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**JT acquires 40% of Ethiopia's NTE
*Company continues expansion into Africa***

Japan Tobacco Inc. (JT) (TSE: 2914) announced today that the JT Group has signed a share purchase agreement of USD510 million with the Ethiopian Government for 40% of the total shares in National Tobacco Enterprise Ethiopia S.C (NTE), after having submitted a successful bid last May.

“The JT Group is delighted to be entering the Ethiopian market where we currently have no presence,” said Mutsuo Iwai, Executive Vice President and President of the Tobacco Business. “Ethiopia will be an important expansion of our geographic footprint in emerging markets. As the largest shareholder, we expect to be able to exert significant influence over the direction of the company. The country is currently experiencing double-digit economic growth, with industry volume also expected to continue to increase.” Mr. Iwai added.

“JTI is recognized as a leading tobacco company and I expect them to bring their technical, business and management ability to develop NTE into a worldclass company, which will contribute to the overall Ethiopian economy. We very much look forward to working with JTI and offer our full support in making this a success for all stakeholders.” said Demitu Hambisa, Ethiopia’s Minister of Public Enterprises.

“The Government fully recognizes our expertise as a global manufacturer, and is ready to give us the opportunity to leverage our successful experience in other Middle East and African markets such as Tanzania and Egypt. We are therefore confident that we will achieve all the goals we have set for this business” said Jorge da Motta, JTI’s Regional President for the Middle East, Near East and Africa region. “We will work with all shareholders to see how we can continue to grow the NTE business and explore opportunities to further strengthen NTE’s brands such as Nyala, as well as the overall distribution and manufacturing capabilities.”

The transaction was completed with funds by the Group’s existing cash and loan facilities. Financial impacts on the Group’s consolidated performance for the fiscal year 2016 are non material.

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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its globally recognized brands include Winston, Camel, Mevius, LD and Natural American Spirit. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.253 trillion (US\$18,679 million^()) in the fiscal year ended December 31, 2015.*

**Translated at the rate of ¥120.61 per \$1, as of December 31, 2015*

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National Tobacco Enterprise Ethiopia S.C

Business discription: Manufacture and sales of cigarette
Major brand: Nyala
Number of factory: 1
Number of employees: Approximately 1,000
Established: 1935
Location of headquarter & factory: Addis Ababa (Capital city)
Shareholders: Ethiopian government, Sheba group

Outline of Ethiopia*:

Population: Approximately 97 million in 2014
(Annualized growth rate of 2.5% between 2011 - 14)
Real GDP growth 10.3% (annualized growth rate between 2011-15)

*Source: World Bank

Cigarette market in Ethiopia*:

Market size: Approximately 6.25 billion sticks in 2015 (Duty Paid)
Share of market: NTE brands: 85.6% in 2015 (Imported brands 14.4%)

*Source: Canadean ERC