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**FOR IMMEDIATE RELEASE**

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**JT to acquire a leading waterpipe tobacco company**

Japan Tobacco Inc. (JT) (TSE: 2914) today announced that it has entered into an agreement to acquire all the outstanding shares of Al Nakhla Tobacco Company S.A.E. and Al Nakhla Tobacco Company – Free Zone S.A.E. (collectively, “Nakhla”). The agreement has been signed<sup>1</sup> between the JT Group and BATATA S.A., which controls Nakhla. JT expects to complete<sup>2</sup> the acquisition in the fiscal year ending March 31, 2013.

Nakhla, with headquarters and two factories in Cairo and Shebin El Kom, Egypt, is one of the world’s leading waterpipe tobacco (also known as molasses and shisha) manufacturers with an important presence in its home market. It exports to 85 countries, primarily in the Middle East and North Africa where such products have a deep rooted heritage. With a heritage of almost 100 years of industry experience, Nakhla pioneered the concept of aromatic molasses and holds a 70% market share in this segment in Egypt. Nakhla’s total sales volume was approximately 24,000 tons in 2011 (roughly comparable to 24 billion cigarettes by volume), across a diverse brand portfolio comprising El Nakhla, Classic, Mizo and other popular trademarks.

“Our acquisition of Nakhla offers an excellent opportunity for growth in the waterpipe segment and widens our brand portfolio, in line with our strategy to address the needs of adult consumers across a range of tobacco product categories” commented Fadoul Pekhazis, Regional President of Middle East, Near East, Africa, Turkey and World Wide Duty Free for Japan Tobacco International (JTI). “Furthermore, the acquisition enhances JTI’s geographical footprint in the Middle East and Africa, and over the long-term, provides a platform for JTI to participate in the sizeable cigarette market in Egypt.”

It is envisaged that this acquisition will be funded by JT Group’s existing funds, and if necessary by loan facilities. The transaction is valued at a high single digit multiple of Nakhla’s underlying earnings before interest, tax, depreciation and amortization in 2011. The acquisition is expected to have a minor effect on the Group’s consolidated performance, cash flow and balance sheet.

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*Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized cigarette brands include Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals and foods. The company’s revenue was ¥2.034 trillion (US\$24,745 million(\*)) in the fiscal year ended March 31, 2012.*

*\*Translated at the rate of ¥82.19 per \$1, as of March 30, 2012.*

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*Notes:*

<sup>1</sup> Decision on the acquisition has been made by JT, whereas the acquisition agreement has been concluded by JT International Netherlands B.V., the JT Group’s entity based in the Netherlands.

<sup>2</sup> In the event the acquisition is completed as scheduled, Nakhla is scheduled to be consolidated by the JT Group in the fourth quarter of the fiscal year ending March 31, 2013.

**Nakhla**

Total:

Business description: Manufacture and sales of waterpipe tobacco  
Sales volume: Approximately 24,000 tons in 2011 (roughly comparable to 24 billion cigarettes by volume)  
Number of factories: Two  
Number of employees: Approximately 1,900  
Net sales: Approximately US\$ 110 million in 2011

Al Nakhla Tobacco Company S.A.E.

Established: 1913  
Headquarters: Cairo, Egypt  
Production facility: Shebin El Kom, Egypt  
Representative: A. A. El Ibiary  
Shareholdings: Unlisted  
Business description: Manufacture and sales of waterpipe tobacco in Egypt  
Share capital: EGP 49.9 million

Al Nakhla Tobacco Company – Free Zone S.A.E.

Established: 2005  
Headquarters: Shebin El Kom, Egypt  
Production facility: Shebin El Kom, Egypt  
Representative: A. A. El Ibiary  
Shareholdings: Unlisted  
Business description: Manufacture and export of waterpipe tobacco  
Share capital: US\$ 7.0 million

**Waterpipe tobacco**

Market size in Egypt: Approximately 28,000 tons (26,000 tons in the traditional segment and 2,000 tons in the aromatic segment) in 2011 (roughly comparable to 28 billion cigarettes by volume)

Nakhla's share in Egypt: Approximately 20% (20% share in the traditional segment and 70% in the aromatic segment)

(Source:Euromonitor and Nakhla's estimate)

Usage: Waterpipe tobacco is a blend of tobacco leaves with additives of sugar solutions and others. There are two types of waterpipe tobacco; traditional, also known as non-aromatic, and aromatic. Typically, charcoal heated tobacco is enjoyed after the smoke passes through the water inside the smoking device.

