

FOR IMMEDIATE RELEASE

This article has been translated from the original Japanese press release dated February 18, 2002 in Japan for your convenience.

February 18, 2002

To whom it may concern:

Asahi Breweries Ltd.
Kyowa Hakko Kogyo Co., Ltd.

**Kyowa Hakko Kogyo Co., Ltd. Transfers Alcoholic Beverage Business
to Asahi Breweries Ltd.**

Tokyo, Japan, February 18, 2002 - Asahi Breweries, Ltd. (President: Kouichi Ikeda, Head office: Tokyo, Japan) and Kyowa Hakko Kogyo Co., Ltd. (President: Tadashi Hirata, Head office: Tokyo, Japan) have reached a basic agreement to transfer Kyowa Hakko (“Kyowa”)’s alcoholic beverage business to Asahi Breweries (“Asahi”). This decision, which will see the transfer of businesses relating to Shochu, low alcohol beverage, wine and other related products, was reached at today’s meeting of the boards of directors of the two companies. The raw alcohol business will not be included in the transfer.

1. Details of the Agreement

● **Alcohol Beverage Sales Division**

Kyowa’s Alcohol Beverage Sales Division will transfer its sales activities to Asahi in the year of 2002. Asahi will then take a responsibility for sales of Shochu, low alcohol beverage, wine and other related products.

● **Alcohol Beverage Manufacturing Division**

Kyowa will spin off its Tsuchiura and Moji alcohol beverage production plants to form a new company (“NewCo”). Asahi will own 60 percent of the shares of the NewCo, which will be managed as a joint venture from 2002 onwards. Asahi is scheduled to purchase the rest of shares of the NewCo three years later from the establishment of the new company, changing the NewCo to wholly-owned subsidiary of Asahi.

● **Alcohol Beverage Manufacturing Subsidiaries of Kyowa Hakko**

Saint Neige Wine Co., Ltd., Satsuma-tsukasa Co., Ltd. and Yuki-no-hana Co., Ltd. are Kyowa’s alcohol beverage manufacturing subsidiaries, located in Yamanashi pref., Kagoshima pref. and Hokkaido Japan respectively. All the shares Kyowa currently owns in these subsidiaries will be transferred to Asahi.

2. Objectives

Asahi currently boasts the largest share of the liquor market in Japan thanks to its outstanding competitiveness in beer and Hoppo-shu. Building on this success, Asahi is pushing forward with a comprehensive business expansion to allow it to offer attractive products in all alcohol beverages and liquor categories. Asahi's full-scale entry into the liquor market and joint marketing activities conducted with Nikka Whisky represent this drive, and play vital roles in the solid foundation now built in this area.

With this new agreement, Asahi will benefit from taking on Kyowa's experience and brand awareness in the Shochu and Low Alcohol Beverage market. Product line-ups will be dramatically reinforced thanks to the addition of those products, and Asahi intends to carve out key positions in all markets in which it operates. Able to deliver alcoholic beverage products across the board, Asahi will be in a position to provide higher service quality than ever before.

For its part, Kyowa has in recent years been concentrating management resources into the Pharmaceuticals and Bio-Chemicals markets, which make up its core competences. Throughout this period, the management of Kyowa has been developing strategies that promote the independence of other businesses and leading to improved profitability in the alcoholic beverage business.

Aiming bringing to light its latent capabilities in the existing alcoholic beverage business, the management of Kyowa concluded it was necessary to replace an insistence on stand-alone business operations with a new emphasis on business alliances. This new commitment underlay the decision to transfer the abovementioned business to Asahi.

With the new agreement, Kyowa is confident that its alcoholic beverages can be an important presence in Asahi's total alcoholic beverage business. The company intends to use the latest developments as an opportunity to further develop its corporate themes of choice and concentration. Hastening the speed of management reform, Kyowa will focus on and expand its pharmaceutical and other life science-based core businesses. New corporate value is sure to be generated as a result.

3. Outline of Transaction See below

4. Expected Schedule

February 18, 2002	Signing of basic agreement
April, 2002	Signing of formal contract (planned)
In the year 2002	Kyowa transfers the sales and marketing operations of its alcoholic beverages to Asahi.
	Kyowa will spin off the alcoholic beverage manufacturing units into the NewCo.
	Asahi acquires 60% of share of the NewCo.

Kyowa transfers Asahi the share of the alcohol beverage manufacturing Subsidiaries concerned.

5. Business performance of Alcoholic business unit of Kyowa Hakko

Unit: millions of yen

	FY2001 April 1, 2000 - March 31, 2001		
	Alcoholic Beverage business unit (a)	Kyowa Hakko (Non consolidated) (b)	Ratio (a/b)
Sales Amount	38,588	306,653	12.6%
Operating Profit	(263)	17,264	-

Asahi Breweries Ltd.:

The forecast of consolidated and non-consolidated for year ending December 31, 2002 is not finalized.

Kyowa Hakko Kogyo Co, Ltd.:

No revision is expected at this moment to the forecast of consolidated and non-consolidated for year ending March 31, 2002.

6. Business Profile of subsidiary companies relating to the transaction.

Company name	Sainte Neige Wine Co., Ltd.	Satsuma-tsukasa Co., Ltd.	Yuki-no-hana Co., Ltd.
Operating Activity	Manufacture of Liquors	Manufacture and sales of Shochu	Manufacture of Sake
Establishment	November 1942	April 1936	August 1961
Head office	Yamanashi pref. Japan	Kagoshima Pref., Japan	Hokkaido, Japan
Representative	President Seigo Takasawa	President Naoyuki Sorimachi	President Naoyuki Sorimachi
Sales	1,692 Million yen	207 Million yen	191 Million yen
Operating Profit	(35) Million yen	10 million yen	0 million yen
Percentage owned by Kyowa Hakko	95.19%	55.42%	92.14%
Fiscal year end	March	June	September

7. Business profile of the parties concerned

Company name	Asahi Breweries Ltd.	Kyowa Hakko Kogyo Co., Ltd.
Operating Activity	Manufacture and sales of Beer and other alcoholic beverages	Manufacture and sale of Pharmaceuticals, Bio-chemicals, Chemicals and Liquor and Foods
Establishment	September 1949	July 1949
Head office	Tokyo, Japan	Tokyo, Japan
Representative	President Kouichi Ikeda	President Tadashi Hirata
Capital	177,665 million yen	26,745 million yen
Share Issued	497,992,540	434,243,555
Shareholders' equity	362,368 million yen	179,624 million yen
Total Asset	1,134,120 million yen	357,921 million yen
Fiscal year end	December	March
Number of employees	4,103	4,809

Main Shareholder (%)	Dai-ichi Mutual Life Insurance Company (5.7%)	Dai-ichi Mutual Life Insurance Company (8.1%)
Existing Relationships	None	

8 . Contact

Inquiries relating to this matter should be directed to the following:

Asahi Breweries Ltd. Public Relations Department

TEL: 81 - 3 - 5608 – 5126

FAX: 81 - 3 - 5608 - 7121

Kyowa Hakko Kogyo Co., Ltd. Corporate Communications Department

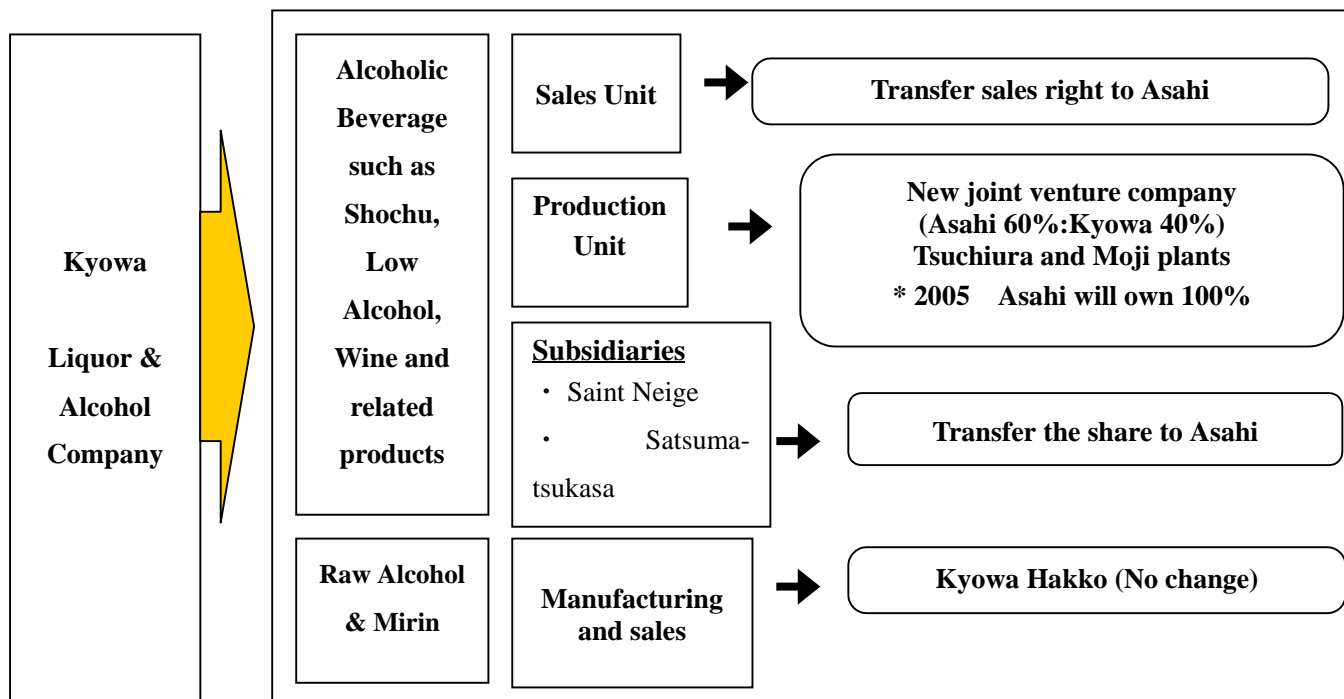
TEL: 81 - 3 - 3282 – 0960

FAX: 81 – 3 – 3282 - 0990

OUTLINE:

[Current]

[After transaction]



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