

Shionogi & Co., Ltd.

April 19, 2004

Introduction of New Retirement Benefit System

Shionogi & Co., Ltd. (“Shionogi”) restructured its retirement benefit system on April 1, 2004. In place of the tax-qualified pension plan, Shionogi introduced a new retirement benefit system consisting of a cash balance plan, a defined contribution pension plan and a lump-sum retirement allowance. The new retirement benefit system is designed to better reflect employees’ level of contribution to the company.

The **cash balance plan** was established to provide either pensions or lump-sum retirement allowances to employees aged 60 or older. Interest provisions and interest rates related to benefits will be linked to Japanese government bonds and revised annually.

The **defined contribution pension plan** (optional with retirement allowance paid in advance) was established to promote a sense of independence among employees, and to respond to greater work force mobility and diversifying values. It is designed to enable employees to take personal responsibility for the management of their assets.

The **lump-sum retirement allowance** was established to provide one-time payments at the time of mandatory retirement.

The introduction of the new retirement benefit system, together with the new personnel system implemented last year, will contribute to reformed employee consciousness by enabling better reflection of work roles and performance, and fostering more independent-minded personnel. The new system will also contribute to stabilization of Shionogi’s finances by reducing the impact on profits.