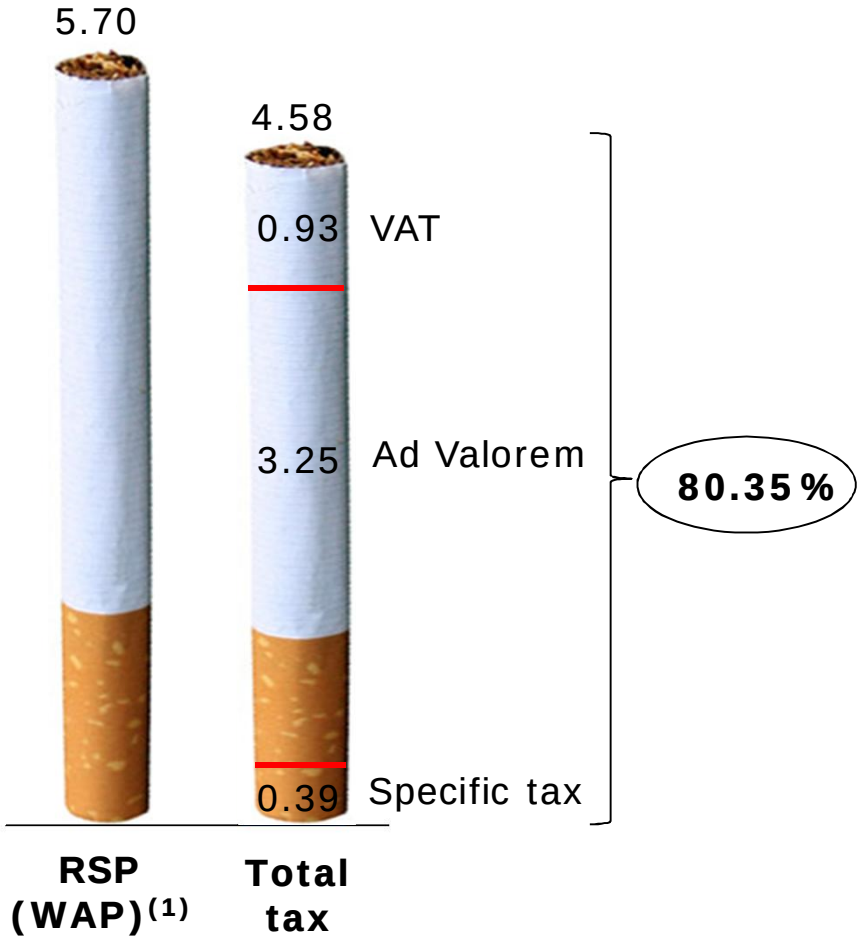
Segment	Price[2] in €/30g	JTI	PMI	BAT	IMT	Gryson
Premium (3.6%)	5.70		Wervicq		Amsterdamer	
	5.63				Golden Virginia Caporal	
Popular (96.4%)	5.40		Marlboro Philip Morris Interval Chesterfield	Pall Mall Lucky Strike Samson	News JPS Drum Gauloises	Fleur du Pays Orlando Domingo
Share of Market[1]		**14.1%**	24.0%	17.0%	19.7%	21.3%

Note: (1) 12 month Moving Average Share of Market
(2) as of Sept. 2011
Source: Altadis Distribution France (ADF)

France has a high tax incidence at 80.35% of Retail Selling Price (RSP)

Retail Selling Price and Tax Incidence, Euros (€)

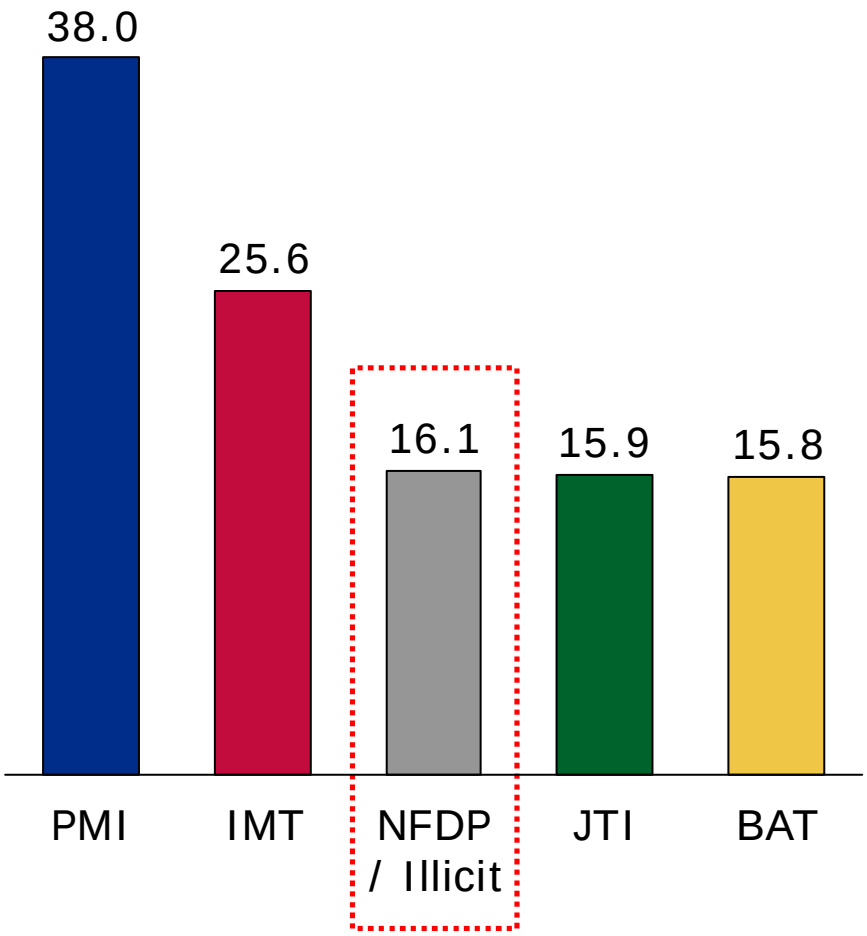


- The excise tax shock of 2002/2003 led to a significant RMC market contraction (-32% 2004 vs. 2002) and favored the NFDP market development
- Since then, the excise structure has stabilized, with government revenues increasing steadily

Note: (1) WAP: 2011 RMC market average RSP

High prices result in significant cross-border sales making NFDP a major industry "player"

Share of total consumption(1), YTD July 2011 (%)

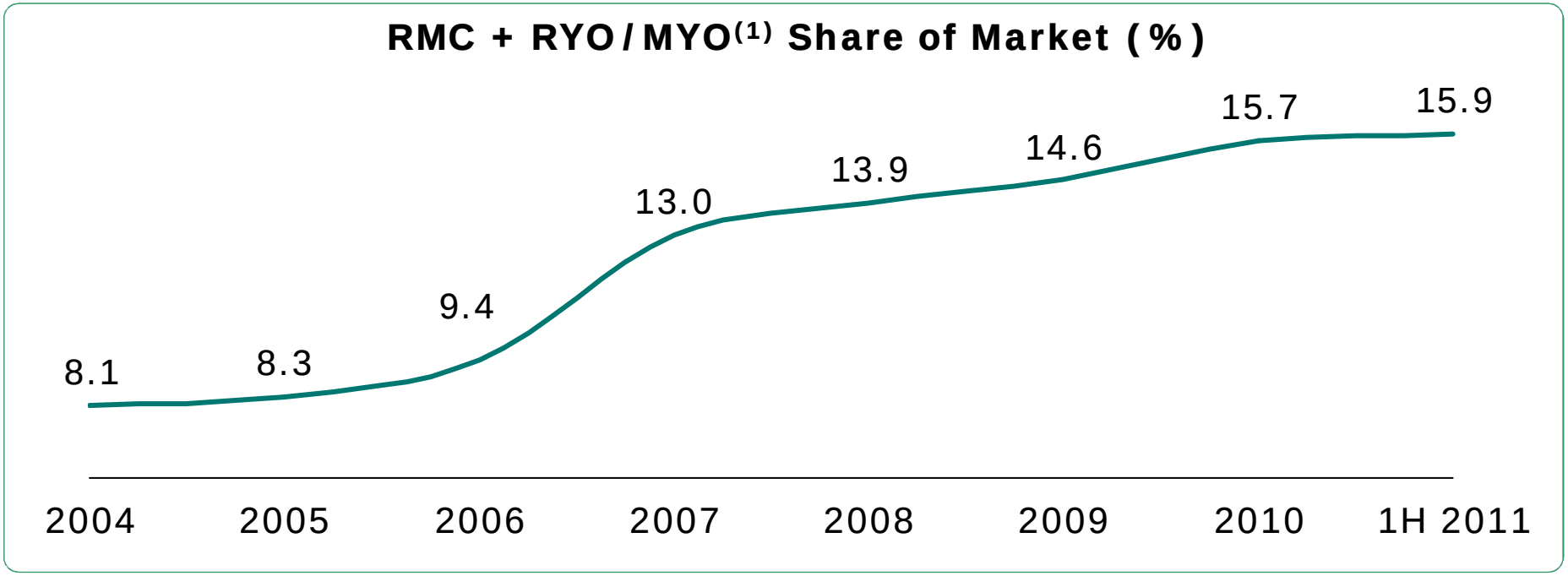


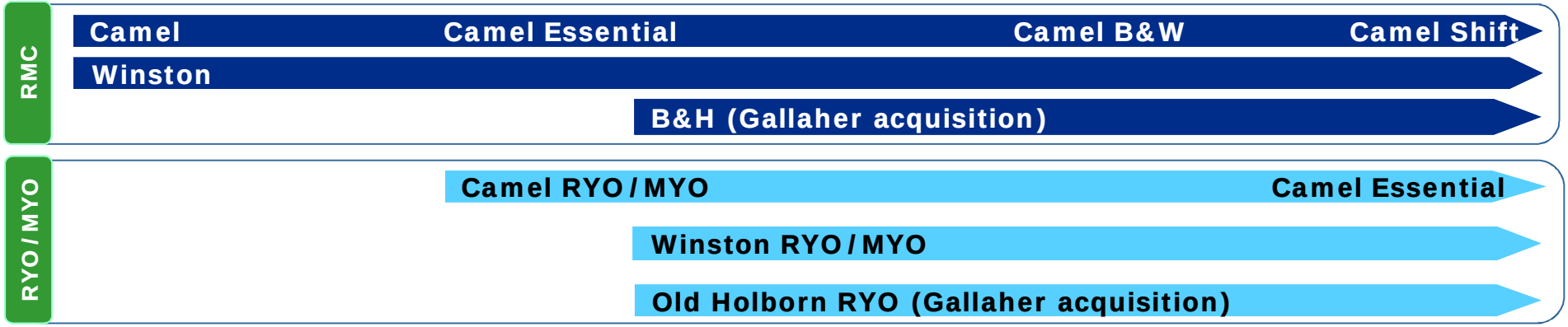
- Total NFDP consumption of 12bn per annum
- Some level of repatriation contributing to market limited decline
- Consumption of NFDP product is more significant for RYO
- JTI funds and publishes research on cross border sales
- Industry and JTI cooperate with the government in combating illicit trade.
- JTI has signed a Memorandum of Understanding with Government on cooperation in fighting illicit trade

Note: (1) RYO converted to stick at 0.75g per stick
Source: Altadis Distribution France (ADF), JTI estimates, Omnibus JTI/IFOP

- JTI France Strategy and Performance -

Uninterrupted share growth driven by GFB brand portfolio expansion, innovation and RYO/MYO extension

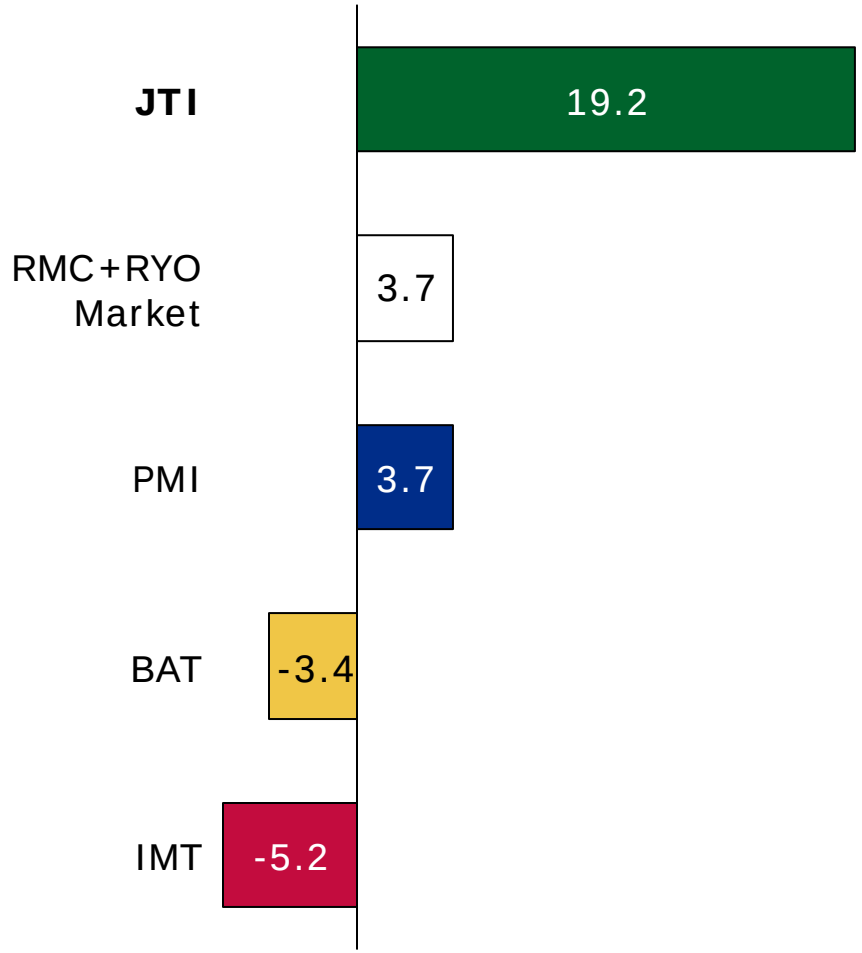




Note: (1) RYO converted to stick at 0.75g per stick
Source: Altadis Distribution France (ADF)

Since the Gallaher acquisition, JTI France has strongly outperformed the industry on volume

Volume Variation
H1 2011 vs. H1 2008 (%)



- 3 years of uninterrupted share and volume growth
- 2 brands in the “Top 5”, Camel and Winston
- France is a key profit contributor for JTI

Source: Altadis Distribution France (ADF)

Strategic focus geared towards sustaining and accelerating growth in the market

JTI France Mission

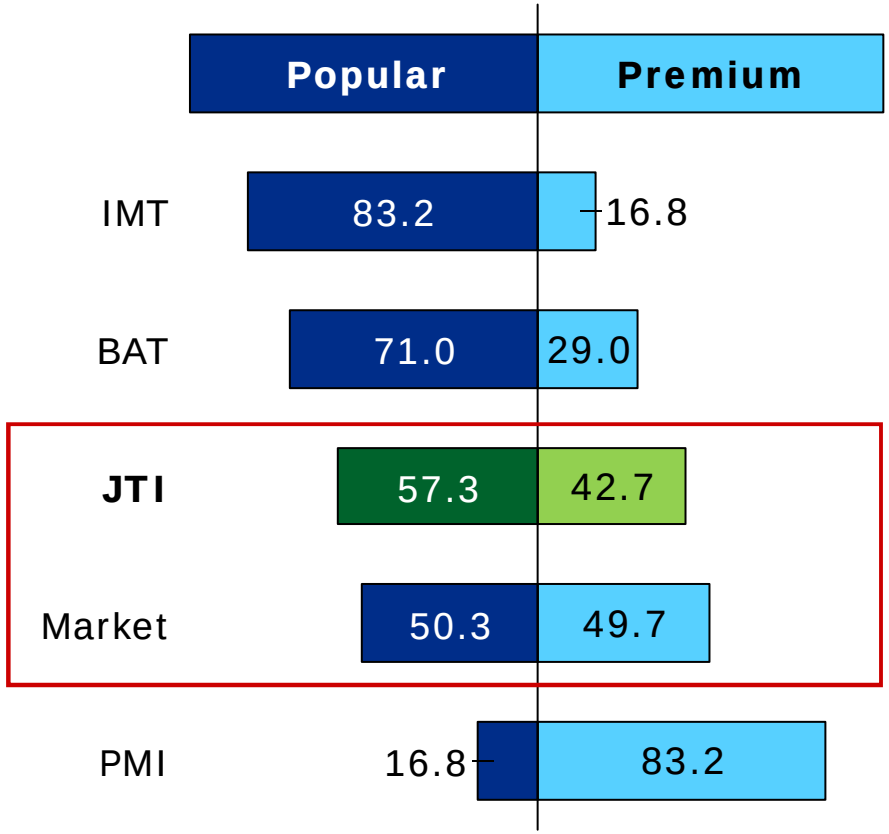
Remain the fastest growing manufacturer in volume and profitability to consolidate JTI's #3 position by leveraging the strength of our GFB, our innovation capabilities and challenging culture

Strategic Focus

- Enhance our brand portfolio by focusing on GFB and innovations
- Drive excellence in execution in Trade Marketing
- Strengthen our engagement and dialogue on taxation and regulation
- Mobilize our right–sized, efficient and committed organization

A well-balanced RMC portfolio, giving JTI flexibility to capture opportunities in both price segments

Company price segment split (%)



- Relevant brands in both segments have enabled JTI to grow simultaneously in Premium and Popular

Source: Altadis Distribution France (ADF) – FY 2010

We have clearly differentiated Brand propositions and appropriate architectures to address consumer needs

THIS SLIDE HAS BEEN DEVELOPED TO EXPLAIN JTI'S PERFORMANCE TO OUR INVESTORS.
IT IS NOT INTENDED TO PROMOTE THE PURCHASE OF OUR PRODUCTS.

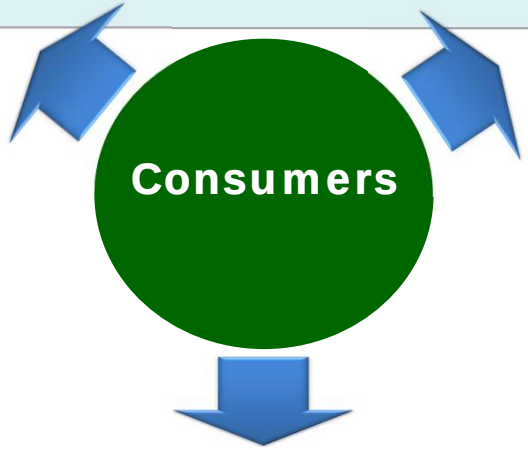


- Modern and premium image
- Very high equity
- Strong relevance to Young Adult Smokers
- Strong presence and credibility also in RYO/MYO

Winston

- International brand stature
- "High quality" image
- Credible presence in all key market segments
- Proven marketing mix

84% of total JTI volumes



B&H

- Strong player in Virginia segment
- Heritage and modernity
- Second leg in Popular segment

Camel, our Premium offering, has achieved remarkable growth through line extensions and innovations

THIS SLIDE HAS BEEN DEVELOPED TO EXPLAIN JTI'S PERFORMANCE TO OUR INVESTORS.
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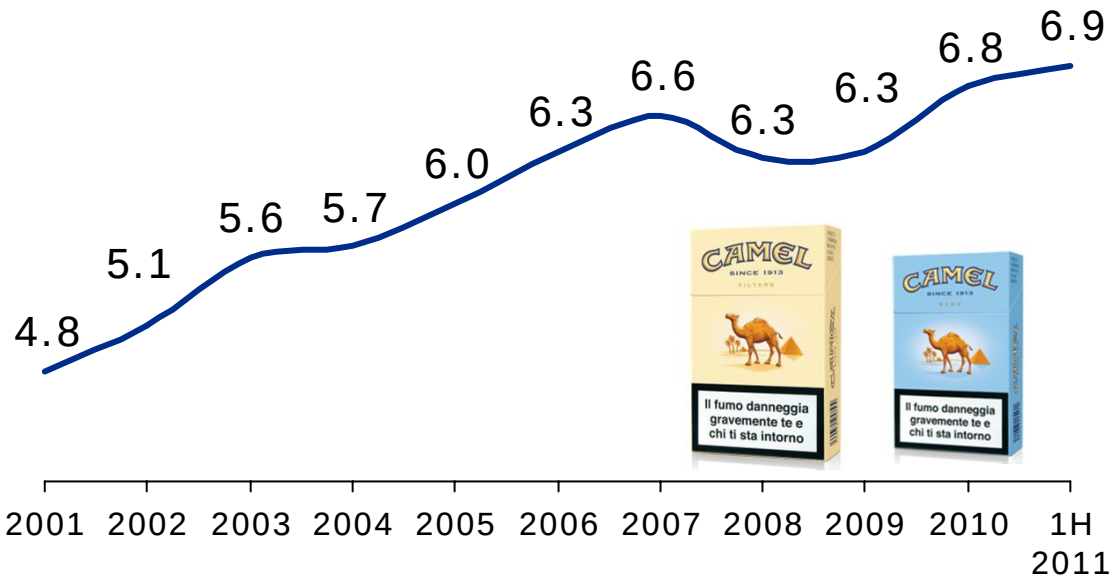
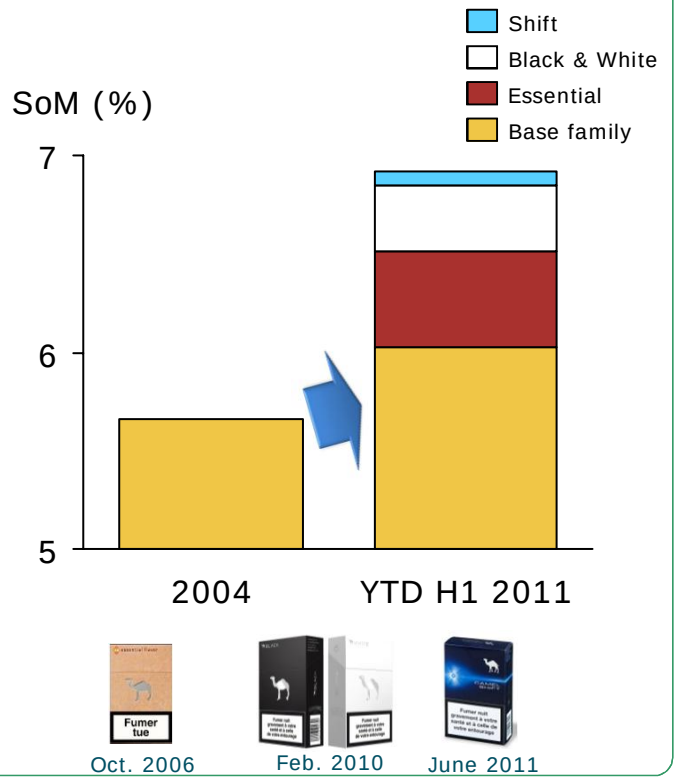
Share of Market (%)



Line extensions have contributed 12.8% of total Camel volumes YTD



- Camel is today the 3rd brand in the market
- Camel "Black & White" was developed locally by JTI France and has now been launched in 17 markets

Source: Altadis Distribution France (ADF)

Winston is the fastest-growing Popular brand and the leader in its segment

**THIS SLIDE HAS BEEN DEVELOPED TO EXPLAIN JTI'S PERFORMANCE TO OUR INVESTORS.
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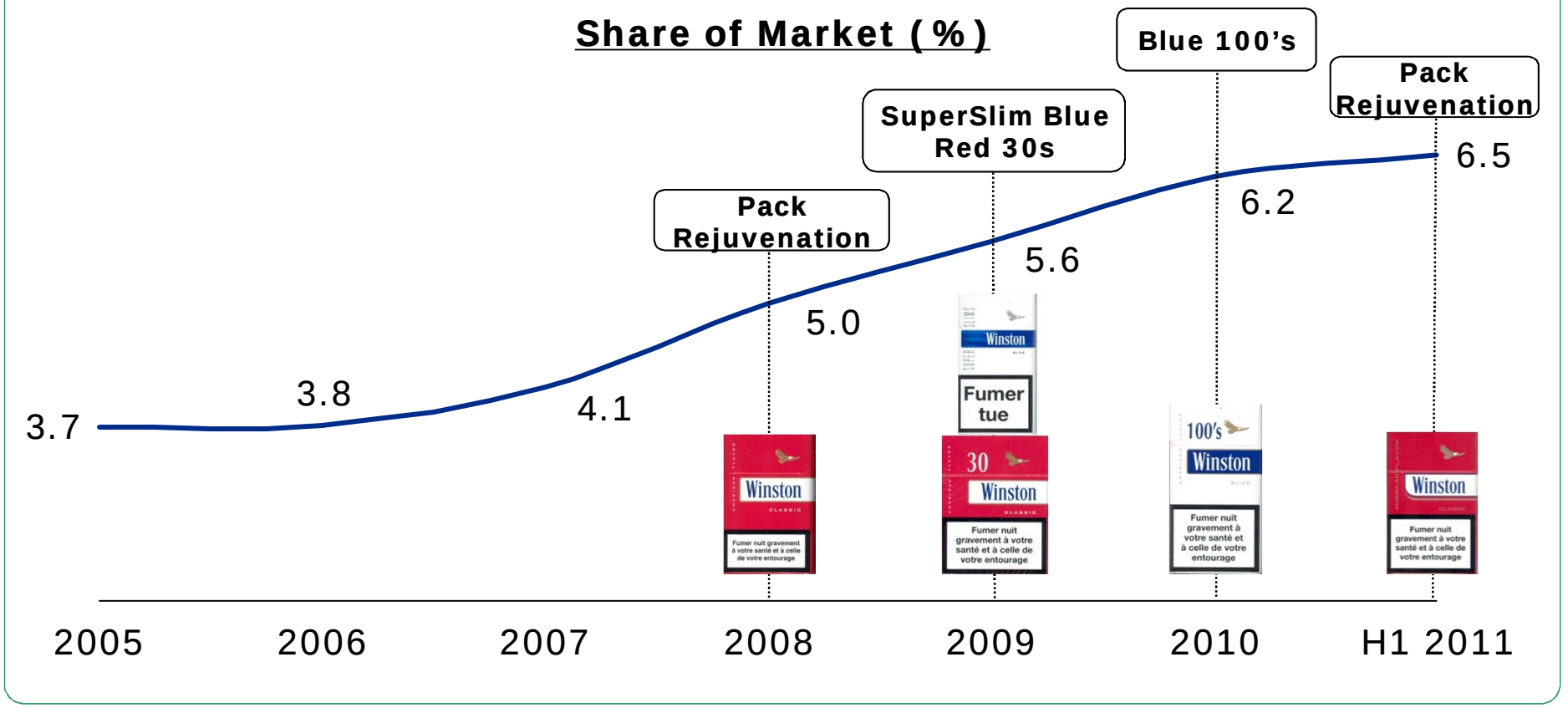

- From #8 brand to #4 brand in France in just 3 years

Source: Altadis Distribution France (ADF)

We are reinforcing further our position in the growing RYO/MYO category, addressing consumer preferences

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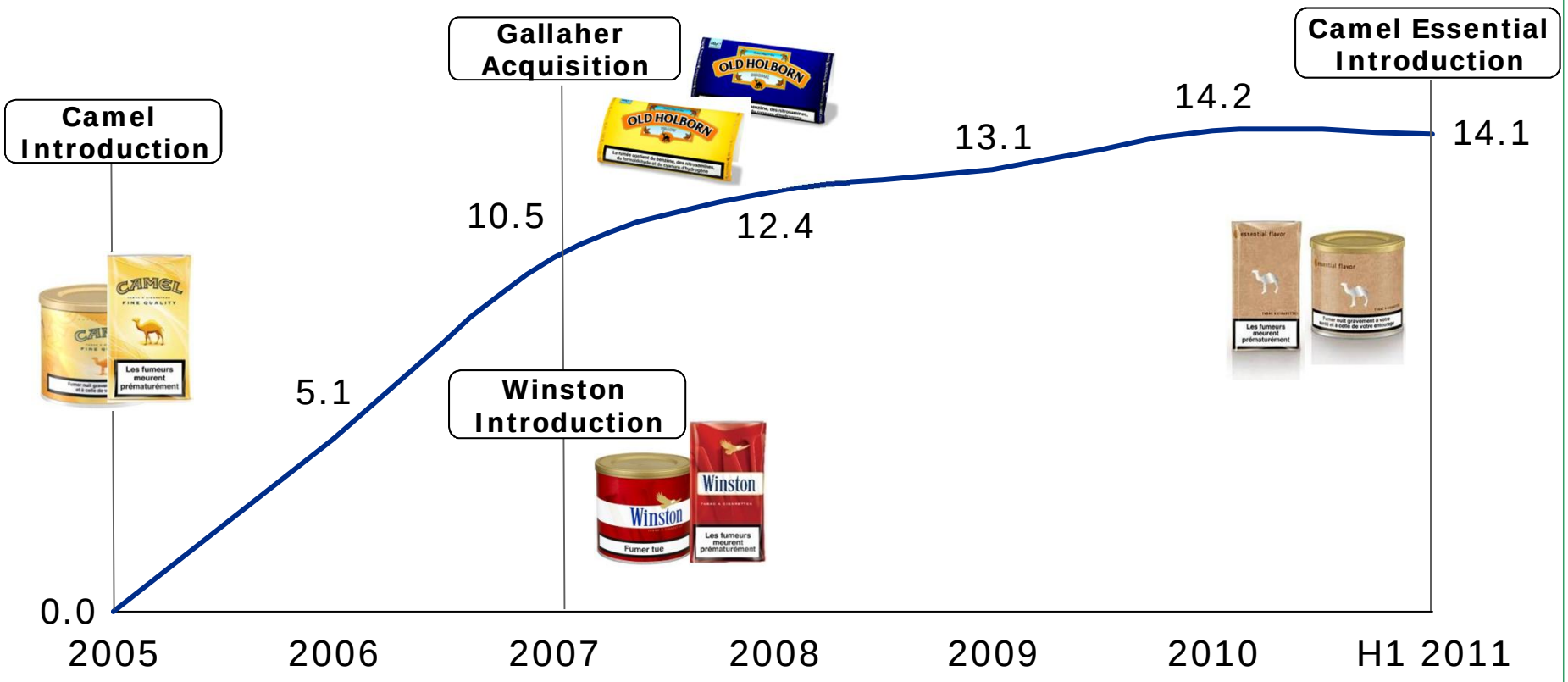
Share of Market (%)



Source: Altadis Distribution France (ADF)

“Executional excellence” at point of sales is a key driver of our brands’ competitiveness in France

THIS SLIDE HAS BEEN DEVELOPED TO EXPLAIN JTI’S PERFORMANCE TO OUR INVESTORS.
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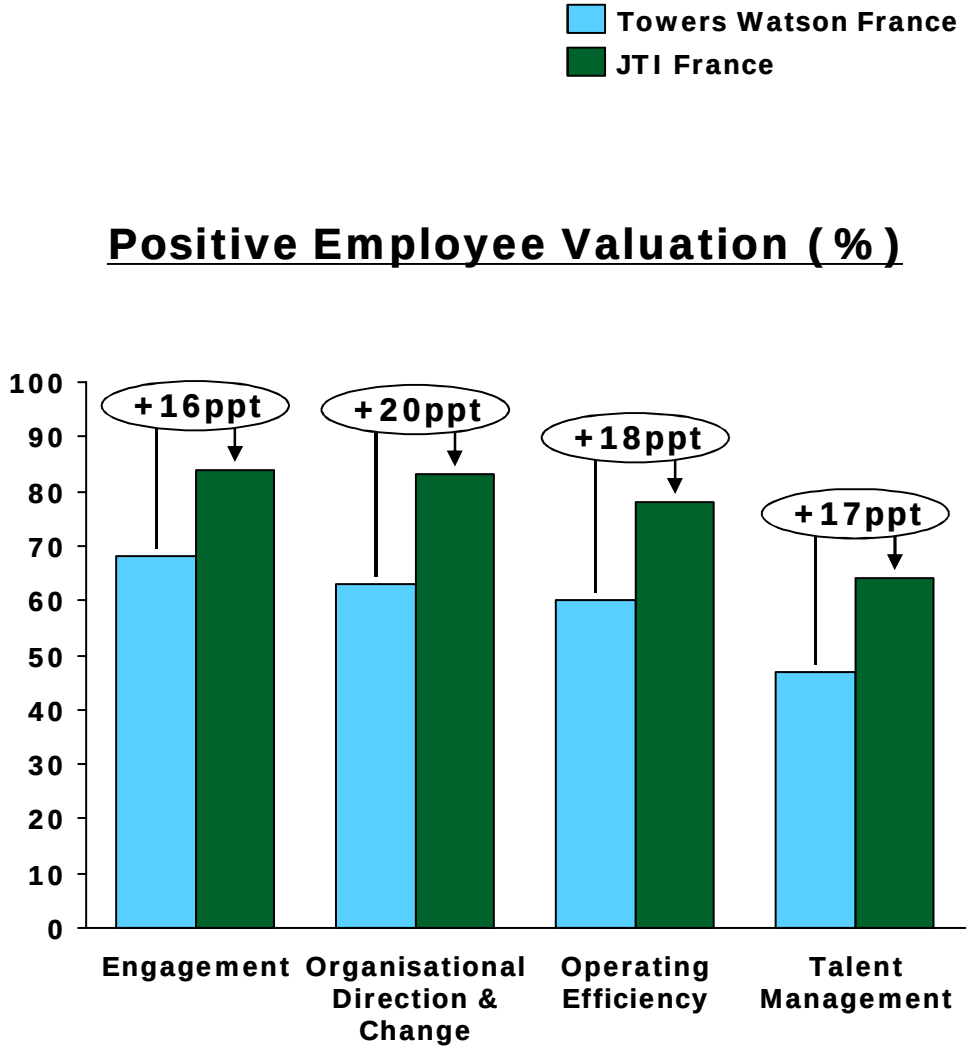
- A culture of continuous transformation of the Trade Marketing organization to offer to JTI a true competitive advantage
- Building a “win-win” partnership with the Trade based on JTI’s ability to meet consumers demand
- Leveraging each opportunity through executional excellence and commercial intensity
- Innovating at point of sales to optimize our brands stand-out
- Efficient and focused resources allocation
- Developing an “everything is possible” Trade Marketing mindset through effective coaching and rewarding





We foster strong employee engagement in order to maximize our performance

- Outperforming Towers Watson's benchmark in France on all items; very high absolute ratings on Engagement, Organizational Direction & Change and Operating Efficiency
- A young (avg. 33.5 year old) yet experienced team (avg. 7 years with JTI)
- Effective career management, motivating work environment, challenging culture are the key JTI success factors



Source: JTI Employee Engagement Survey / Towers Watson 2010

- Concluding Remarks -

A solid base for future growth

- Despite the very strict regulation and high level of taxation, France remains a key market for JTI

- JTI France has demonstrated its ability to grow faster than the rest of the industry for the past 6 years, based on:

  - A strong, well-balanced brand portfolio lending itself to expansion in all relevant consumer segments

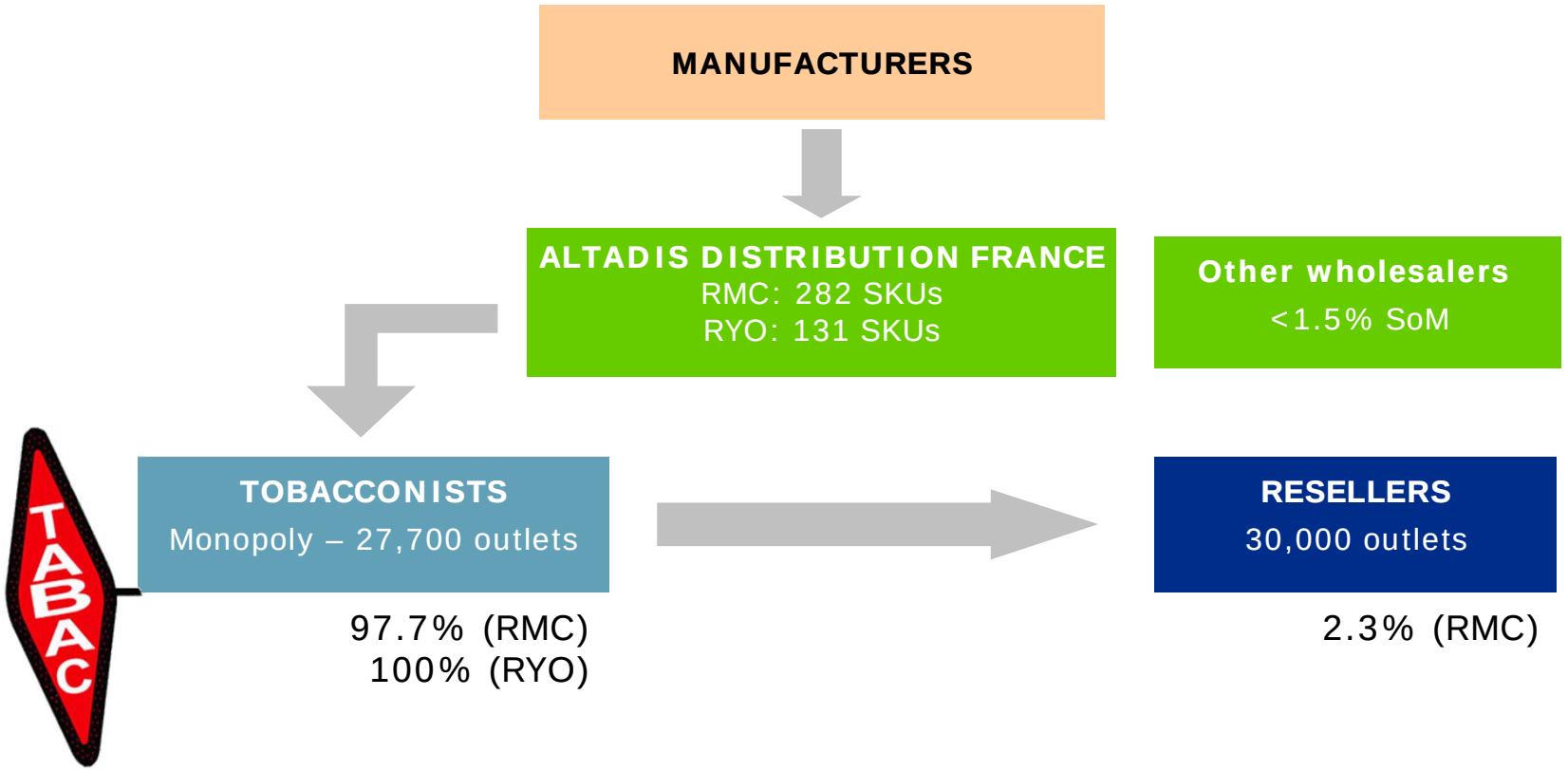
  - Focus and excellence in execution throughout its operation

  - A culture of challenging status quo and continuous improvement

...that will be further nurtured to drive future performance

- Appendix -

Route to market



- Approximately 60,000 retail outlets
- Traditional tobacconists are the main volume channel

Source: Altadis Distribution France (ADF) and JTI estimates

≪資料6≫

JT International

Investor Field Trip

Trier Factory

Luxembourg / Trier

September 19-20, 2011

quality commitment innovation synergy



Jürgen Rademacher

Western Europe
Manufacturing Vice President

Agenda

- Introduction
- Trier Factory
- JTI Trier Strategy & Performance
- Concluding Remarks

- Introduction -

Cigarette manufacturing process overview

Primary

Tobacco leaf:
- > Virginia
- > Burley
- > Oriental



- > CRES(1)
- > DIET(2)
- > RTS(3)



Tobacco blend



- > Casing
- > Flavoring



Making

NTM(4):
- > Cigarette paper
- > Filter
- > Tipping paper



Packing

NTM:
- > Aluminum foil
- > Tax stamp
- > Inner frame
- > Blank
- > Polypropylene
- > Tear tape



Pack

Carton / Bundle



Note:
(1) CRES: Cut Rolled Expanded Stem
(2) DIET: Dry Ice Expanded Tobacco
(3) RTS: Reconstituted Tobacco Sheet
(4) NTM: Non Tobacco Material

Supply chain process overview

Leaf & Materials

Tobacco growing:
> Americas
> Africa
> Asia Pacific, etc.



Tobacco leaf procurement:
> Global



Equipment:
> Europe



NTM:
> Europe



Factory Operations

CRES: tobacco processing



DIET: tobacco processing



Tobacco processing



In-house filter production



Semi-finished Goods



Make Your Own (MYO)



Cigarette production & packaging



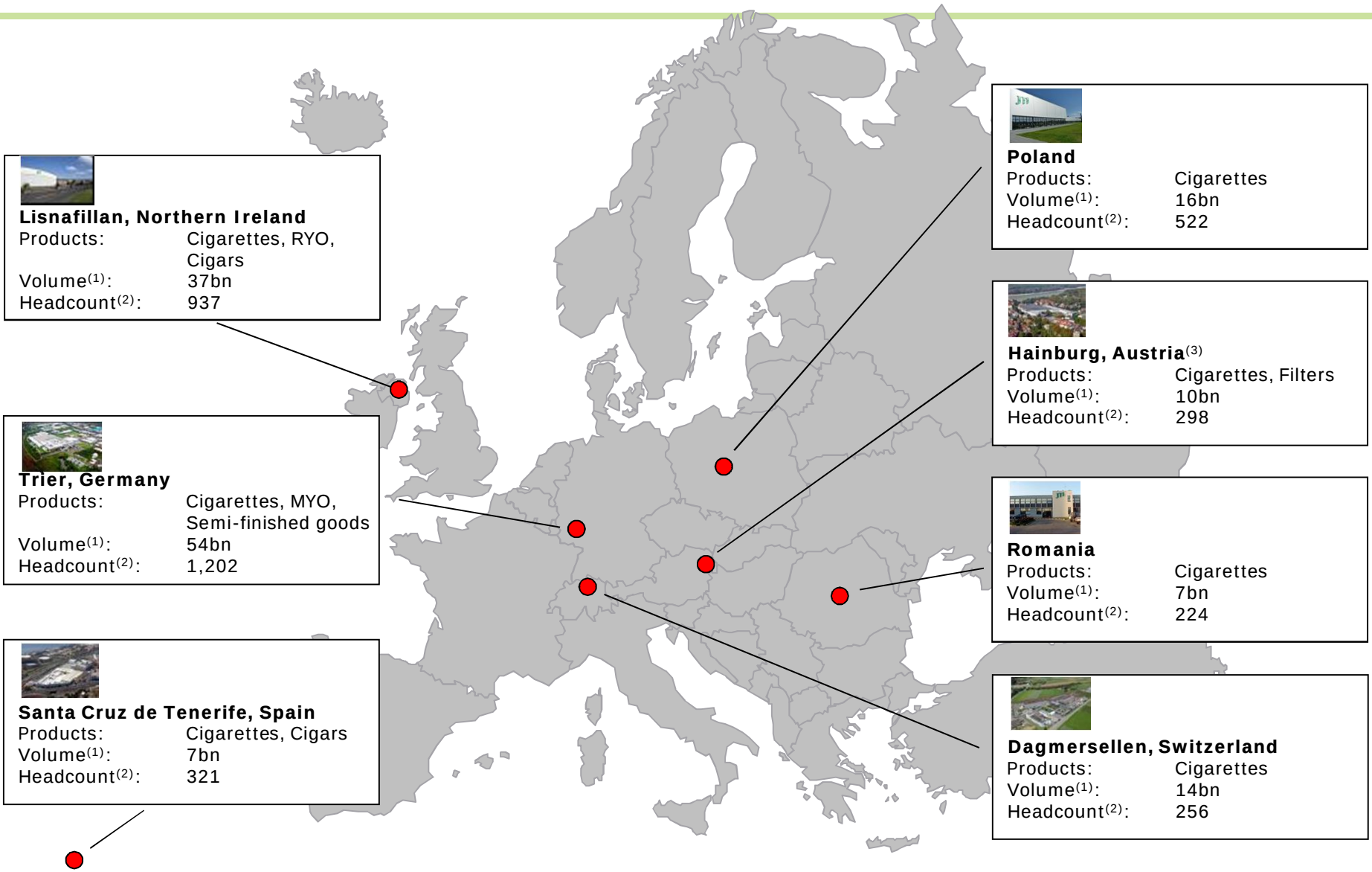
Warehouses



Customers/Consumers



We operate 7 factories in Europe, with a production volume above 145 billion units



Lisnafillan, Northern Ireland

Products:	Cigarettes, RYO, Cigars
Volume(1):	37bn
Headcount(2):	937

Trier, Germany

Products:	Cigarettes, MYO, Semi-finished goods
Volume(1):	54bn
Headcount(2):	1,202

Santa Cruz de Tenerife, Spain

Products:	Cigarettes, Cigars
Volume(1):	7bn
Headcount(2):	321

Poland

Products:	Cigarettes
Volume(1):	16bn
Headcount(2):	522

Hainburg, Austria(3)

Products:	Cigarettes, Filters
Volume(1):	10bn
Headcount(2):	298

Romania

Products:	Cigarettes
Volume(1):	7bn
Headcount(2):	224

Dagmersellen, Switzerland

Products:	Cigarettes
Volume(1):	14bn
Headcount(2):	256

Note: (1) Full year 2010 (2) As of July 2011

(3) Hainburg factory (Austria) will be closed by end of 2011

- Trier Factory -

The Trier region has over 100 years of tobacco tradition, with a highly skilled and experienced workforce

1908



Start of cigarette production in Trier by *Haus Neuerburg*

1969



Factory in Trier downtown taken over by RJR in 1969

1973



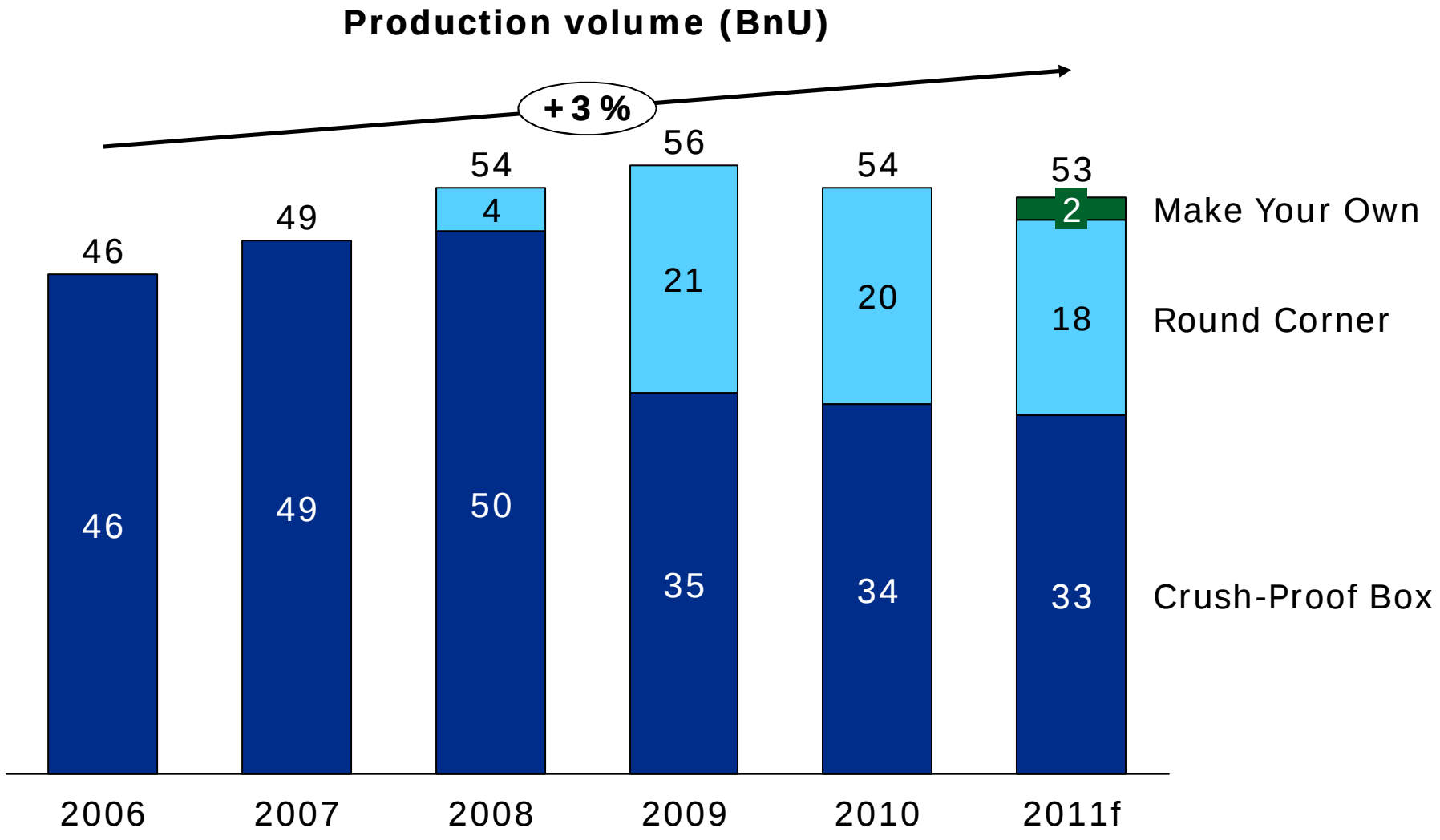
Production start in the new Trier factory

Over $450MM have been invested in the past 10 years to achieve the highest quality and efficiency levels

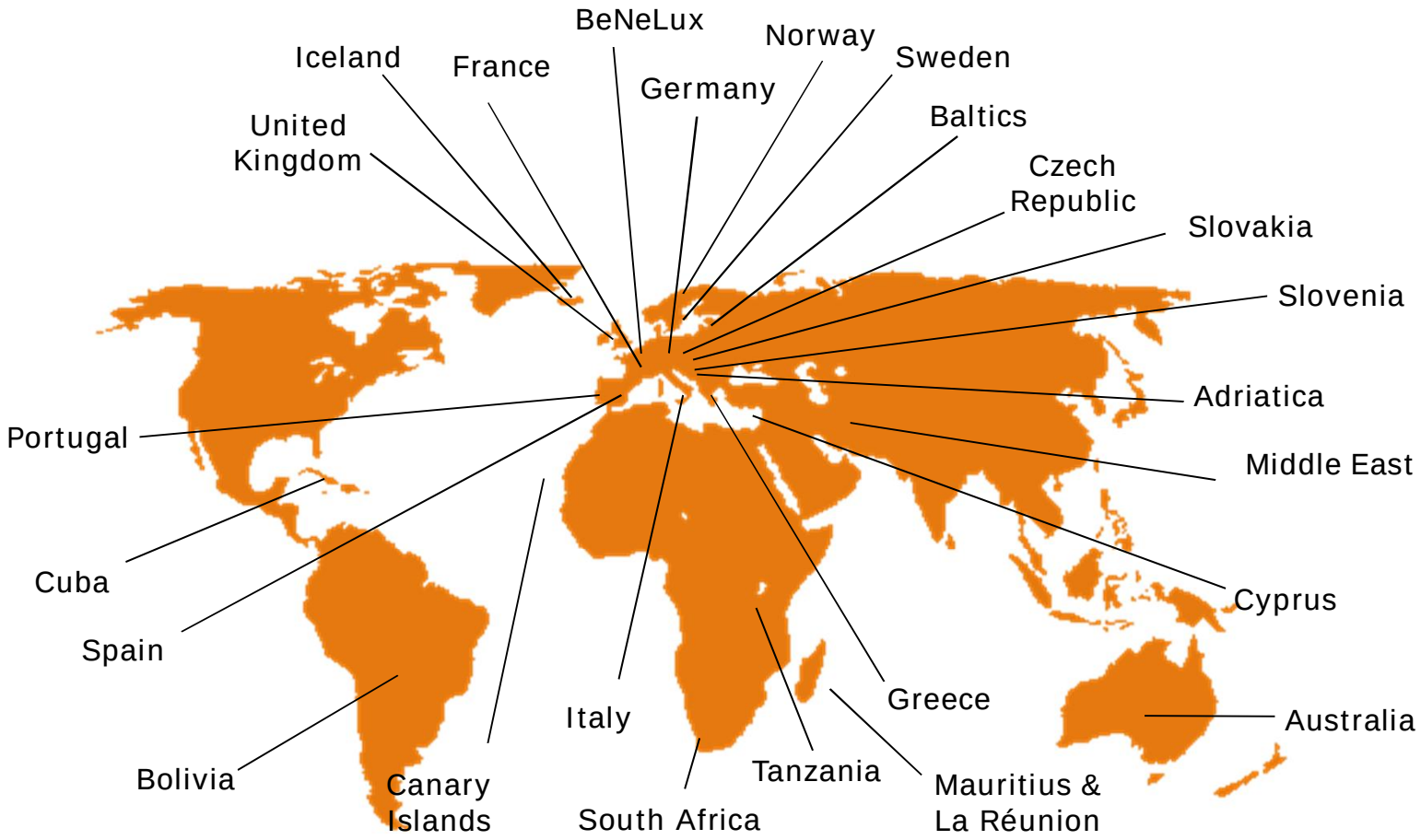
1995	First generation of high speed machines with 14,000 cigs./min
1998	First certification awards for ISO 9001 and ISO 14001
1999	**JT takes over Reynolds International and creates enlarged JTI**
2002	New DIET and new CRES plant
2003	High speed machines with 16,000 cigs./min, SAP implementation
2004	First certification as 5S(1) Best-in-Class factory in the German industry
2007	**JT acquires Gallaher,** enlarging JTI
2008	First time production volume exceeds 50 billion cigarettes
2009	Newest generation of ultra high speed machines with 20,000 cigs./min
2010	Introduction of innovative filter distribution system

Note: (1) SEIRI: Sort out, establish order; SEITON: Systematic arrangement; SEISO: Spruceness, cleanliness; SEIKETSU: Standardize; SHITSUKE: Self-discipline

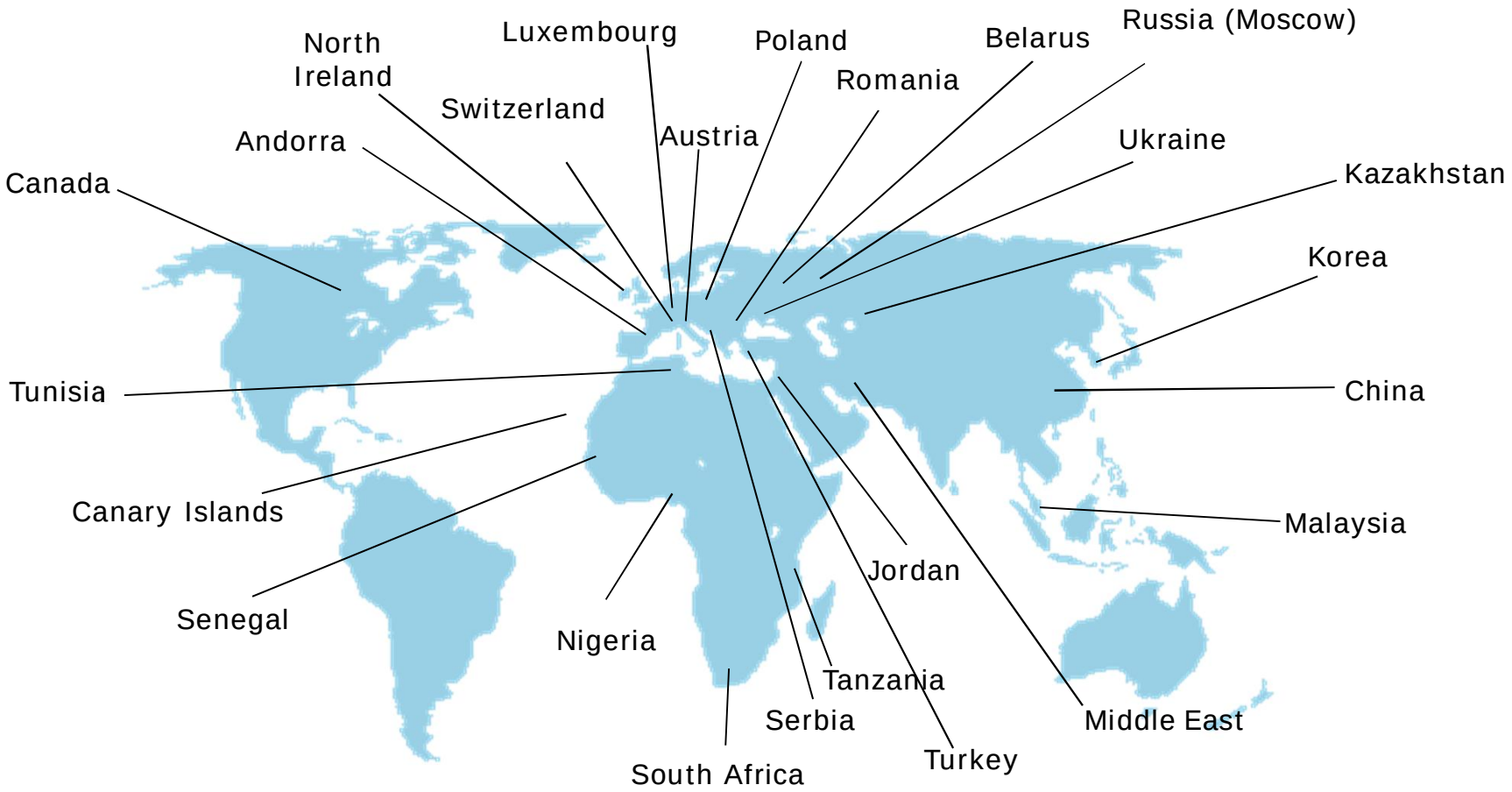
Trier factory produces over 50bn cigarettes a year



Trier supplies over 1,000 cigarette SKUs to 66 markets



Trier supplies semi finished goods to 26 factories including third party manufacturing partners



- JTI Trier Strategy & Performance -

JTI has one single Global Supply Chain mission to provide a competitive advantage for the markets

Mission statement

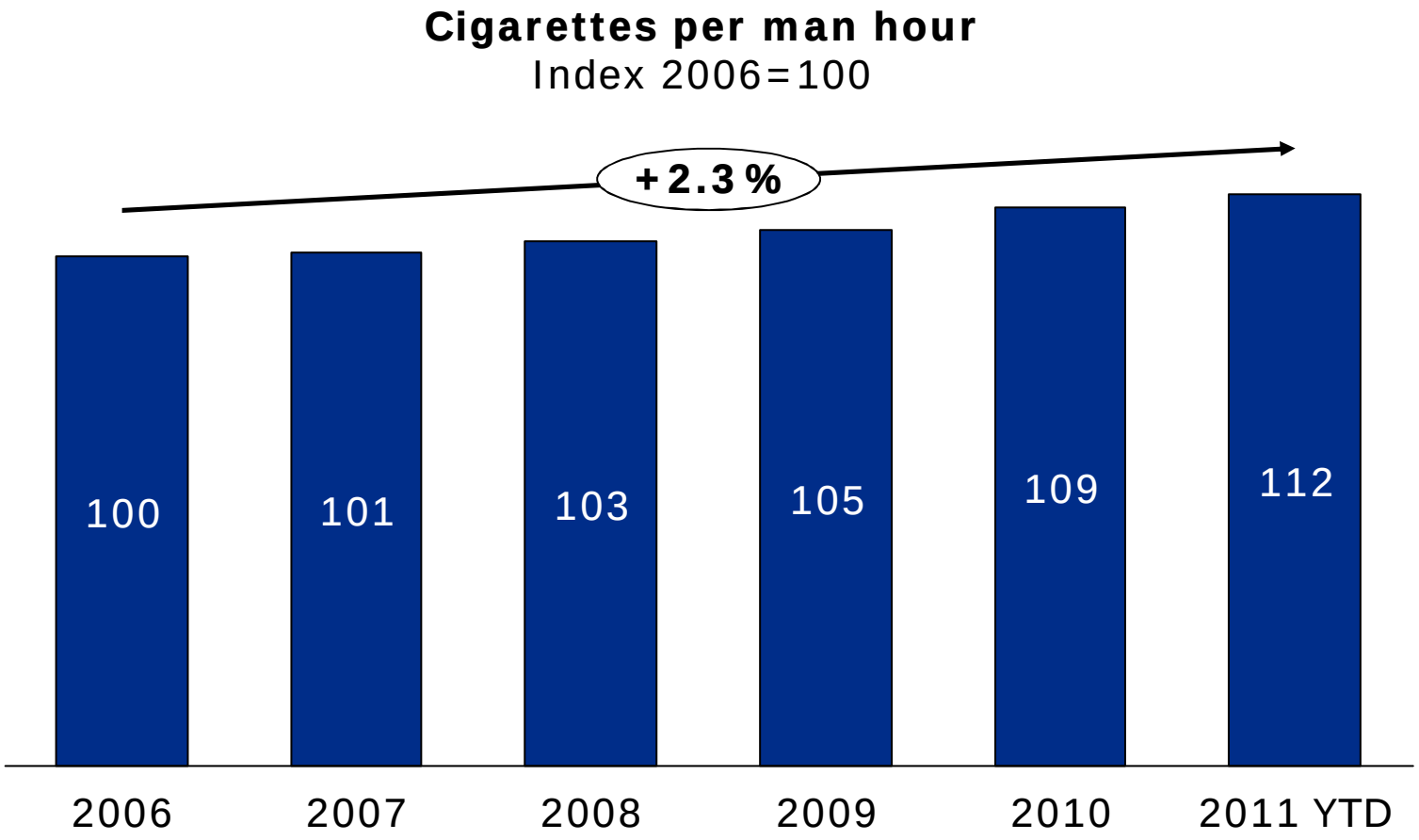
As one team be the industry best supply chain, driving continuous improvement and excellence in execution

Strategies

We will:

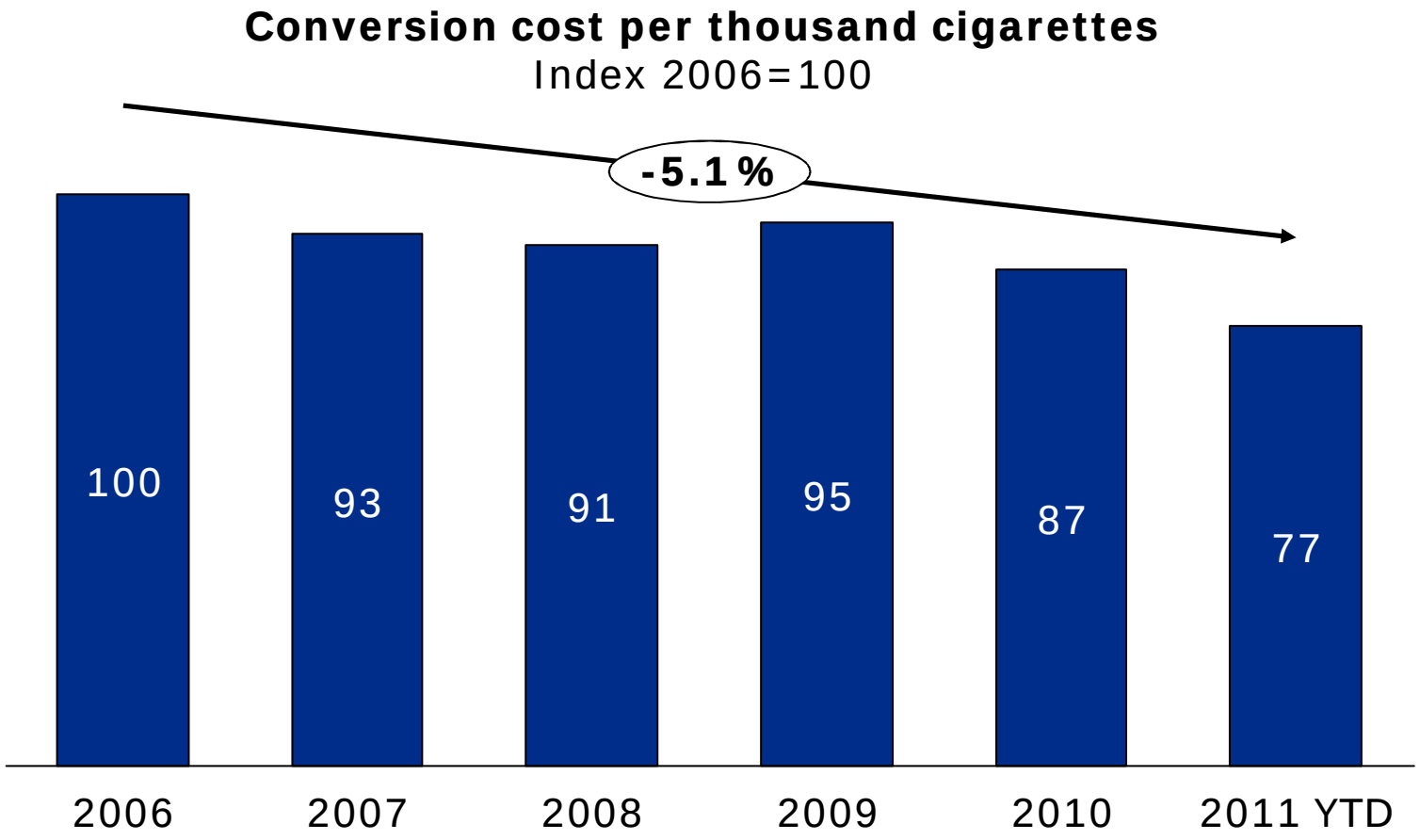
- Deliver highest quality products at best cost
- Maintain shortest possible lead times
- Work as one team
- Ensure positive and transparent collaboration
- Promote innovation
- Provide a proper work environment

Best-in-class productivity in the industry, growing 12% over the past 5 years



- Our key focus includes investment in automation and high-end ultra-high-speed machinery

Conversion costs reduced 23% over the past 5 years



- In addition, strong focus on working capital optimization

Our strong focus on quality is supported by effective management tools

- ISO standardization
  - Solid and certified Process Management System in place, ensuring proper business, quality, environmental and safety processes
    - ISO 9001
    - ISO 14001
    - OHSAS 18001

- CIP (Continuous Improvement Process)
  - KAIZEN(1) as a factory mindset
  - 5S(2) as a company goal
    - Trier Factory received seven times in a row the “5S Best In Class Factory” award



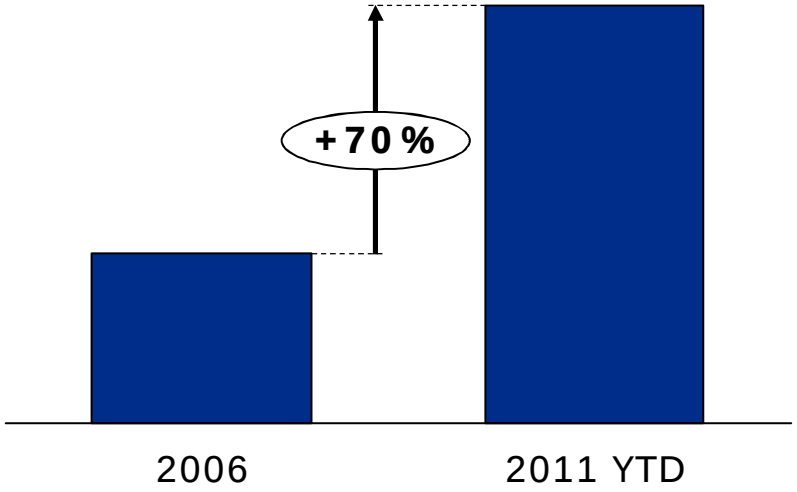
Note: (1) Japanese word for continuous improvement

(2) SEIRI: Sort out, establish order; SEITON: Systematic arrangement; SEISO: Spruceness, cleanliness; SEIKETSU: Standardize; SHITSUKE: Self-discipline

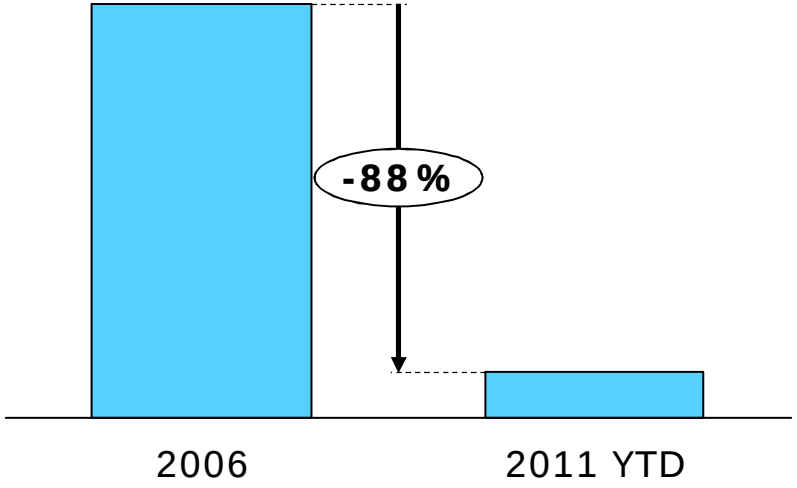
We are continuously improving to deliver industry-leading product quality

- ISO 9001 Quality Management System certification since 1998
- Strong synergy with our Japanese factories, ensuring robust process control of Product Quality and encouraging “never satisfied” mindset
- Outstanding product taste consistency and visual quality delivered with 70% improvement over the past 5 years
- Deviations from technical specifications reduced by 88% over the past 5 years

JTI R&D Quality Audit Rating



Net tobacco weight difference(1) to specification

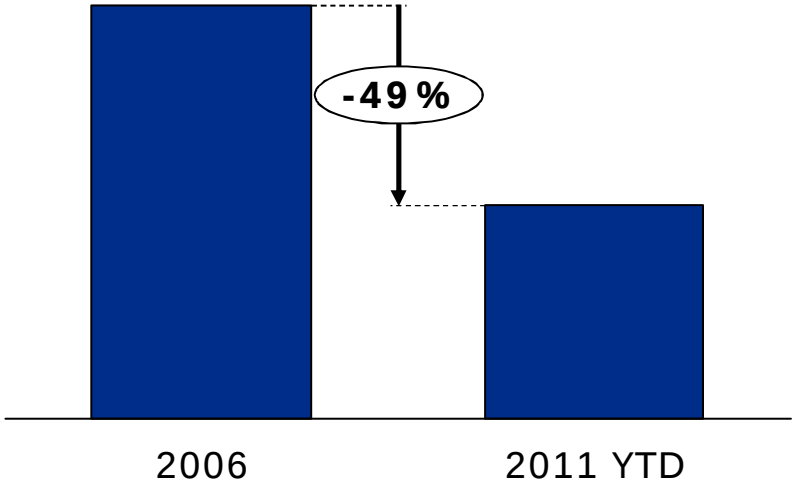


Note: (1) Weight difference to target tobacco weight included in one cigarette

Acting on consumer feedback through continuous improvement

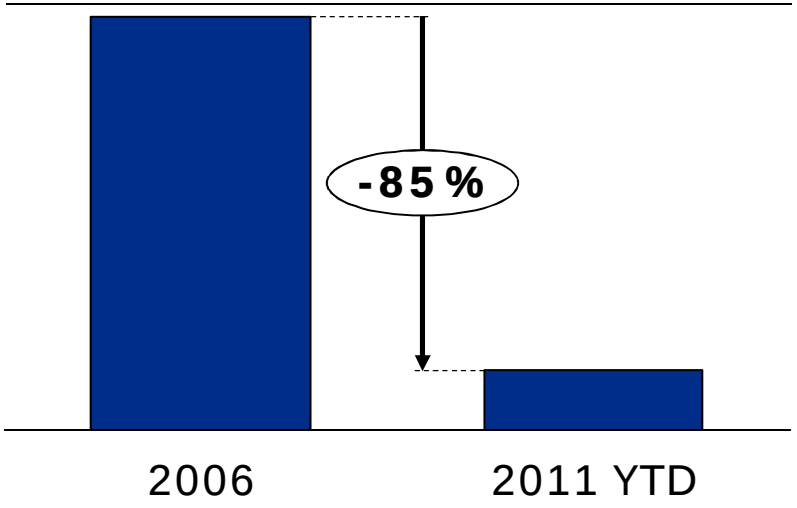
- An effective consumer feedback tool is in place, with an effective handling procedure
- Factory analyzes and investigates feedback for immediate improvement
- Counter measures applied, coordinated with Market and R&D functions

Consumer feedback per billion cigarettes

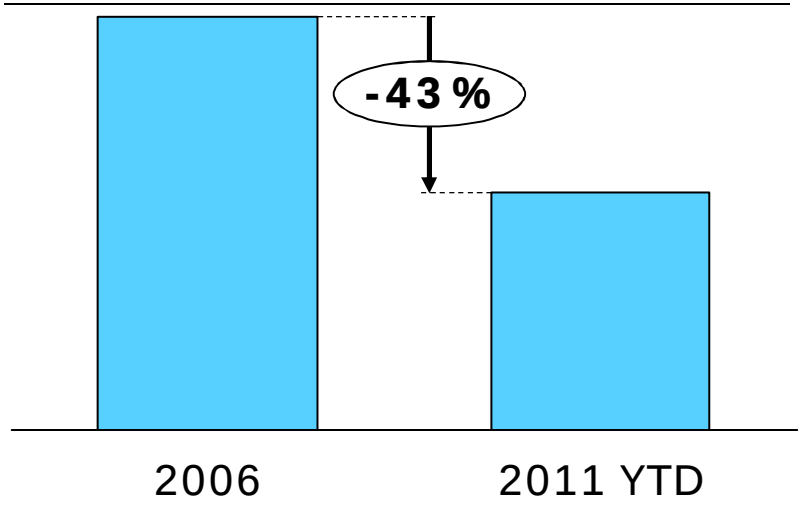


Our Continuous Improvement approach has resulted in progress across a wide range of areas

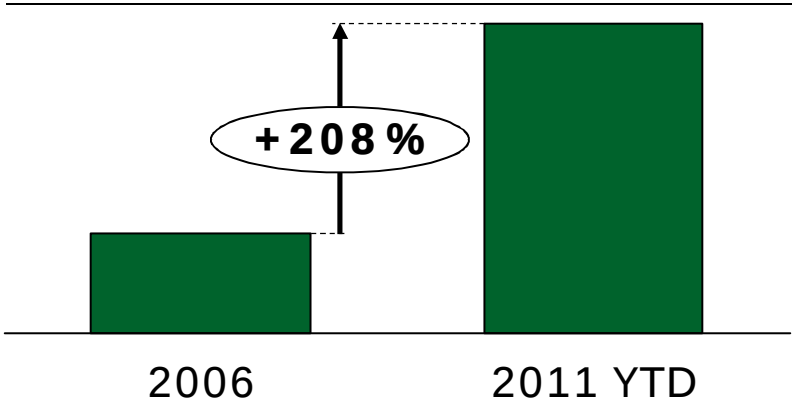
Lost Time incident rate



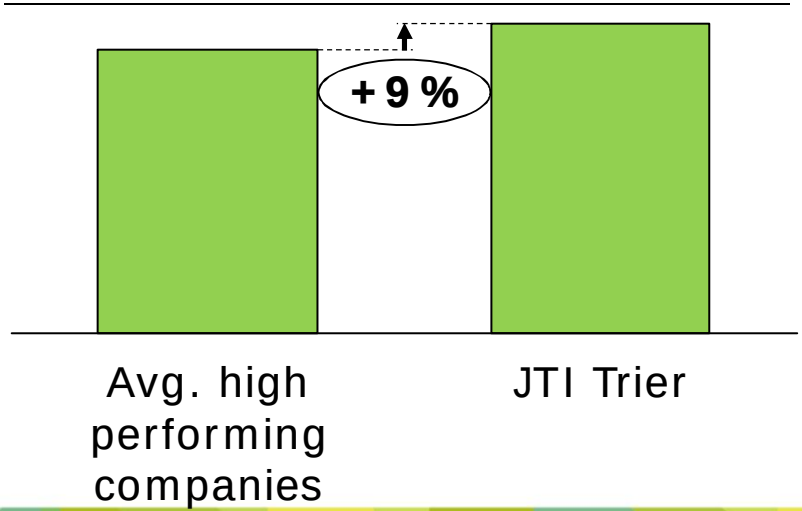
Waste rate



Employee Suggestions



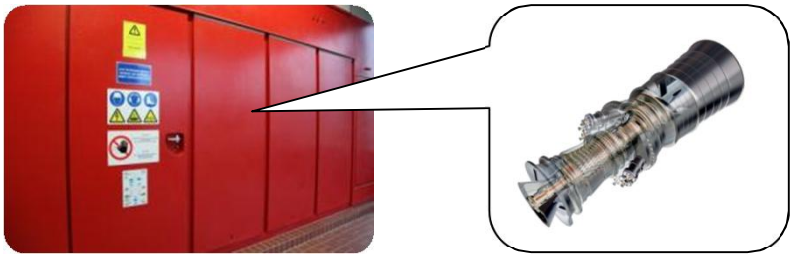
Employee Engagement vs. other top companies



KAIZEN: reducing our environmental impact and costs

Co-generation reduces both costs and CO_2 emissions

- Steam is produced, using natural gas. As a by-product of this process electricity is generated
  - Energy cost savings of US$1.5 Million/year
  - CO_2 - emission reduced by 1,600 tons/year



Outstanding Recycling Rate of 99.4%

- Disciplined separation of waste in all areas
- Benchmark for all JTI Factories

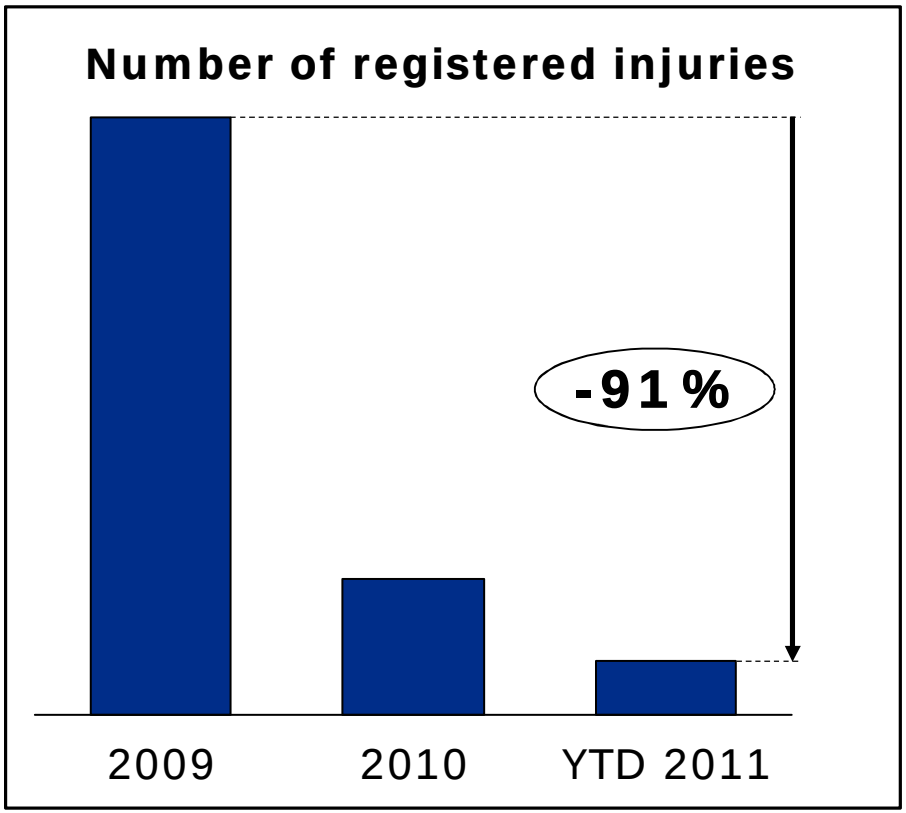




KAIZEN: Trier invented Safety Knife substantially reducing number of cut injuries



Unsafe condition | Version 1 | Version 2 | Version 3 | Version 4





Roll-out final version with hidden knife

- Concluding Remarks -

Trier factory has among the highest quality and efficiency levels in JTI

- Delivering a uniquely diverse portfolio of products worldwide
- Improving productivity at the highest quality level
- Investing in high-end technology
- Demonstrating high levels of employee competence and engagement
- Achieving long-term commitment to continuous improvement, focusing on quality and cost efficiencies