



June 2, 2008

Notice Regarding Establishment of Subsidiary Responsible for Business Administration Functions and Transfer of Businesses of Subsidiary Engaged in Operational Management of Construction, Real Estate and Other Related Business Affairs

In July 2008, Shiseido Co., Ltd. will establish Shiseido Business Solution Co., Ltd., which will be responsible for business administration functions of the Shiseido Group, and place the highly specialized operations of Shiseido's administration departments under the control of the new company in October of this year. A letter of understanding also has been concluded with Nippon Kanzai Co., Ltd. in proceeding toward negotiation of a final agreement in September 2008. Under this agreement, the shares of Shiseido Kaihatsu Co., Ltd. (Head Office: Chuo-ku, Tokyo; President: Toshiharu Tanabe) engaged in areas such as construction, real estate, printing and events will be transferred to Nippon Kanzai Co., Ltd., which will also undertake the consignment of business operations such as facility management.

1. Background of Establishment of a New Company and Transfer of Businesses of Subsidiary

Under its new three-year plan initiated this fiscal year, Shiseido aims to become a "Global Player that is representative of Asia with its origins in Japan" as its long-term vision. To realize this objective, Shiseido will concentrate its management resources on its unique value creation, and as a Group that maximizes its organizational capabilities, will position departments that create original value at the center of the organization. Corporate departments, functional departments, sales departments and business administration departments will in turn reliably deliver the value created by these departments to customers. Shiseido aims to thereby create a strong framework to support this system.

As the first step for realizing such a framework, Shiseido has been reviewing the means of organization and business operations at both Shiseido and its subsidiaries. Further efforts also have been focused on promoting standardization and optimization of business operations through such measures as instituting a new enterprise resource planning system. Looking ahead, Shiseido will separate business administration departments into 1) a strategic function, 2) a specialized function and 3) facilities management and service operations. The strategic function will serve as a basic mechanism in realizing an integrated corporate department for the future. With the purpose of positioning specialized business operations as a "business administration function" a subsidiary will be established to handle relevant operations. Facilities management and service operations will be outsourced in order to actively utilize the expertise and management resources of a prominent independent company.

By carrying out these tasks, Shiseido will aim to speed up decision-making by clarifying organizational responsibilities and eliminating intermediary and redundant functions. Shiseido will also pursue quality of management on par with global standards by raising productivity via the standardization and integration of business operations throughout the Group.

2. Overview of Establishment of Shiseido Business Solution Co., Ltd.

Shiseido Business Solution Co., Ltd. will be established in July 2008. The new company will take over functions requiring expertise and confidentiality that are currently managed by Shiseido from October. Such business operations include accounting, finance, taxation, trademarks, design, pharmaceutical affairs and consumer communications. Initially, Shiseido will set up three operational sections responsible for accounting, finance and taxation; trademarks, design and pharmaceutical affairs related operations; and consumer communications. In the future, Shiseido will consecutively incorporate administration functions from the Head Office, as well as domestic and overseas subsidiaries, and centralize specialized support operations throughout the Shiseido Group.

Overview of New Company

1) Company name	Shiseido Business Solution Co., Ltd.
2) Representative	Yasuhiko Harada (Scheduled to assume position on July 1)
3) Location of head office	7-5-5, Ginza, Chuo-ku, Tokyo
4) Date of establishment	July 1, 2008
5) Main business	Business affairs related to accounting, finance, taxation, trademarks, design, pharmaceutical affairs and consumer communications, etc.
6) Settlement period	March 31
7) No. of employees	approx. 150
8) Capital	100 million yen
9) Shareholder composition	Shiseido Co., Ltd.: 2,000 shares (100%)

3. Overview of Transfer of Shares of Shiseido Kaihatsu Co., Ltd. and the Consignment of Business Operations such as Facility Management

Shiseido and Nippon Kanzai Co., Ltd. have concluded a letter of understanding. A basic agreement has been reached to split Shiseido Kaihatsu Co., Ltd., which is a company holding a portion of the Shiseido Group's real estate and taking responsibility for construction, real estate, printing, events and other businesses, into an "asset holding company" and "business operating company." Negotiations will proceed in good faith with respect to the following two points: 1) transferring 90% of shares of the "business operating company" and 2) concluding a contract agreement for outsourcing business operations such as facility management.

1. Objectives of Concluding a Letter of Understanding

Shiseido has made the decision to grant exclusive negotiation rights to Nippon Kanzai Co., Ltd. for ongoing discussions with regard to the realization of transferring and outsourcing business operations such as facility management. The aim is to utilize the advanced facility management know-how that Nippon Kanzai Co., Ltd. possesses and promote both improvement of facility management and cost reductions within the Shiseido Group.

From now, Shiseido and Nippon Kanzai Co., Ltd. will proceed with negotiations for concluding a final agreement regarding the transfer of shares of the “business operating company” and the consignment of business operations such as facility management.

2. Overview of Shiseido Kaihatsu Co., Ltd.

- 1) Company name Shiseido Kaihatsu Co., Ltd.
- 2) Representative Toshiharu Tanabe
- 3) Location of head office 7-5-5, Ginza, Chuo-ku, Tokyo
- 4) Date of establishment December 8, 1969
- 5) Main business Business affairs related to construction, real estate, asset management, printing, events and operational management of training centers
- 6) Settlement period March 31
- 7) No. of employees 84
- 8) Capital 495 million yen
- 9) Total number of issued shares 990,000
- 10) Shareholder composition Shiseido Co., Ltd. (100%)
- 11) Financial performance for the recent fiscal term

(millions of yen)

	Year ended March 2008
Net sales	8,889
Operating income	498
Ordinary income	487
Net income	288
Total assets	5,208
Shareholders' equity	3,408

*Current status for items 7) to 10) as of March 31, 2008

3. Overview of Nippon Kanzai Co., Ltd.

- 1) Company name Nippon Kanzai Co., Ltd.
- 2) Representative Shintaro Fukuda
- 3) Location of head office 9-16 Rokutanji-cho, Nishinomiya, Hyogo Prefecture
- 4) Date of establishment October 27, 1965
- 5) Main business Overall management of buildings and apartments, real estate financial sector services, outsourcing management services
- 6) Settlement period March 31
- 7) No. of employees 7,760 (consolidated basis)
- 8) Capital 3,000 million yen
- 9) Total number of issued shares 20,590,153

10) Net sales 66,388 million yen (March 31, 2008, consolidated basis)

*Current status for items 7) to 9) as of March 31, 2008

4. Impact on Business Performance

The impact on business performance is minimal.