

April 27, 2006

Introduction of Countermeasures to Large Acquisitions of Shiseido Co., Ltd. Shares (Takeover Defense)

Shiseido Co., Ltd. (the “Company”) announces as follows that a meeting of its board of directors today resolved to introduce countermeasures to large acquisitions of the Company shares (the “Plan”), subject to the approval of the ordinary general meeting of the Company’s shareholders scheduled to be held in June 2006 (the “Ordinary General Meeting of Shareholders”), for the purpose of ensuring and enhancing the corporate value of the Company and, in turn, the common interests of its shareholders.

1. Efforts to ensure and enhance the Company’s corporate value and the common interests of shareholders

1.1 The source of the Company’s corporate value

Since its establishment in 1872, the Company has consistently modeled its corporate management on the spirit of ‘contributing to the beauty and health of numerous customers, thus benefiting them and society in general.’ In the future too, the Company group will embrace this spirit, with the fundamental principle of ‘remaining a company that makes a lasting contribution to customers around the world.’

Moreover, the Company believes that winning, as a ‘valuable corporation,’ the support of all of its stakeholders, including its shareholders, customers, business partners, employees and society in general, and creating value together actually bring about greater shareholder value. At the same time, further enhancing the value of the Company’s corporate brand, *SHISEIDO*, is the key to increasing the Company’s corporate value in the 21st century. To achieve this, we understand that our social responsibilities as a corporation and our response to environmental issues are also essential, together with the enhancement of the economic value.

Based on this understanding, the Company group launched a three-year mid-term business plan aimed towards ‘increasing growth and profitability’ in April 2005 (for implementation from the commencement of fiscal year 2005 until fiscal year 2007; the “Three-Year Plan”). The Three-Year Plan contains three central pillars, (a) ‘domestic marketing reform’ centering on active investments in growing markets and the creation of ‘broad and strong’ brands, aimed at increasing growth, (b) ‘accelerated expansion of business in China,’ which is our top-priority market overseas, and (c) ‘fundamental structural reforms,’ geared towards enhancing profitability by, among other strategies, disposing of or rearranging unprofitable businesses and brands.

Through its efforts to increase growth and profitability, the Company is seeking to enhance its brand value and, ultimately, maximize the corporate value and common interests of its shareholders.

1.2 Vital mechanisms to enhance the Company’s corporate value and the common interests of shareholders

The Company has set down as an important challenge the even greater reinforcement of corporate governance as a vital mechanism in the enhancement of corporate value and the common interests of shareholders.

To date, the Company has elected independent outside statutory auditors. In addition to this, in order to crystallize the responsibilities of management to the shareholders, the Company has made the term of office of directors one year and has established, with a view to enhancing the transparency and objectivity of management, an Advisory Board centering around five outside experts as a consulting body to the board of directors, a Remuneration Advisory Committee with an outside committee member as its chair, and an Officer Nomination Advisory Committee to conduct activities such as the selection and evaluation of candidates for directors and corporate officers and the establishment of terms of office of each such director and corporate officer.

Furthermore, from April 2005 the Company has introduced a new director and corporate officer remuneration system with a lower proportion of fixed remuneration, with performance-based remuneration increased to account for 50% of remuneration.

In addition, the Company is planning to submit to the Ordinary General Meeting of Shareholders a resolution to elect two independent outside directors in seeking to further strengthen corporate governance.

By implementing these kinds of reforms and measures, the Company aims to ensure and enhance its corporate value and, in turn, the common interests of its shareholders.

2. Purpose of the introduction of the Plan

The Plan will be introduced with a view to ensuring and enhancing the corporate value of the Company and, in turn, the common interest of its shareholders as explained below.

Decisions regarding any acquisition proposal that would result in the transfer of control of a corporation should ultimately be made based on the intent of the shareholders as a whole. Further, the Company would not outright reject an acquisition of shares that is made in accordance with capital market norms.

However, recent times have seen the emergence of a trend towards unilateral and forceful acquisitions of large quantities of shares without obtaining the approval of the board of directors of the target company. There is a number of large-scale share acquisitions that, if targeted against the Company, would benefit neither the corporate value of the Company nor the common interests of its shareholders. These include:

- (i) Those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders.
- (ii) Those with the potential to substantially coerce shareholders into selling their shares.
- (iii) Those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the large-scale share acquisition or similar action, or for the target company's board of directors to make an alternative proposal.
- (iv) Those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer or similar reason.

The Company group's sphere of activities stretch beyond its pivotal business activities in the cosmetic industry to encompass environmental protection, community activities and cultural activities, and this gives rise to a complex synergetic effect that builds up the brand value and the corporate value of the Company.

Furthermore, as outlined above, the Company aims to win, as a valuable corporation, the support of all of its stakeholders, including shareholders, customers, business partners, employees and society in general, and seeks to enhance its brand value and maximize its corporate value building on the three pillars of ‘domestic marketing reform’ and ‘accelerated expansion of business in China,’ which are aimed at increasing growth, and ‘fundamental structural reforms,’ geared towards enhancing profitability, all under the Three-Year Plan.

The first year of the Three-Year Plan ended with results that exceeded expectations for the first phase of the plan, partly because of the success of the Company’s mega-brands and encouraging growth in its business in China, and the Company was able to take a bold first step. In the second year, the crucial phase in the achievement of the Three-Year Plan, the Company is tackling the heart of the three pillars outlined above, through activities such as the integration of its cosmetics and toiletries businesses and reorganization of its healthcare business. Also, by steadily advancing with these undertakings, the Company aims to achieve its management objective of an operating profit margin of 8% or more in the final fiscal year of the Three-Year Plan.

Unless a party acquiring large quantities of shares in the Company is appropriately aware of the management environment surrounding the Company and aims to ensure and enhance the brand value and corporate value of the Company in the mid- to long-term based on an accurate understanding of the source of the brand value and corporate value of the Company as outlined above, there is a possibility that not only the management objectives of the Three-Year Plan would be difficult to achieve, but also the corporate value of the Company and, in turn, the common interests of its shareholders, could be harmed.

Furthermore, if the Company were to receive an acquisition proposal from an outside acquiring party, it would be vital for shareholders to give thorough consideration to a variety of factors, including the Company group’s tangible and intangible management resources, the potential effect of forward-looking policies, the synergism that could be created by organic combinations such as business fields and personnel networks and cultural capital and the relationship of trust with society, and any other factors that build up the Company group’s corporate value, and then to weigh up the effect such an acquisition would have on the Company’s corporate value and the common interests of its shareholders.

Taking into account these factors, the Company's board of directors has decided that, for occasions when it receives an acquisition proposal for the shares in the Company from an acquirer, it is necessary to introduce the Plan, as set out in detail below in section 3, 'Plan outline,' as a mechanism that will deter acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders by ensuring the necessary information and time for the shareholders to decide whether or not to respond to the acquisition offer and for the board of directors of the Company to present an alternative proposal to the shareholders, and by facilitating actions such as negotiations with respect to unfair acquisitions on behalf of the shareholders.

3. Plan details

3.1 Plan outline

(a) Plan introductory procedures

In order to reflect the intent of the shareholders, the introduction of the Plan will be conditional upon a resolution of the Ordinary General Meeting of Shareholders to assign to the Company's board of directors the authority to decide matters relating to the gratis allotment of Stock Acquisition Rights (defined in 3.1(c) below) in accordance with the terms and conditions of the Plan (see below at section 3.5, 'Procedures for the introduction of the Plan' for details).

(b) Establishment of procedures for triggering the Plan

In the case that there is an acquisition of share certificates or the like of the Company or any other similar action, or a proposal for such action ("Acquisitions"), in addition to allowing for requests to the party effecting or proposing the Acquisitions (collectively, "Acquirers") to provide information in advance relating to the Acquisitions, and securing time to conduct information collection and consideration with respect to the Acquisition, the Plan also sets out procedures for presenting information such as plans and any alternative proposal of the Company's board of directors to the shareholders, and for conducting negotiations with the Acquirers (for details see below at 3.2, 'Procedures for triggering the Plan').

(c) Triggering the Plan by a gratis allotment of Stock Acquisition Rights and use of the independent committee to eliminate arbitrary decisions by directors

If an Acquirer effects or otherwise acts on an Acquisition that is deemed to be harmful to the Company's corporate value or the common interests of its shareholders

(for details of these requirements, see below at 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights’), the Company will allot stock acquisition rights (having an exercise condition that do not allow the Acquirers to exercise and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Acquirers in exchange for shares in the Company; details are set out below at 3.4, ‘Outline of the gratis allotment of Stock Acquisition Rights’; “Stock Acquisition Rights”) by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Act of Japan) to all shareholders on a fixed date determined by the board of directors of the Company in a resolution of the board of directors of the Company for the gratis allotment of Stock Acquisition Rights.

Further, in order to eliminate arbitrary decisions by directors in implementing the Plan, decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, will be made through the objective judgment of an independent committee composed only of members who are independent from the management of the Company, such as outside directors of the Company, in accordance with the Rules of the Independent Committee (see Attachment 2 for an outline). The Company intends to appoint Shoichiro Iwata (a candidate for outside director of the Company), Tatsuo Uemura (a candidate for outside director of the Company), and Akio Harada (an outside statutory auditor of the Company) as members of the independent committee upon the introduction of the Plan (see Attachment 3 for the name and career profile of each candidate for member).

(d) Exercise of the Stock Acquisition Rights and the Company’s acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercises the Stock Acquisition Rights or the shareholders other than the Acquirer receives shares in the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted by up to approximately 50%.

3.2 Procedures for triggering the Plan

(a) Targeted acquisitions

The Plan allows the Company to implement a gratis allotment of Stock Acquisition Rights in accordance with the procedures set out in the Plan if there is an Acquisition that falls under (i) or (ii) below:

- (i) An Acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)¹ of a holder (*hoyuusha*)² amounting to 20% or more of the share certificates, etc. (*kabuken tou*)³ issued by the Company; or
- (ii) A tender offer (*koukai kaitsuke*)⁴ that would result in the owning ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)⁵ of share certificates, etc. (*kabuken tou*)⁶ relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)⁷ totaling at least 20% of the share certificates, etc. issued by the Company.

(b) Request to the Acquirer for the provision of information

Excluding acquisitions determined by the Company's board of directors to be friendly acquisitions, the Company will require any Acquirer conducting an Acquisition described above at 3.2(a) to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, a written undertaking that the Acquirer will upon the Acquisition comply with the procedures established by the Plan ("Acquisition Statement"), and the information necessary for consideration of the terms of the Acquirer's offer as described in each of the list below ("Essential Information").

If the independent committee determines that the provided information is

¹ Defined in Article 27-23(4) of the Securities and Exchange Act of Japan.

² Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company).

³ Defined in Article 27-23(1) of the Securities and Exchange Act of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document.

⁴ Defined in Article 27-2(6) of the Securities and Exchange Act of Japan.

⁵ Defined in Article 27-2(8) of the Securities and Exchange Act of Japan.

⁶ Defined in Article 27-2(1) of the Securities and Exchange Act of Japan. This definition is applied in 3.2(a)(ii).

⁷ Defined in Article 27-2(7) of the Securities and Exchange Act of Japan (including persons considered to fall under this provision by the board of directors of the Company); provided, however, that persons provided for in Article 3(1) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Act of Japan.

insufficient as the Essential Information, it may fix an appropriate deadline for response and request, either by itself or through the board of directors of the Company or otherwise, that the Acquirer additionally provide the Essential Information. In such case, the Acquirer should additionally provide the Essential Information within the relevant time limit.

- (i) Details (specifically including name, capital structure and financial position) of the Acquirer and its group (including joint holders, persons having a special relationship and, in the case of funds, partners and other constituent members).
- (ii) The purpose, method and terms of the Acquisition (including the price and type of the consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).
- (iii) The basis for the calculation of the purchase price of the Acquisitions (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, and the details and calculation base of any expected synergetic effect from any series of transactions relating to the Acquisition (including the synergetic effect that is to be shared with other shareholders) as employed in the calculation).
- (iv) Financial support for the Acquisition (specifically including the name, financing methods and the terms of any related transactions of the funds providers for the Acquisition (including all indirect funds providers)).
- (v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company group.
- (vi) Post-Acquisition policies dealing with the Company's employees, business partners, customers, and any other stakeholders in the Company.
- (vii) Specific measures to avoid any conflict of interest with other shareholders in the Company.
- (viii) Any other information that the independent committee reasonably considers necessary.

If the independent committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will recommend the Company's board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 3.2(d)(i) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Statement and the Essential Information, and its discussion and negotiation with the Acquirer.

(c) Consideration of Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal

(i) Request to the Company's board of directors for the provision of information

If the Acquirer submits an Acquisition Statement and the Essential Information (if any) it has been requested by the independent committee to additionally submit, the independent committee may set a reasonable reply period (up to sixty days as a general rule) and request that the Company's board of directors present an opinion (including qualified opinions; hereinafter the same) on the Acquirer's Acquisition terms and supporting materials, an alternative proposal (if any), and any other information or materials that the independent committee considers suitably necessary, in order to compare the details of the Acquisition Statement and the Essential Information to the business plan of the board of directors of the Company and the company valuation conducted by the board of directors of the Company for the purpose of ensuring and enhancing the Company's corporate value and the common interests of its shareholders.

(ii) Independent committee consideration

Upon taking receipt of the information and materials from the Acquirer and the Company's board of directors (if the independent committee requested the Company's board of directors to provide information and materials as set out above), the independent committee should conduct its consideration of the Acquirer's Acquisition terms, information collection on the business plans and other information of the Acquirer and the Company's board of directors and comparison thereof, and consideration of any alternative plan presented by Company's board of directors for a maximum period of sixty days as a general rule (provided, however, that in the case described below at 3.2(d)(iii) or the like, the independent committee may extend this period (hereinafter the "Independent Committee Consideration Period")).

Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the independent committee will directly or indirectly discuss and negotiate with the Acquirer, or recommend the presentation to shareholders or others of the terms of the Acquisition or the alternative proposal presented by the Company's board of directors or other party, or similar action.

In order to ensure that the independent committee's decision ensures and enhances the Company's corporate value and, in turn, the common interests of its shareholders, the independent committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

If the independent committee, itself or through the Company's board of directors or otherwise, requests the Acquirer to provide materials for consideration or any other information, or to discuss and negotiate with the independent committee, the Acquirer must promptly respond to such request.

(iii) Disclosure of information

At a time the independent committee considers appropriate, the Company will disclose to its shareholders the fact that it has received an Acquisition Statement from the Acquirer and any matters considered appropriate by the independent committee from the Essential Information or other information.

(d) Independent committee decision process

If an Acquirer emerges, the independent committee will conduct the following procedures.

(i) The independent committee recommends the triggering of the Plan

If the Acquirer fails to comply with the procedures prescribed in 3.2(b) and 3.2(c) above, or if as a result of its consideration of the terms of the Acquirer's Acquisition and discussion, negotiation or the like with the Acquirer, the independent committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights' and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the independent committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether

the Independent Committee Consideration Period has commenced or ended.

However, even after the independent committee has already made one recommendation for the implementation of the gratis allotment of the Stock Acquisition Rights, if the independent committee determines that either of the events below apply, it may make a new recommendation before the Exercise Period Commencement Date (defined below at 3.4(f)) that (before the gratis allotment has taken effect) the Company should suspend the gratis allotment of the Stock Acquisition Rights or that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

- The Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the recommendation.
- There is a change in the facts or information upon which the recommendation decision was made, and the Acquisition by the Acquirer does not meet any of the requirements set out below in 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights,' or it is not reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements under 3.3 below.

(ii) The independent committee recommends the non-triggering of the Plan

If as a result of its consideration of the terms of the Acquirer's Acquisition and discussion, negotiation or the like with the Acquirer, the independent committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at 3.3, 'Requirements for the gratis allotment of Stock Acquisition Rights,' or that the implementation of the gratis allotment of the Stock Acquisition Rights is not reasonable even if the Acquisition by the Acquirer does meet one of the requirements set out in 3.3 below, the independent committee will recommend the non-implementation of the gratis allotment of Stock Acquisition Rights to the Company's board of directors, regardless of whether the Independent Committee Consideration Period has ended.

However, if there is a change in the facts, information or otherwise upon which a recommendation decision was made and the situation has come to satisfy the requirements set out in (i) above, the independent committee may make a different decision including a recommendation on the implementation of the gratis allotment of Stock Acquisition Rights, and recommend that decision to the board of directors of the

Company.

(iii) The independent committee defers triggering the Plan

If the independent committee does not reach a recommendation for either the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee Consideration Period, the independent committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer's Acquisition, discussion and negotiation with the Acquirer and the production of an alternative proposal, pass a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the independent committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(iv) Information disclosure

If the independent committee makes any of the resolutions for recommendation or otherwise as listed in 3.2(d)(i) through 3.2(d)(iii) above, or otherwise believes it to be appropriate, the Company shall disclose an outline of the resolution and any other matters that the independent committee considers appropriate (in the case of extending the Independent Committee Consideration Period in accordance with 3.2(d)(iii) above, including the reason for such extension), promptly after the resolution.

(e) Resolutions of the board of directors

The Company's board of directors, in exercising their role under the Corporation Act, will pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights taking into consideration any recommendation of the independent committee described above to the maximum extent. Promptly after passing such a resolution, the Company's board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate. The Acquirer must not effect an Acquisition until and unless the board of directors of the Company passes a resolution for the non-implementation of the gratis allotment of Stock Acquisition Rights/.

3.3 Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (e) of 3.2, 'Procedures for triggering the Plan,' if it is considered that an action of an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of the Stock Acquisition Rights. However, the Company's board of directors will without fail make its determination as to whether an action of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights based on the recommendation of the independent committee in accordance with (d) of section 3.2 above, 'Procedures for triggering the Plan.'

- (a) An Acquisition not in compliance with the procedures prescribed in the Plan.
- (b) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the actions below:
 - (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company at an inflated price.
 - (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
 - (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.
 - (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.
- (c) Certain Acquisitions that threaten to have the effect of forcing shareholders into selling share certificates, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set unfavorable acquisition terms for the second stage or do not set clear terms for the second stage).

- (d) Acquisitions that do not provide the Company's board of directors with the period of time reasonably necessary to produce an alternative proposal to the Acquisition.
- (e) Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not provided to shareholders, or the provision of such information (if any) is inadequate.
- (f) Acquisitions whose terms (including amount and type of consideration, the Acquisition schedule, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, post-Acquisition policies relating to the Company's minority shareholders, employees, business partners, customers and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.
- (g) Acquisitions that materially threaten to harm the corporate value of the Company and, in turn, the common interests of shareholders by destroying tangible and intangible management resources and personnel networks with employees and business partners of the Company group, which are indispensable to the value of the corporate brand *SHISEIDO* and the generation of the Company's corporate value.

3.4 Outline of the gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights intended for implementation under the Plan is described below (for particulars regarding the Stock Acquisition Rights, see Attachment 1, 'Shiseido Terms and Conditions of the Stock Acquisition Rights').

(a) Number of Stock Acquisition Rights

On a fixed date (the "Allotment Date") that is determined by the Company's board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution"), the Company will implement a gratis allotment of the Stock Acquisition Rights in the same number as the final and total number of issued and outstanding shares in the Company on this date (excluding the number of shares in the Company held by the Company at that time).

(b) Shareholders eligible for allotment

The Company will implement the gratis allotment of Stock Acquisition Rights by allotting the Stock Acquisition Rights to those shareholders, other than the Company, who appear or are recorded in the Company's final register of shareholders or register of beneficial shareholders on the Allotment Date ("Eligible Shareholders"), at a ratio of one Stock Acquisition Right for every one share held.

(c) Effective date of gratis allotment of Stock Acquisition Rights

The Company's board of directors will determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

(d) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall be one share per one Stock Acquisition Right.

(e) The amount to be contributed upon exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share to be contributed upon exercise of the Stock Acquisition Rights will be an amount determined by the Company's board of directors in the Gratis Allotment Resolution within the range between one yen and any amount equivalent to 50% of the fair market value.

(f) Exercise period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company's board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if there is an acquisition of the Stock Acquisition Rights by the Company as set out in (i) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights:

- (i) Specified Large Holders;
- (ii) Joint Holders of Specified Large Holders;
- (iii) Specific Large Purchasers;
- (iv) Persons having a Special Relationship with Specific Large Purchasers;
- (v) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (i) through (iv) without the approval of the Company's board of directors; or
- (vi) Any Affiliated Party of any party falling under (i) through (v).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in (i) below). For definitions and details of the terms used above, see Attachment 1, 'Shiseido Terms and Conditions of the Stock Acquisition Rights.'

(h) Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the board of directors of the Company.

(i) Acquisition of the Stock Acquisition Rights by the Company

- (i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the board of directors of the Company recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date specified by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.
- (ii) On a day that falls on a date determined by the board of directors of the Company, the Company may acquire all of the Stock Acquisition Rights

that have not been exercised before or on the day immediately prior to the date determined by the Company's board of directors, that are held by parties other than those parties falling under 3.4(g)(i) through 3.4(g)(vi) above and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one Stock Acquisition Right. Further, if, after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding Stock Acquisition Rights other than those parties falling under 3.4(g)(i) through 3.4(g)(vi) of above, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to a date determined by the Company's board of directors (if any) and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

3.5 Procedures for the introduction of the Plan

The introduction of the Plan will be as follows, subject to receiving the approval of shareholders at the Ordinary General Meeting of Shareholders:

- (a) In accordance with the proviso of Article 278(3) of the Corporation Act of Japan (*kaisha hou*), proposed amendments to the Company's Articles of Incorporation, including the incorporation of the provision stated below in Article 12 therein, are scheduled to be submitted to the Ordinary General Meeting of Shareholders for its resolution, as set out in Attachment 4.

“Matters relating to the gratis allotment of the Stock Acquisition Rights may be determined by a resolution of the board of directors, as well as by a resolution of the general meeting of shareholders, or by a resolution of the board of directors by the assignment of a resolution of the general meeting of shareholders.”

In order to introduce the Plan, the Company intends to submit to the Ordinary General Meeting of Shareholders for its resolution a proposal to make amendments to the Articles of Incorporation related to the number of authorized shares, as set out in Attachment 4, as well as the abovementioned

amendments to the Articles of Incorporation.

- (b) Under the provision of Article 12 of the Company's Articles of Incorporation after the amendment in accordance with (a) above, shareholders will be requested to assign to the Company's board of directors the authority to determine matters pertaining to the gratis allotment of Stock Acquisition Rights in accordance with the terms and conditions set out in the Plan by means of a resolution of the Ordinary General Meeting of Shareholders.

3.6 Effective period of the Plan

The period for the authority to decide matters relating to implementation of the gratis allotment of Stock Acquisition Rights under the Plan as assigned by a resolution of a general meeting of shareholders as described above at 3.5(b) (the "Effective Period") shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the fiscal year ending March 2008, which is the final fiscal year of the Three-Year Plan, in order for the Effective Period to run simultaneously with the duration of the Three-Year Plan.

3.7 Abolition and amendment of the Plan

If, before the expiration of the Effective Period, (a) a general meeting of shareholders of the Company passes a resolution to withdraw the abovementioned assignment to the board of directors to decide matters relating to the gratis allotment of Stock Acquisition Rights under the Plan, or (b) the Company's board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time. Therefore, it is possible to abolish the Plan in accordance with the shareholders' intent.

Further, (c) the Company's board of directors may revise or amend the Plan during the Effective Period of the Plan, within the limits of the assignment by the general meeting of shareholders as described in 3.5(b) above, and subject to the approval of the independent committee.

If the Plan is abolished or amended, the Company will promptly disclose facts including the fact that such abolition or amendment has taken place, and (in the event of an amendment) the details of the amendment and any other matters.

4. Rationale of the Plan

4.1 Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies the three principles set out in the “Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders’ Common Interests” released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

4.2 Placing value on the intent of shareholders (Resolutions of the general meetings of shareholders and sunset clause)

As set out above in section 2, ‘Purpose of the introduction of the Plan,’ and section 3.5, ‘Procedures for the introduction of the Plan,’ the Plan will become effective upon approval by the shareholders at the Ordinary General Meeting of Shareholders. The Plan will remain effective for a period of two years until the close of the ordinary general meeting of shareholders relating to the fiscal year ending March 2008 as set out above in section 3.6, ‘Effective period of the Plan.’ In addition, as the term of office of directors will be one year, it is possible for the opinions of the shareholders on the merits of the Plan to be reflected, even during the Effective Period of the Plan, through the election of directors each year. Further, as set out in section 3.7, ‘Abolition and amendment of the Plan,’ if, before the expiration of the Effective Period, a general meeting of shareholders makes a resolution to abolish the Plan, the Plan will be abolished at that time. In this regard, the life of the Plan rests on the intent of the general meeting of shareholders.

4.3 Disclosure of information and emphasis on the decisions of independent parties such as outside directors

In introducing the Plan, the Company will establish an independent committee as an organization that will eliminate arbitrary decisions by its directors and objectively carry out the substantive decisions on behalf of the shareholders in the event of triggering, abolition or other operation of the Plan.

The independent committee will be composed of outside directors and outside statutory auditors, provided, however, that if the number of such outside directors and outside statutory auditors is less than the required number as set out in the Rules of the Independent Committee due to the outside directors or the outside statutory auditors being unable to carry out their duties, an outside expert who satisfies certain

requirements set out in the Rules of the Independent Committee may be included as a committee member.

If an Acquisition of shares in the Company were to actually occur, this independent committee would, as set out above in 3.2, 'Procedures for the activation of the Plan,' and in accordance with the Rules of the Independent Committee, make recommendations, as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of shareholders. Then, the board of directors of the Company would, in their role under the Corporation Act of Japan, and taking into consideration those recommendations to the maximum extent, make a resolution concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights.

In this way, by strictly monitoring the matters surrounding any triggering of the Plan so that directors do not make arbitrary decisions to trigger the Plan, and by disclosing outlines of its decisions to the shareholders, the independent committee ensure a structure under which the Plan is only operated in a transparent way in order to contribute to the corporate value of the Company and the common interests of its shareholders.

4.4 Establishment of reasonably objective requirements

As set out above at section 3.2(d), 'Independent committee decision process,' and 3.3, 'Requirements for the gratis allotment of the Stock Acquisition Rights,' the Plan is established so that it will not be triggered unless reasonable and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company's board of directors.

4.5 Obtaining the advice of third-party experts

As set out above at (c) of section 3.2, 'Procedures for triggering the Plan,' if an Acquirer emerges, the independent committee may obtain the advice of independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the independent committee.

4.6 No dead-hand or slow-hand takeover defense measures

As stated in section 3.7, 'Abolition and amendment of the Plan,' the Plan may be abolished at any time by the board of directors composed of directors elected by a general meeting of shareholders of the Company, and the Plan is set up so that a person who intends to acquire a large quantity of shares in the Company may elect, at a general meeting of shareholders of the Company, directors nominated by that person and, through a resolution of the board of directors of the Company attended by the so-elected directors, that person may abolish the Plan.

Therefore, the Plan is not a dead-hand takeover defense measure (an takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has made the term of office of directors one year and not adopted a system of staggered terms of office, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

5. Impact on shareholders and other stakeholders

5.1 Impact on shareholders and investors at the time of introduction

At the time of its introduction, the Plan will have no direct or material impact on shareholders and investors. This is because at that time, by resolution of a general meeting of shareholders, only the assignment of authority to determine matters relating to the gratis allotment of Stock Acquisition Rights will take place and no actual gratis allotment of Stock Acquisition Rights will be implemented.

5.2 Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights to all registered shareholders of the Company as of the Allotment Date that will separately be determined by the Company's board of directors in a Gratis Allotment Resolution, at a ratio of one Stock Acquisition Right per one share held. If the shareholders do not proceed with the payment for the allotment and the other procedures for the exercise of Stock Acquisition Rights detailed in 5.3(b) below within the rights exercise period, the shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders.

However, there may be possibilities that the Company will, by the Company's board of directors' decision, acquire the Stock Acquisition Rights of all shareholders other than those parties who fall under 3.4(g)(i) through (vi) above and, in exchange, deliver shares in the Company, in accordance with the procedures set out in 5.3(c) below. If the Company carries out such an acquisition procedures, all shareholders other than those parties who fall under 3.4(g)(i) through (vi) above will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the value of the aggregate shares in the Company they hold will result (only dilution of the value per share of shares in the Company they hold will result).

Furthermore, if the Company cancels its gratis allotment of Stock Acquisition Rights after it has determined the shareholders who are registered and entitled to the gratis allotment, or decides to acquire those Stock Acquisition Rights that have already been allotted to the shareholders without consideration, no dilution of the value per share of shares in the Company will result, and those shareholders who sold the shares in the Company based on the premises that dilution of the value per share of the shares in the Company will result might suffer damage commensurate with and due to fluctuations in the value of the shares.

5.3 Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights

(a) Procedures for entry of name change

If the Company's board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. As the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are registered or recorded in the last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name change as soon as possible. No procedures for entry of name change are required for those share certificates deposited with the Japan Securities Depository Center, Inc.

In this connection, all of the shareholders who are registered or recorded in the last register of shareholders or register of beneficial shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves satisfy the exercise conditions of the Stock Acquisition Rights, indemnity clauses and other pledges) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being registered or recorded on the last register of shareholders or register of beneficial shareholders as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per one Stock Acquisition Right upon submitting these necessary documents during the exercise period and, as a general rule, by paying to the place handling such payments the price determined by the Company's board of directors in the Gratis Allotment Resolution, which will be an amount within a range of one yen and 50% of the fair market value per Stock Acquisition Right.

(c) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Company's board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the day that falls on the date separately determined by the Company's board of directors. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not any of those parties who fall under 3.4(g)(i) through (vi) above, indemnity clauses and other pledges.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the board of directors of the Company in relation to a gratis allotment of Stock Acquisition Rights, so we request that shareholders check these details at that time.

---End---

Attachment 1

Shiseido Terms and Conditions of the Stock Acquisition Rights

- I. Determination on Gratis Allotment of Stock Acquisition Rights
 1. Terms and number of the Stock Acquisition Rights

The Company will implement a gratis allotment of stock acquisition rights whose terms are set forth in II below (individually or collectively, the “Stock Acquisition Rights”) in the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (“Gratis Allotment Resolution”).
 2. Shareholders eligible for allotment

The Company will implement a gratis allotment of Stock Acquisition Rights to those shareholders who appear or are recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share held (excluding the shares in the Company held by the Company at that time).
 3. Effective date of gratis allotment of Stock Acquisition Rights

The Company’s board of directors will determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.
- II. Terms of the Stock Acquisition Rights
 1. Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of the Stock Acquisition Rights (the “Applicable Number of Shares”) shall be one share.
 2. The amount to be contributed upon exercise of the Stock Acquisition Rights
 - (1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in (2) below) multiplied by the Applicable Number of Shares.
 - (2) The amount per share to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount determined by the Company’s board of directors within the range between one yen and any amount equivalent to 50% of the fair market value. The “fair market value” means the average closing price of regular transactions of the Company’s common shares at the Tokyo Stock Exchange for the ninety (90) days (excluding any day on which

transactions are not completed) before the date immediately prior to the date on which the Company's board of directors resolved the Gratis Allotment Resolution, and any fraction of a yen shall be rounded up to the nearest whole yen.

3. Exercise period of the Stock Acquisition Rights

The commencement date will be a date on which the gratis allotment of Stock Acquisition Rights becomes effective (or a date otherwise determined by the Company's board of directors), and the period will be a period from one month to three months long as determined by the Company's board of directors in the Gratis Allotment Resolution; provided, however, that if there is an acquisition of the Stock Acquisition Rights by the Company in accordance with the provisions of 7 below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

4. Conditions for the exercise of the Stock Acquisition Rights

(1) The following parties may not exercise the Stock Acquisition Rights:

- (i) Specified Large Holders;
- (ii) Joint Holders of Specified Large Holders;
- (iii) Specific Large Purchasers;
- (iv) Persons having a Special Relationship with Specific Large Purchasers;
- (v) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (i) through (iv) without the approval of the Company's board of directors; or
- (vi) Any Affiliated Party of any party falling under (i) through (v).

The terms used above shall have the following meanings:

- (a) "Specified Large Holder" means a party who is a holder (including any person who is described as a holder under Article 27-23(3) of the Securities and Exchange Act) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Act; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Act) in respect of such share certificates, etc. is at least 20% (including any party who is deemed to be a specified large holder by the Company's board of directors).
- (b) "Joint Holder" means a joint holder defined in Article 27-23(5) of the Securities and Exchange Act, and includes any party who

is deemed to be a joint holder in accordance with Article 27-23(6) of the Securities and Exchange Act (including any party who is deemed to be a joint holder by the Company's board of directors).

- (c) "Specific Large Purchaser" means a person who makes a public announcement of purchase, etc. (as defined in Article 27-2(1) of the Securities and Exchange Act; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Act; the same applies hereinafter in this subparagraph (c)) issued by the Company through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Act) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Act; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7(3) of the Order of the Enforcement of the Securities and Exchange Act) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a Person having a Special Relationship.
 - (d) "Person having a Special Relationship" is defined in Article 27-2(7) of the Securities and Exchange Act (including any party who is deemed to be a person having a special relationship by the Company's board of directors); provided, however, that those parties provided for in Article 3(1) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from those parties set out in Article 27-2(7)(i) of the Securities and Exchange Act.
 - (e) An "Affiliated Party" of a given party means a person deemed by the Company's board of directors to substantially control, be controlled by, or be under common control with such given party, or a party deemed by the Company's board of directors to act in concert with such given party. "Control" means to "control the determination of the financial and business policies" (as defined in Article 3 of the Enforcement Regulations of the Corporation Act) of other corporations or entities.
- (2) Notwithstanding (1) above, the parties set out in (a) through (d) below are not Specified Large Holders or Specific Large Purchasers:
- (a) the Company, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning

Terminology, Forms and Method of Preparation of Financial Statements, etc.);

- (b) a party that the Company's board of directors recognizes as a party that became a Specified Large Holder as set forth in (1)(i) above with no intention to control the Company and that ceased to be a Specific Large Holder as set forth in (1)(i) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after becoming a Specific Large Holder as set forth in (1)(i) above (provided, however, that the ten (10) day period may be extended by the Company's board of directors);
 - (c) a party that the Company's board of directors recognizes as a party that involuntarily became a Specific Large Holder as set forth in (1)(i) above by the Company acquiring treasury stock or for any other reason (excluding cases where the party thereafter newly acquires the Company's share certificates, etc. at its own discretion); or
 - (d) a party that the Company's board of directors recognizes as a party whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company's corporate value or the common interests of shareholders. (The Company's board of directors may recognize that a party that it has recognized as a party as set forth in (1)(i) through (1)(vi) is not contrary to the Company's corporate value or the common interests of shareholders. If the Company's board of directors determines that an acquisition or holding is not contrary to the Company's corporate value or common interests of shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)
- (3) Under the applicable foreign laws and ordinances, if a party located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such party may exercise the Stock Acquisition Rights only if the Company's board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such party may not exercise the Stock Acquisition Rights if the Company's board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. The Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and

Conditions which are required in order for the party under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a party located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances (the “Governing Law Prohibited Exercise”), such person who locates in such jurisdiction shall not exercise the Stock Acquisition Rights.

- (4) Notwithstanding (3) above, a party located in the United States may exercise the Stock Acquisition Rights, only if (i) such party represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such party covenants to resell the shares of common stock of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such party only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a party located in the United States. A party located in the United States shall not exercise the Stock Acquisition Rights if the Company’s board of directors determines that such party is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such party satisfies the conditions as described in (i) and (ii) above.
 - (5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a party as set forth in (1)(i) through (1)(vi) above, nor a party that has any intention to exercise the Stock Acquisition Rights on behalf of a party as set forth in (1)(i) through (1)(vi) above and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.
 - (6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section 4, the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.
5. Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Rights
The capital to be increased upon issuance of shares by exercise of the Stock

Acquisition Rights shall be equal to the aggregate of value of assets contributed upon exercise of the Stock Acquisition Rights, and the capital reserve shall not be increased.

6. Restrictions on transfers of the Stock Acquisition Rights

- (1) Any acquisition of the Stock Acquisition Rights by assignment requires approval of the board of directors of the Company.
- (2) If a party who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(3) and 4(4) (excluding a person who is unable to exercise the Stock Acquisition Rights in accordance with the provision of section 4(1)), then the board of directors of the Company shall determine if it gives such approval as described in section (1) above considering the following matters:
 - (a) whether or not a written undertaking prepared and signed or sealed by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below), provisions for indemnification and other provisions for covenants as provided by the Company is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by a person who locates in such jurisdiction;
 - (b) whether or not it is clear that the transferor and transferee do not fall under section 4(1)(a) through 4(1)(f);
 - (c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a party located in such jurisdiction;
 - (d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a party who is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(1).

7. Acquisition of the Stock Acquisition Rights by the Company

- (1) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the board of directors of the Company recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date specified by the Company's board of directors, acquire all of Stock Acquisition Rights without consideration.
- (2) On a day that falls on a date specified by the board of directors of the

Company, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to the date specified by the Company's board of directors, that are held by parties other than those parties who are unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(1) above and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of a party other than parties who are unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(1), the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to a date determined by the Company's board of directors (if any) and, in exchange, deliver shares of the Company in the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

8. Delivery of the Stock Acquisition Rights and the conditions thereof in the case of merger, corporate division, share exchange or share transfer
The Company's board of directors will determine the delivery of the Stock Acquisition Rights and the conditions thereof in the case of merger, corporate division, share exchange or share transfer in the Gratis Allotment Resolution.
9. Issuance of certificates representing the Stock Acquisition Rights
Certificates representing the Stock Acquisition Rights will not be issued.
10. Revision due to amendment to laws and ordinances
The provisions of the laws and ordinances referred to above are subject to the provisions that will come into effect as of May 11, 2006. If the meanings of the provisions or terms as set forth in each item above require revision due to the enactment, amendment or abolishment of laws and ordinances after May 11, 2006, the Company's board of directors may differently read the meanings of the provisions or terms as set forth in each item above to the reasonable extent as required, taking into consideration the purposes of such enactment, amendment or abolishment.

Attachment 2

Outline of the Rules of the Independent Committee

- The independent committee shall be established by resolution of the board of directors of the Company.
- There shall be no less than three (3) members of the independent committee, and the board of directors of the Company shall elect the members from
 - (i) outside directors of the Company, and
 - (ii) outside statutory auditors of the Companywho are independent from the management that conducts the execution of the business of the Company. However, if the number of such (i) outside directors and (ii) outside statutory auditors is less than the abovementioned number due to (i) outside directors or (ii) outside statutory auditors being unable to carry out their duties, the board of directors may elect members from (iii) outside experts. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, lawyers, certified public accountants, researchers whose research focuses on Corporation Act of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the board of directors of the Company that contains a provision obligating them to exercise the duty of care of a good manager or a similar provision.
- Unless otherwise determined by a resolution of the board of directors of the Company, the term of office of members of the independent committee shall be until the end of the ordinary general meeting of shareholders relating to the fiscal year ending March 2008. However, the term of office of any member of the independent committee who is an outside director or outside statutory auditor shall end in the event that they cease to be a director or statutory auditor (except in the case of their re-appointment).
- The independent committee shall make decisions on the matters listed below and submit recommendations to the board of directors of the Company containing the details of and reasons for the recommendation. Respecting such recommendations of the independent committee to the maximum extent, the board of directors of the Company shall make a resolution concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights as a function under the Corporation Act

of Japan. Each member of the independent committee and the directors of the Company must make such decisions solely with a view to whether or not the corporate value of the Company and, in turn, the common interests of its shareholders will be enhanced, and they must not serve the purpose of their own interests or those of the management of the Company.

- (a) Whether it is appropriate that the Acquisitions be made subject to the Plan.
 - (b) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the extension of the Independent Committee Consideration Period.
 - (c) The cancellation of the gratis allotment of Stock Acquisition Rights.
 - (d) The gratis acquisition of Stock Acquisition Rights.
 - (e) Abolition or amendment of the Plan.
 - (f) Any other matters that are for determination by the board of directors of the Company in respect to which it has consulted the independent committee.
- In addition to the matters prescribed above, the independent committee may conduct the matters listed below.
 - (a) Determining the information that the Acquirer and board of directors of the Company should provide to the independent committee, and the deadline for the provision of that information.
 - (b) Examination and consideration of the terms of the Acquirer's Acquisitions.
 - (c) Negotiation and discussion with the Acquirer.
 - (d) Request for an alternative proposal and consideration of the alternative proposal to the board of directors.
 - (e) Any other matters that the Plan prescribes that the independent committee may conduct.
 - (f) Any matters that the board of directors of the Company separately determines that the independent committee may conduct.
 - If the independent committee decides that the Acquisition Statement and the details stated therein are inadequate as Essential Information, it shall request the Acquirer to submit additional information. Further, if the independent committee receives from the Acquirer the Acquisition Statement and any additional information that it requests, it may request the board of directors of the Company to provide within a certain period an opinion on the terms of the Acquisition by the Acquirer and materials supporting that opinion, an

alternative proposal (if any), and any other information that the independent committee may consider necessary from time to time.

- If it is necessary in order to have the terms of the Acquirer's Acquisition revised from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the independent committee shall either directly or indirectly discuss and negotiate with the Acquirer, or make a recommendation to submit the alternative plan to the board of directors, or similar action.
- In order to collect the necessary information, the independent committee may request the attendance of a director, statutory auditor or employee of the Company, or any other party that the independent committee considers necessary, and may require explanation of any matter it requests.
- The independent committee may, at the Company's expense, obtain the advice of an independent third party (including financial advisors, certified public accountants, lawyers, consultants and other experts) and similar actions.
- Any member of the independent committee may convene a meeting of the independent committee when an Acquisition arises, or at any other time.
- Resolutions of meeting of the independent committee shall, as a general rule, pass with a majority when at least two-thirds of the members of the independent committee are in attendance. However, in unavoidable circumstances a resolution may pass with a majority of voting rights when a majority of the members of the independent committee are in attendance.

---End---

Attachment 3

Names and Career Summary of Members of the Independent Committee

Initial members of the independent committee at the time of introduction of the Plan are scheduled as follows:

Shoichiro Iwata

President & CEO, ASKUL Corporation

August 1950	Born in Osaka
March 1973	Graduated from Faculty of Business and Commerce, Keio University,
March 1973	Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)
March 1986	Joined Plus Corporation, Assistant Manager of Product Development Division
May 1992	Appointed Head of ASKUL Business Project, Sales Division, Plus Corporation
November 1995	Appointed Manager of ASKUL Business Division, Plus Corporation
March 1997	Appointed President of ASKUL Corporation
March 2000	Appointed President & CEO, ASKUL Corporation
June 2006	To be appointed as an outside director of the Company

Main official duties:

Manager of KEIZAI DOYUKAI (Japan Association of Corporate Executives)

Member of Planning and Operation Committee for KEIZAI DOYUKAI Business Promotion Forum

Committee Chairman of KEIZAI DOYUKAI Business Promotion Forum

Member of Advisory Board, NTT DoCoMo, Inc.

Member of Advisory Board, Monex Beans Holdings, Inc.

Notes: 1. Mr. Shoichiro Iwata is a candidate for outside director who satisfies the requirements set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Act of Japan and is scheduled to be appointed as an outside director after he is elected as such by the 106th Ordinary General Meeting of Shareholders of the Company to be held in June 2006.

2. Although the Company purchases stationery from ASKUL Corporation, of which Mr. Iwata serves as Representative Director, through regular transactions and the subsidiary of the Company sells hair care product for professional use to ASKUL Corporation, the volume of trading (both purchases and sales) between Shiseido Group and ASKUL Corporation is very small. Therefore, the effect of the transactions on the consolidated results of the Shiseido Group and the results of ASKUL Corporation will be very minor.

Tatsuo Uemura

Head Professor, Center of Excellence-Waseda Institute for Corporation Law and Society
Professor of Graduate School of Law, Waseda University, PhD (law)

April 1948	Born in Tokyo
March 1971	Graduated from Waseda University, School of Law
March 1977	Completed doctoral courses at Graduate School of Law, Waseda University
April 1977	Appointed full-time Instructor, Faculty of Law, The University of Kitakyushu
April 1979	Appointed Associate Professor, Faculty of Law, The University of Kitakyushu
April 1981	Appointed Associate Professor, School of Law, Senshu University
April 1986	Appointed Professor, School of Law, Senshu University,
April 1990	Appointed Professor, College of Law and Politics, Rikkyo University
April 1997	Appointed Professor, School of Law, Waseda University
October 2003	Appointed to the concurrent posts of Head Professor, Center of Excellence-Waseda Institute for Corporation Law and Society; Professor of Graduate School of Law, Waseda University
June 2006	To be appointed as an outside director of the Company

Main official duties:

Provisional committee member of the Industrial Structure Deliberation Council,
Ministry of Economy, Trade and Industry
Director of the Japan Investor Protection Fund
Committee member of the Self-Regulation Committee, Tokyo Stock Exchange, Inc.

Director, Japan Association of Corporate Directors
Member of Advisory Board, NTT DoCoMo, Inc.
Chairman of the Judging Committee in the Investor Relations and Advertising categories for the NIKKEI ADVERTISING AWARDS
Outside Director of Jasdaq Securities Exchange Inc.
Councilor, Japan Securities Research Institute (JSRI)

Notes: 1. Mr. Tatsuo Uemura is a candidate for outside director who satisfies the requirements set out in Article 2.3 (7) of the Enforcement Regulations of the Corporation Act of Japan and is scheduled to be appointed as an outside director after he is elected as such by the 106th Ordinary General Meeting of Shareholders of the Company to be held in June 2006.
2. The candidate does not have any special interest in the Company.

Akio Harada

Lawyer

November 1939	Born in Tokyo
April 1965	Public prosecutor of the Tokyo District Public Prosecutors Office
July 1975	First secretary of Japanese Embassy in the U.S.
April 1988	Chief of Personnel Division of Secretariat of the Minister of Justice
April 1992	Chief public prosecutor of the Morioka District Public Prosecutor Office
December 1993	Chief of the Secretariat of the Ministry of Justice
January 1996	Director General of Criminal Affairs Bureau of Ministry of Justice
June 1998	Administrative Vice-Minister for Justice
December 1999	Superintendent public prosecutor of the Tokyo High Prosecutor's Office
July 2001	Prosecutor General
October 2004	Registered as a lawyer
June 2005	Appointed outside statutory auditor of the Company

Main official duties:

External Director of Seiko Corporation
External Corporate Auditor of Sumitomo Corporation
Chairman of the Board of Trustees of Tokyo Woman's Christian University

- Notes: 1. Mr. Akio Harada is an outside statutory auditor of the Company as set out in Article 2.16 of the Corporation Act of Japan.
2. Mr. Harada does not have any special interest in the Company.

Attachment 4

Proposed Amendments to the Articles of Incorporation

The details of amendments are as follows:

(amended part is underlined)

Current Version	Amended Version (Draft)
<p>Article5 (Total Number of Shares to be Issued by the Company)</p> <p>The total number of shares to be issued by the Company shall be 784,561,000 shares; provided, however, that in the event of cancellation of any shares, the number of shares to be issued shall decrease accordingly.</p>	<p>Article5 (Number of Authorized Shares)</p> <p>The total number of authorized shares of the Company shall be 1,200,000,000 shares.</p>
<p>Article 6 (Omit Provisions) Article 11</p>	<p>Article 6 (Same as the Current Version) Article 11</p>
<p>(Added)</p>	<p>Article 12 (Decision-Making Organization Relating to Gratis Allotment of Stock Acquisition Rights)</p> <p>Matters relating to the gratis allotment of Stock Acquisition Rights may be determined by a resolution of the board of directors, as well as by the resolution of the general meeting of shareholders, or by a resolution of the board of directors by the assignment of a resolution of the general meeting of shareholders.</p>
<p>Article 12 (Omit Provisions) Article 37</p>	<p>Article 13 (Same as the Current Version) Article 38</p>

(Note) As proposed amendments to the Articles of Incorporation as a result of the implementation of the Corporation Act of Japan (Act No. 86 of 2005) are separately scheduled to be submitted to the ordinary general meeting of shareholders to be held in June 2006, a number of Articles may be amended in the future.

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