



JT International and the European Commission sign a 15-year Agreement to combat contraband and counterfeit cigarettes

Geneva, Switzerland, 14 December 2007 - - Japan Tobacco International (JTI) today announced the signing of a 15-year agreement with the European Commission and 26 Member States of the EU defining their cooperation to combat the illegal trade of cigarettes in the European territory.

“The fight against cigarette smuggling and counterfeiting is an important business priority for JTI,” said Pierre de Labouchere, President and CEO of JT International. “Combining the resources and coordinating the efforts of both government and business is the only solution,” he explained.

In 2006, nearly 5 billion contraband cigarettes were seized in the European Union and this represents only what has been reported. The figure for seizures of counterfeit cigarettes is estimated to be about 65 percent of that total. The World Customs Organization (WCO) estimates that Europe as a whole accounts for 75 percent of total cigarettes seized in the world. While a precise figure for counterfeit cigarettes is difficult to establish, it is clear that the production of fake cigarettes has increased dramatically over the last three years.

“This massive, sophisticated global business penalizes our legitimate customers and our consumers – who sometimes don’t get what they pay for – while depriving governments of legitimate revenues,” continued Mr. de Labouchere.

The forward-looking agreement announced today builds upon and confirms a number of JTI initiatives that have been implemented over the years. Under its terms, the company will maintain and expand its current internal compliance programs that address the manufacture, sale, distribution and storage of cigarettes; it will facilitate investigations of reported breaches and suspicious transactions; continue JTI’s certification of contractors and customers while ensuring transparent payment procedures for all transactions.

The agreement provides for clear processes around seizures and close cooperation with the European Commission, the European anti-fraud office (OLAF) and the law enforcement authorities of Member States.

In the field of tracking & tracing (T&T), where tools & solutions are rapidly emerging, JTI has taken a very methodical approach in identifying an optimal solution that is beneficial to all concerned parties.

The company’s initial goals are to be in a position to label master cases of cigarettes in a manner which will allow government officials to easily obtain key information relating to the manufacture, storage and sales of its products. In a second phase, JTI will extend markings to cartons - and if appropriate to packs. In the event products are diverted into the illegal market, a viable T&T solution will enable JTI and governments to cooperate more closely in getting to the source of such diversions and take immediate corrective actions.



The agreement calls for JT International to pay USD 400 million over 15 years to the EC and participating Member States, which can be used in additional support for anti-contraband and anti-counterfeit initiatives to help address these problems over the European territory.

In keeping with this spirit of cooperation, any future lawsuits against JTI for civil claims arising out of alleged past conduct related to illicit trade activity are excluded by the agreement. All parties believe that this is the best way to tackle a problem that none of them can solve on its own.

On 18 April 2007, the JT Group acquired Gallaher Plc. A stated objective of JTI is to operate as one single company, and therefore a framework and timetable have been agreed upon to include the former Gallaher entities in the agreement. General compliance obligations will apply immediately. Others like Tracking and Tracing (T&T) or Know Your Customer (KYC) are to be introduced on realistic yet aggressive time scales.

“Our joint objective was to establish an ongoing relationship of meaningful cooperation to combat the illicit trade of cigarettes into or through the European Union,” commented Mr. de Labouchere. “I am pleased that in doing so, we have not limited ourselves to past or present problems but more importantly we have established a solid forward-looking partnership,” he concluded.

JT International is a subsidiary of Japan Tobacco, Inc. (JT), the world's third largest international manufacturer of tobacco products. JT's portfolio includes top cigarette brands such as Winston, Camel and Mild Seven; as well as Benson & Hedges, Silk Cut, LD, Sobranie and Glamour. The JT Group's total tobacco net sales (excluding taxes) amount to USD 14.4 billion (US \$1 = ¥118.05) in the fiscal year ended March 31, 2007. With headquarters in Geneva, Switzerland, JTI has 23'000 employees and operations in 120 countries.

Documents pertaining to the Agreement and other related materials are available on www.jti.com

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