

March 22, 2004  
Shionogi & Co., Ltd.

## **Shionogi Announces Management Structure Reforms (Reform of Board of Directors, Introduction of Corporate Officer System, etc.) and Executive and Organizational Changes**

At a Board of Directors meeting held today, Shionogi & Co., Ltd. (“Shionogi”) resolved to reform its management structure, and informally decided on executive personnel changes to be placed on the agenda at the Annual General Meeting of Shareholders scheduled to be held in late June 2004.

The reforms and executive personnel changes will fundamentally reshape Shionogi’s management and business execution system. The changes will improve the Company’s ability to respond promptly and flexibly to the rapidly changing market and industry environments by facilitating quick and appropriate decision-making and execution.

In April 2003, Shionogi introduced job-based pay for management-level positions and a job-group-based personnel system for union members that are strongly role- and results-oriented. These changes, along with the thorough establishment of objective-based management, are aimed at ensuring swift and steady business execution and promoting employee autonomy. The retirement benefit system is also being fundamentally restructured. In April 2004, the current tax-qualified pension plan will be replaced with a new retirement benefit system consisting of a cash balance plan, a defined contribution pension plan and a lump-sum retirement allowance.

Through these various types of internal structural reforms, extending from management to employees, Shionogi aims to improve its business results by promoting greater vitality in its operations.

### **1. Management Structure Reforms**

#### **(1) Reform of the Board of Directors**

To strengthen and speed up management decision-making as well as to fortify execution and supervision, management and executive functions will be separated in order to clarify responsibility and authority. Specifically, the number of directors will be reduced from fourteen to five, pending approval at this year’s Annual General Meeting of Shareholders. This reform is aimed at revitalizing the Board of Directors, led by the president, in addition to strengthening (accelerating and optimizing) management decision-making and bolstering execution and supervision.

#### **(2) Introduction of Corporate Officer System**

To establish a speedy, flexible and agile business execution structure that enables quick responses to environmental changes, Shionogi will introduce a corporate officer system. The corporate officer system will be implemented from April 1, 2004. In addition to nine corporate officers serving concurrently as directors, six corporate officers will be newly appointed, creating a business execution structure composed of 15 corporate officers. Six of the above-mentioned directors serving concurrently as corporate officers will resign as directors at the Annual General Meeting of Shareholders this year, and are scheduled to become full-time corporate officers. These moves will clarify the executive responsibilities and authority of the 15 corporate officers (including three corporate officers serving concurrently as directors) to facilitate swifter, steadier business execution.

**(3) Change in Terms of Directors**

To clarify directors' management responsibilities and executive oversight responsibilities, the term of office of directors will be changed from two years at present to one year by amending the Articles of Incorporation, pending the approval of this year's Annual General Meeting of Shareholders.

**(4) Abolishment of Retirement Bonuses for Directors**

The directors' retirement bonus system, which is linked to directors' length of service, will be abolished, with the aim of an executive compensation system that clarifies responsibility for results.

Specifically, this change will be made pending the approval at this year's Annual General Meeting of Shareholders of a proposal for the final payment of retirement bonuses accompanying the abolishment of the directors' retirement bonus system.

**(5) Organizational Changes (Effective April 1, 2004)**

- 1) To properly protect and effectively utilize intellectual property rights from new drug discovery through development, the existing Intellectual Property Dept. will be organized under the Pharmaceutical Research & Development Division.
- 2) The Akoh Plant under Manufacturing Division has withdrawn from the manufacturing business, and will no longer be included in the organization.
- 3) Regarding Human Health Care Division, changes will be as follows.
  - Deputy general managers in charge of promotional activities in Eastern and Western Japan and the deputy general manager in charge of sales and distribution (a total of three people) will be assigned under a general managers of Human Health Care Division to strengthen sales activities in closer contact with customers and health care professionals.
  - Marketing Dept. will be newly established under Human Health Care Division to devise suitable marketing strategies and tactics in response to changes in the market environment.
- 4) Administration Division will be eliminated and Corporate Administration Division will be newly established.
  - For control of management planning and execution departments as corporate departments that belong to the areas of management planning and administration, the existing Corporate Planning Dept., General Affairs & Personnel Dept., Accounting & Financial Dept., Pharmaceutical Affairs Dept., Legal Affairs Dept., International Business Division, Purchasing Dept., Information Systems Dept., Business Support Center, Public Relations Unit, and Secretary Office will be organized under Corporate Administration Division.
  - Licensing Dept. will be newly established under the Corporate Administration Division to strengthen out- and in-licensing business in every stage from development to commercial sale.
  - Secretary Office will be organized under General Affairs and Personnel Dept. Also, Environmental Management Unit will be eliminated and its functions will be absorbed into General Affairs and Personnel Dept.
- 5) Marketing Executive, a person with responsibility for general manufacturing and marketing, will be newly assigned.
  - To fortify quality and safety assurance, Shionogi will review the functions of the current Drug Safety Management Dept., Corporate Quality Assurance Dept. (including the GMP Quality Assurance Unit) and Regulatory Affairs Dept., and restructure them into Drug Safety Management Dept., Corporate Quality Assurance

Dept., Regulatory Affairs Dept. and Reliability Assurance Unit. These departments and a unit will be organized under Marketing Executive.

6) Internal Auditing Unit will be placed under the direct control of the president.

## 2. Management Personnel (Scheduled for late June 2004)

### Candidates for the Board of Directors (current position in parentheses)

President and Representative Director: Motozo Shiono

(President and Representative Director)

Representative Director: Kiyoshi Miyamoto

(Senior Managing Director and Representative Director)

Director: Sachio Tokaji (Director)

Director: Isao Teshirogi (Director)

Director and Advisor: Takashi Maeda (Executive Vice President and Representative Director)

Note: Representative directors and directors who hold other responsible posts are scheduled to be appointed at the Board of Directors meeting to be held on the day of the Annual General Meeting of Shareholders.

## 3 . Candidates for Corporate Officers (Effective April 1, 2004)

### Responsibilities and Names

New		Old	Continued	Name
Senior Executive Officer	Corporate Administration Division	Administration Division	Senior Managing Director	<b>Kiyoshi Miyamoto</b>
Executive Officer	Marketing Executive	Tokyo Branch Office; Pharmaceutical Affairs Dept.	Managing Director	<b>Hideki Okuda</b>
Executive Officer			Director; Manufacturing Division	<b>Hitoshi Arita</b>
Executive Officer	Human Health Care Division	Human Health Care Division (Vice)	Director	<b>Norio Yamada</b>
Executive Officer	Pharmaceutical Research & Development Division	Corporate Planning Dept.	Director	<b>Isao Teshirogi</b>
Corporate Officer			Director; Legal Affairs Dept.	<b>Reiji Takeda</b>
Corporate Officer			Director; President of Shionogi Qualicaps Co.,Ltd.	<b>Tomiyasu Hirachi</b>
Corporate Officer	Tokyo Branch Office	Human Health Care Division	Director	<b>Nobuzo Takeda</b>
Corporate Officer			Director; Accounting & Financial Dept.	<b>Sachio Tokaji</b>
Corporate Officer	Discovery Research Laboratories	Discovery Research Laboratories (Vice)		<b>Hirosato Kondo</b>
Corporate Officer	Human Health Care Division (Vice, East Japan)	Pharmaceutical Promotion Region 5		<b>Keiichiro Nouda</b>
Corporate Officer	Human Health Care Division (Vice, West Japan)	Pharmaceutical Promotion Region 7; Fukuoka Branch Office		<b>Hitoshi Maeda</b>
Corporate Officer	Human Health Care Division (Vice, Sale and Distribution)		Sales and Distribution Dept.	<b>Kazuyoshi Fujii</b>
Corporate Officer			General Affairs & Personnel Dept.	<b>Satoshi Komatsu</b>
Corporate Officer	Corporate Planning Dept.	Manufacturing Division (Vice)		<b>Yasuhiro Mino</b>

**4. Personnel Changes except Corporate Officers (Effective April 1, 2004)**  
**Responsibilities and Names**

New	Old	Continued	Name
Manufacturing Technology R&D Laboratories		Formulation and Packaging R&D Dept.	<b>Ryuichi Kume</b>
Manufacturing Technology Dept.			<b>Yusuke Suzuki</b>
Marketing Dept.			<b>Masaaki Goshima</b>
Pharmaceutical Promotion Region 2			<b>Seiji Ishii</b>
Pharmaceutical Promotion Region 3			<b>Yuichi Oura</b>
Pharmaceutical Promotion Region 5			<b>Takuo Fukuda</b>
Pharmaceutical Promotion Region 7; Fukuoka Branch Office			<b>Toshio Shimomichi</b>
Corporate Quality Assurance Dept.	GMP Quality Assurance Unit		<b>Kazumasa Yoshikawa</b>
Pharmaceutical Affairs Dept.			<b>Masami Morita</b>
License Dept.		International Business Division	<b>Masaharu Mori</b>