



Press Information

March 23, 2006

-- End of monopoly on industrial alcohol, start of full deregularization of the alcohol industry--

**NEDO Alcohol Enterprise Head Office turns to full privatization,
transition to a special company Japan Alcohol Corporation to be established on April 1**

The Alcohol Enterprise Head Office of the New Energy and Industrial Technology Development Organization (abbreviated as NEDO) will be moved to a wholly government owned special company as at April 1 2006, and will commence activities as the Japan Alcohol Corporation (J.alco) under the Japan Alcohol Corporation Law. At the same time, the monopoly on 'industrial alcohol' will cease and alcohol production will be fully deregularized. Furthermore, the special company will sell its stocks within two years, and is intended to become fully privatized.

The current deregularization of industrial alcohol and the establishment of a special company are to take place based on the "Basic plan for the downsizing and improvement of the efficiency of administrative organization" which was approved by cabinet in April 1999. Following cabinet approval, in April 2001 the Alcohol Monopoly Law was abolished and the Alcohol Business Law was enforced. In a radical deregulation measure, a five year interim period was established and during this period, as well as the implementation of an exclusive sales and purchase system of alcohol by the NEDO Alcohol Enterprise Head Office, as much as possible the Division looked to the creation of a special company, merger and abolition of factories, labor reduction and rationalization of activities.

Originally, the alcohol monopoly system began with the enforcement of the Alcohol Monopoly Law in 1937 in the search for self-sufficiency in a chemical liquid fuel alternative to oil under the supervision of the Finance Ministry. Since there was a high demand for indispensable industrial alcohol in a wide range of industries after the war, in order to be able to provide good quality industrial alcohol at a modest price which did not attract alcohol taxes, the alcohol monopoly system was maintained and managed by direct government supply. In 1982 the government Alcohol Manufacturing Department was transferred to the government affiliated New Energy Development Organization (forerunner to the NEDO), and continues up until the present.

In recent years, the price of alcohol has increased owing to various social factors such as the rise in oil and sugar prices, as well as the disruption to the balance of demand by the increased demand in fuel-grade alcohol.

In the midst of radical changes in the worldwide alcohol industry, after transition to a special company we are making even further efforts to steadily and efficiently secure the raw materials for alcohol widely from both home and abroad; to harness quality control and alcohol production technologies at the international standard achieved up until this point; and to be able have the stable and inexpensive provision of excellent products. Specifically, using 'Background Control', which is developed by our company, we provide information on raw materials for our products and we are putting extra additional efforts into the production and sale of 'Qibix' alcohol, the raw materials of which are limited to sugar cane.

In addition, we plan to make a fresh announcement on personnel appointments to the Japan Alcohol Corporation after these are decided at the March 28 first general meeting.

What is industrial alcohol ?

There are two types of alcohol which are distributed in Japan: alcohol for use in alcoholic beverages (under the jurisdiction of the Finance Ministry) and alcohol for industrial use (under the jurisdiction of the Ministry of Economy, Trade and Industry). Industrial alcohol is divided into 'general alcohol' and 'specialized alcohol' (which has alcohol tax added to its cost) according to the form of distribution, of which general alcohol accounts for the majority. There are very broad uses for industrial alcohol, including food and beverage related products (food preservatives in the raw materials for vinegar and miso, soy sauce, noodles and pickles, and flavorings for use in cakes, juices and ice cream); mouth wash; anti-bacterial spray; disinfection and sterilization use in pharmaceutical and reagent alcohols; cosmetics; detergents; paints; paint supplements; and flavoring in tobacco.

What is 'Background Control' ?

This is the analysis and identification of raw materials (sugar cane, corn, cassava) and production areas by the 'isotope ratio mass analysis' of crude fermentation ingredients imported from abroad. The information necessary for an appeal with regards to raw materials are managed using an information system (ERP), making it possible to provide the customer with retrospective information on the materials of the products from the point of bringing the crude fermentation ingredients into the country until delivery to the customer.

What is 'Qibix' ?

This is a 95 percent primary alcohol using sugar cane from Brazil and South East Asia as raw materials, produced through a process which is controlled from the procurement of raw materials until shipping.



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