

March 3, 2006

## **Shiseido Co., Ltd. to Make Administrative Changes and Transfer Personnel**

Effective April 1, 2006, Shiseido Co., Ltd. will implement certain administrative changes and transfer designated personnel as follows.

### **1 Restructuring of Domestic Cosmetics Business Sector**

The domestic cosmetics and toiletries businesses will be merged in order to cultivate broad and strong brands and bolster an operational structure tailored to the unique features of channels. Accordingly, the name Cosmetics Business Division will be eliminated and the cosmetics business will be reorganized domestically as follows:

1) The Cosmetics Business Planning Department will be established to concentrate the operational functions of strategy, supervision and support. The Cosmetics Business Planning Department will comprise 4 sections. Specifically, the Business Administration Group will manage operations for the domestic cosmetics business; the Marketing Strategy Group will handle media strategy, product advertising strategy and all other marketing strategies; the Sales Strategy Group will handle operational supervision and strategy; and the Retail Promotion Planning Group will handle information dissemination to storefronts, including proposals for measures and storefront development tailored to distribution channels.

2) Shiseido will tailor marketing planning and promotion functions to each product category, and implement the Strategic Business Unit (SBU) system to handle all marketing relating to relevant product categories from product development to sales promotion planning and communication strategy. The SBU system is to include the 8 units comprising the Skincare Products Marketing Unit, Make-up Products Marketing Unit, Hair Care and Styling Products Marketing Unit, Bodycare and Mens Products Marketing Unit, Department Stores & Prestigious Cosmetics Marketing Unit, Cosmetics for Chainstores Marketing Unit, Structured Retail Stores and Sensitive Skin Products Marketing Unit and the Mail-order and E-commerce Cosmetics Marketing Unit. Brand Managers responsible for these units will hold full responsibility and authority for developing brands in their unit as well as meeting sales and income targets. Consequently, the Cosmetics Planning Department, Cosmetics Marketing Department and the Sales Support Department within the Cosmetics Business Division, as well as the FT Strategic Planning Department, Marketing Department (I) and Marketing Department (II) within FT Shiseido Co., Ltd. will be eliminated.

3) Shiseido will reorganize its Head Office sales departments into the 4 areas of the Sales Department, Specialty Stores; Marketing & Sales Planning Department, Department Stores; Sales Department, Structured Retail Stores; and Sales Department, Wholesalers. Accordingly, the Administration & Planning Department, Chainstores, Sales Planning Department (I), Structured Retail Stores and Sales Planning Department (II), Structured Retail Stores within the Cosmetics Business Division, as well as the Sales Department within FT Shiseido Co., Ltd. will be eliminated.

4) The research and educational functions previously dispersed among the departments will be consolidated within the Training Department. The Beauty Consultant Training Department, which was responsible for training of beauty consultants, will be eliminated.

## **2 Restructuring of the Healthcare and Fine Chemicals Business Sectors**

In order to broadly address recently rising needs in beauty and health with an approach different from that for cosmetic products, Shiseido will reorganize its operational structure as follows:

1) In order to better respond to such marketing channels as drugstores and specialty stores, Shiseido will establish the Healthcare Business Division to provide unified development and management for items ranging from pharmaceuticals to beauty food products. The Healthcare Business Division will consolidate the Health & Beauty Care (H&BC) business for beauty products and all of the Pharmaceutical Business Department functions outside the realm of pharmaceutical development for medical institutes. The Healthcare Business Division will include the beauty food products sales subsidiary Shiseido Beauty Foods Co., Ltd. as well as the pharmaceutical products sales subsidiary Shiseido Pharmaceutical Co., Ltd. Consequently, the H&BC Business Division and Pharmaceutical Business Department will be eliminated.

2) The current Fine Chemicals Business Department will be newly established as the Professional Pharmaceuticals & Chemical Business Division and will manage business operations for pharmaceutical companies, physicians and research institutes. Besides the fine chemicals business, the Professional Pharmaceuticals & Chemical Business Division will consolidate the functions of pharmaceutical product development for medical institutes of the pharmaceuticals business and the H&BC Research Center's New Business Development Group, which pursues the development of cosmetic dermatological treatments. Consequently, the Fine Chemicals Business Department will be eliminated.

## **3 Restructuring of International Business Sector**

To accelerate growth in China, the China Strategic Planning Department will be spun off from the International Business Division to form the China Business Division. Accordingly, the China Strategic Planning Department will be eliminated.

#### **4 Restructuring of Research and Development Sector**

To augment development software capabilities in such areas as beauty information and trends as well as to bolster the connection between software data and marketing, organizational changes entailing establishment or restructuring will be as follows:

1) The Institute of Beauty Sciences will be reorganized into the Beauty Solution Development Center, and capabilities will be augmented in software development, communications and creative consulting. The Beauty Solution Development Center will contain the Beauty Creation Center for conducting research and the New Beauty Care Development Administration Group for promoting social beauty care activities.

2) The H&BC Research Center will be eliminated and will be newly established as the H&BC Development Center, which will centralize research and development functions for the Healthcare Business Division and the Professional Pharmaceuticals & Chemical Business Division.

3) The Product Development Center will change its name to the Cosmetics Product Development Center to clarify its responsibilities.

4) The functions of the Material & Medical Development Center will be separated and shifted to the Life Science Research Center and the Material Science Research Center, and the Material & Medical Development Center will be eliminated.

5) The product analysis and assurance functions of the H&BC Research Center will be shifted to the Safety & Analytical Research Center, and the Safety & Analytical Research Center will be renamed as the Quality Assurance Center.

6) The Solution Support Department will be established to handle marketing for Head Office departments and coordinate with research and development divisions.

#### **5 Restructuring of Head Office Staff Department Sector**

1) Given the crucial role of CSR in operations, the functions of the CSR Department will be integrated into the Corporate Planning Department in order to more fully centralize corporate strategy. Accordingly, the CSR Department will be eliminated, and the functions of social contribution, environmentalism and gender equity will be transferred to the Corporate Culture Department, Technical Department and Personnel Department, respectively.

2) With the introduction of the SBU system in the newly restructured domestic cosmetics business, media strategy and media procurement functions of the Advertising Department and the product public relations function of the Public Relations Department will be transferred to the Marketing Strategy Group within the Cosmetics Business Planning Department. As a result, the Advertising Strategy Group within the Advertising Department will be eliminated. The Advertising Department will also be renamed as the Advertising Creation Department.

3) The Logistics Department and the International Logistics Department will be integrated to form the Logistics Department in order to consolidate domestic and overseas logistics functions and bolster strategic proposal capabilities for Group logistics. Consequently, the International Logistics Department will be eliminated.