



(Translation)

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Dear Sirs and Madams,

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**Notice of Abolishment of the Counselor/Adviser System,
and Partial Change of the Corporate Officer System**

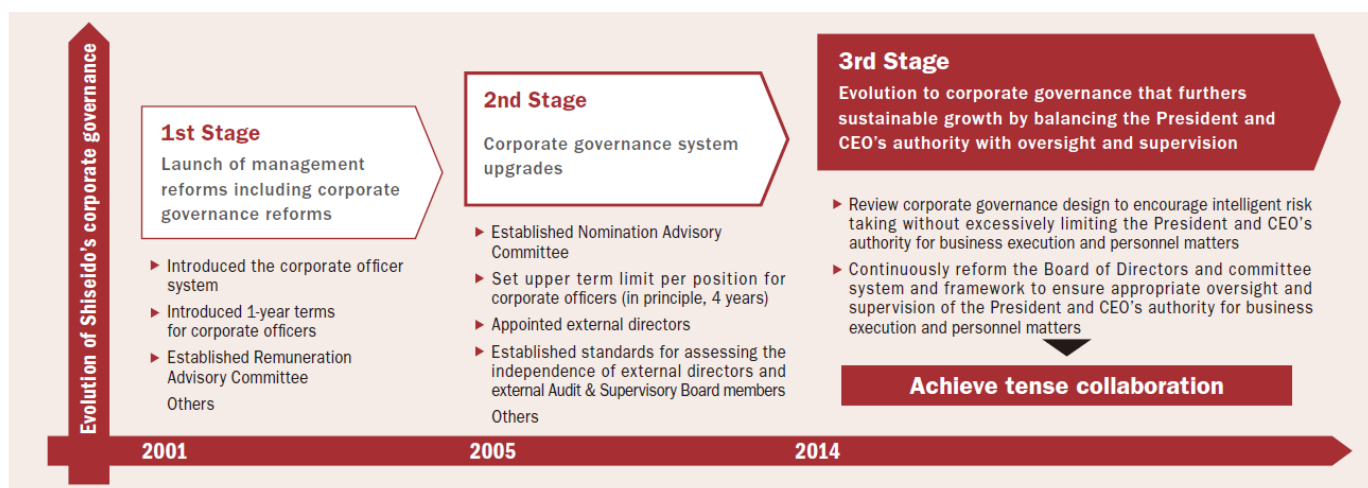
Shiseido Company, Limited (hereinafter “the Company”) is striving to enhance corporate governance with a view to successfully implementing its medium- to long-term strategy, VISION 2020, and increasing its corporate value in a sustainable manner and on a long-term basis. As part of this effort, the Company has decided to partially change the corporate officer system and to abolish the counselor/adviser system, as detailed below.

1. Background

The Company defines corporate governance as its “platform to realize sustainable growth by fulfilling its corporate mission,” and has continuously worked to improve governance since 2001. At present, the Company is in the third stage of evolution of corporate governance and is focusing on the substantial improvement of governance through “tense collaboration.”

“Tense collaboration” refers to a situation in which the CEO is strictly obliged to fulfill accountability to the Board of Directors as well as to the Nomination Advisory Committee and the Remuneration Advisory Committee under the strong governance system established by enhancing the independence of the Board of Directors and operation of the aforementioned two advisory committees, while the CEO is also given necessary and sufficient authority to secure achievements in ordinary business operations.

Revision of the systems has been undertaken to foster this “tense collaboration.”



2. Abolishment of the counselor/adviser system

At present, the Company's directors, Audit & Supervisory Board members, and corporate officers who have assumed certain rank can serve as a counselor (*sodanyaku* in Japanese language) or an adviser (*komon* in Japanese language) for a specific period of time after resigning from their position, subject to approval from the Board of Directors. The abolishment of this counselor/adviser system has been resolved by the Board of Directors following discussions on the matter by the Nomination Advisory Committee.

Abolishing the counselor/adviser system, however, does not mean that the Company will no longer ask experts who can make contributions to the Company to become advisers. Apart from *sodanyaku* or *komon* appointed under the counselor/adviser system, the Company will continue to secure additional advisers* by concluding agreements on specific roles with those who are expected to make contributions to the Company.

*The Company also used to refer to these advisers, who are mostly outside experts, as "*komon*." However, following the abolishment of the adviser system, under which those who served as directors, Audit & Supervisory Board members or corporate officers of the Company were appointed as *sodanyaku* or *komon* after resigning from their positions, the Company will no longer refer to these contracted advisers as "*komon*," but will consistently call them "advisers" to avoid any misunderstanding.

3. Partial change in the corporate officer system

In order to avoid inertia and rigidity in business management, the term of office set for each rank of corporate officer is one year; however, the officer can be reappointed to the same rank for up to four years. Moreover, if a person who served as a certain rank of corporate officer for four years is deemed indispensable to the Company, the term of office can be extended for another two years (to up to six years in total), subject to annual approval from the Board of Directors. The upper age limit is also strictly set for each rank.



However, in order to enhance the business execution system, it is increasingly necessary for the Company to appoint very talented people to managerial positions regardless of age, and to retain those who continue to demonstrate their abilities at and beyond a certain level. The Board of Directors has therefore decided to revise the provisions concerning the term of office and upper age limit of corporate officers as described below, following discussions on the matter by the Nomination Advisory Committee.

(1) Upper limit on the term of office for each rank

The upper limit of four years set for each rank will not be changed, but the term that can be extended by a resolution of the Board of Directors shall be two years “*in principle*,” which makes it possible for the term of office to be extended for more than two years on the precondition that the procedures described in (3) below are followed.

(2) Upper age limit

The age limit for each rank will remain but the limit shall only be imposed “*in principle*,” which makes it possible for corporate officers who have reached the age limit to continue to assume their positions, subject to a resolution of the Board of Directors, and on the precondition that the procedures described in (3) below are followed.

(3) Clarification of the supervisory roles to be played by the Nomination Advisory Committee and the Board of Directors

For extension of the term of office (1) or the age limit (2), the matter shall be referred to the Nomination Advisory Committee, which will discuss and check the necessity and appropriateness of the extension, followed by disclosure of the relevant information. The transparency and fairness of the corporate officer system will be ensured by clearly stating the related procedures in the internal rules.

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