

May 13, 2004

KURAYA SANSEIDO Inc.

President: Sadatake Kumakura

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Abolishment of Officers' Retirement Bonuses

May 13, 2004 – KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) today at meetings of its Board of Directors and Board of Corporate Auditors reviewed its executive compensation system, and resolved to submit a proposal at the 95th General Annual Meeting of Shareholders, scheduled to be held on June 29, 2004, to amend the articles of incorporation to abolish its system of bonuses to officers.

1. Abolishment of Bonuses to Directors

At the 95th General Annual Meeting of Shareholders, scheduled to be held on June 29, 2004, Kuraya Sanseido will request approval to abolish its officers' retirement bonus system, and present current Directors and Corporate Auditors with retirement bonuses commensurate with their length of service until that day. Retirement bonuses to Directors being reappointed and current Corporate Auditors will be paid at retirement.

2. Reasons for Abolishment

- (1) For shareholders: to clarify compensation based on evaluation of management performance
- (2) For employees: to comply with the personnel system introduced on April 1, 2004 incorporating a policy that emphasizes work standards and performance
- (3) To minimize the impact of the officers' retirement bonus system on Kuraya Sanseido's finances and avoid the risk of carrying over debt to strengthen and stabilize the financial structure

3. Related Issues

Kuraya Sanseido will abolish retirement bonuses to Corporate Executive Officers on June 30,

2004. Retirement bonus systems at all consolidated subsidiaries and affiliates will also be abolished.

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