

January 29, 2004

Kuraya Sanseido Inc.
President: Sadatake Kumakura
Code number: 7459 (First Section, Tokyo Stock Exchange)
Contact: Kikuo Miki, Senior Executive Officer
and General Manager of Public Relations Division
Phone: +81-3-3517-5171

Kuraya Sanseido to Change Retirement Benefits Plan

January 29, 2004 – The Board of Directors of Kuraya Sanseido Inc. (“Kuraya Sanseido”) today resolved to make significant changes to the company’s retirement benefits plan. After reviewing the current plan, which combines a tax-qualified pension plan and an unfunded lump-sum retirement benefit plan, Kuraya Sanseido has decided to adopt a contract-type corporate pension plan and a defined contribution pension plan in addition to the unfunded lump-sum retirement benefit plan.

1. Changes to the Plan and Purpose of the Changes

Currently Kuraya Sanseido employs a retirement benefits plan consisting of a tax-qualified pension plan (60% of the total) and an unfunded lump-sum retirement benefit plan (40%). However, with the adoption of work-based standards and performance-based compensation in the personnel system on April 1, 2003, this change will bring a defined contribution pension plan into the overall retirement benefit package. It will also introduce a benefit plan that incorporates the work-based standard point system to reflect the degree of contribution of individuals during their period of service, corresponding to their position and performance each year.

The introduction of the defined contribution pension plan will reduce projected benefit obligations and retirement benefit costs from the current defined benefit plan, and restrain the occurrence of additional liabilities from interest losses on investment of plan assets (actuarial losses). This will diminish an uncertain factor in the company’s management, thus helping to stabilize employees’ lifestyles into the future. It is also intended to further enhance employees’ lives through self-help efforts after benefit payments begin.

2. Summary of the Plan Being Introduced

Effective April 1, 2004, Kuraya Sanseido will shift to a retirement benefits plan consisting of the contract-type corporate pension plan that will replace the tax-qualified pension plan (40% of the total), the company's unfunded lump-sum retirement benefit plan (30%), and a newly adopted defined contribution pension plan (30%).

3. Effect on Results

For the year ending March 31, 2005 and beyond, the change to the new system is expected to improve selling, general and administrative expenses by as much as ¥300 million per year on a non-consolidated basis.

The New Retirement Benefits Plan

January 29, 2004

Kuraya Sanso Inc.
Public Relations Division

Current Plan (to March 2004)		New Plan (Year ending March 2005 and thereafter)	
Type of Benefit	% of the Entire Plan	Type of Benefit	% of The Entire Plan
Tax-Qualified Pension Plan (Authority: Ministry of Finance) (Abolished and unavailable as of March 31, 2012)	60%	Pension [3.0% annual pension yield]	Contract-type Corporate Pension Plan [Company makes monthly contributions in accordance with projected future benefit amount, individual may decide to receive as pension or lump-sum benefit] Defined Benefit (DB) (Authority/Governing Law: Ministry of Health, Labour and Welfare/Japanese Welfare Pension Insurance Law)
		Lump-sum Retirement Benefit [Option to choose lump-sum benefit in lieu of pension]	
Defined Benefit Plan	60%	Defined Benefit Plan	40%
Unfunded Lump-Sum Retirement Benefit Plan	40%	Unfunded Lump-Sum Retirement Benefit Plan	[Recognized as reserve for retirement benefits]
		Defined Contribution Plan	
Defined Contribution Plan	40%	Defined Contribution Pension Plan (corporate type) [Monthly company contribution decided beforehand, future pension or lump-sum benefit amount variable in accordance with investment results of each individual's pension assets] Defined Contribution (DC) (Authority/Governing Law: Ministry of Health, Labour and Welfare/Defined Contribution Pension Law ["Japan 401k"])	[Contribution + Assumed investment earnings Assumed annual 2.5% investment return]
Total	100%	Total	100%
	60%		70%