

(Translation)

May 16, 2008

**Notice of Stock Options (Stock Acquisition Rights)
for the Fiscal Year Ending March 31, 2009**

Notice is hereby given that Shiseido Company, Limited (the "Company"), at the meeting of its Board of Directors held today, resolved that the Company would propose at its 108th Ordinary General Meeting of Shareholders to be held on June 25, 2008, an item of business relating to the determination of remuneration, etc. for granting stock options to the Directors, as described below:

Description

The executive compensation policy of the Company, which has been designed by its Compensation Advisory Committee with an outside Director acting as chairman and including third parties, is a highly transparent policy that takes in objective perspectives.

The executive compensation under the policy is comprised of fixed basic compensation and performance-linked compensation, which fluctuates according to the rates of achievement of performance targets and stock prices, and the rate between the fixed basic compensation and the performance-linked compensation is 4:6. The performance-linked compensation consists of bonuses payable based on annual performances, the "medium-term incentives-type compensation" based on the targets of the new three-year plan, which has started as from April 1, 2008, and the "long-term incentives-type compensation (stock options)", which places emphasis on sharing interests with its shareholders. Thus, the policy is designed to motivate the officers of the Company to engage in management while having constant awareness of operating results and stock prices from not only single-year but also medium- and long-term perspectives.

The Company will submit an item of business relating to the aforesaid long-term incentives-type compensation (stock options) (Item of Business No. 7) as well as an item of business for the payment of Directors' bonuses (Item of Business No. 5) and an item of business relating to the medium-term incentives-type compensation (Item of Business No. 6) to its 108th Ordinary General Meeting of Shareholders.

For the reason that the allotment of stock acquisition rights as stock options to Directors is deemed to be a part of remuneration, etc. payable to Directors following the enforcement of the Corporate Law of Japan (Law No. 86 of 2005)*, this item of business will be submitted to enable the Company to pay remuneration, etc. to the Directors for granting stock options to the Directors.

In the event that an item of business for the election of Directors (Item of Business No. 3) is approved as proposed, the number of Directors will be eight (8). But no stock options under this item of business will be granted to two (2) outside Directors who shall be paid fixed basic compensation only.

- * In Article 361 of the Corporate Law of Japan, financial benefits receivable as a consideration for the execution of duties from a company such as remuneration, bonuses and others are defined as "remuneration, etc." and the term "remuneration, etc." stated in this item of business has the same meaning.

Stock options as long-term incentives

Reason for the proposal:

To link compensation of the Directors of the Company with an increase in its shareholder value on a long-term basis, while placing emphasis on their sharing interests with its shareholders, secure good human resources and thus to increase the corporate value of the whole Shiseido Group, the Company intends to grant stock options to six (6) Directors (subject to the approval of Item of Business No. 3), excluding the outside Directors, for the fiscal year ending March 31, 2009.

For the fiscal year ending March 31, 2009, the Company proposes to set forth ¥140,000,000 (an amount obtained by multiplying the fair price of each stock acquisition right by the total number of stock acquisition rights (70 or less)) per year as the limit of remuneration, etc. for Directors in the form of allotments of stock acquisition rights stated below as stock options.

Upon granting the stock acquisition rights, no cash payment will be required in exchange for the stock acquisition rights.

- (1) The number of shares which may be issued upon exercise of stock acquisition rights:

The number of shares which may be issued upon exercise of one stock acquisition right will be 1,000 shares of common stock of the Company (the "Subject Number of Shares").

Furthermore, in the event that the Company shall adjust the Subject Number of Shares by a share split (including the allotment of shares of common stock of the Company without compensation) or share consolidation, the Company may adjust the Subject Number of Shares to the reasonable extent.

- (2) Amount paid upon exercise of stock acquisition rights:

Payment required for the exercise of stock acquisition rights shall be made in cash. The exercise price per share shall be ¥1 and the total payment required shall be an amount obtained by multiplying ¥1 by the Subject Number of Shares.

- (3) Stock acquisition right exercise period:

From August 1, 2011 to July 30, 2018

- (4) Terms and conditions of the exercise of stock acquisition rights:

1. Any grantee of stock acquisition rights shall remain in office as Director or Executive Officer of the Company when he/she exercises the rights, unless he/she leaves office upon expiration of the term of office or due to any other good reason.
2. Any other term and condition shall be governed by a "contract of granting stock acquisition rights" to be entered into between the Company and the relevant grantee of stock acquisition rights.

- (5) Restriction on a transfer of stock acquisition rights:

Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors of the Company.

- (6) Other details of stock acquisition rights:

The details of items (1) to (5) and matters other than items (1) to (5) shall be determined at a meeting of the Board of Directors at which the issuance of the stock acquisition rights will be resolved.

(For reference)

Stock options to Executive Officers who do not concurrently hold offices of Directors

The executive compensation policy of the Company is addressed to the Directors and the Executive Officers who do not concurrently hold offices of Directors, under which such Executive Officers of the Company will be granted "stock options as long-term incentives" as will be granted to the Directors. The stock options for Executive Officers are scheduled to be determined at a meeting of the Board of Directors, separately from the stock options for Directors.

The size of the issue of stock acquisition rights as stock options based on the executive compensation policy for Executive Officers who do not concurrently hold offices of Directors is as follows:

Stock options as long-term incentives

The Company proposes to set forth ¥140,000,000 (an amount obtained by multiplying the fair price of each stock acquisition right by the total number of stock acquisition rights (70 or less)) per year as the limit of remuneration, etc. for thirteen (13) Executive Officers who do not concurrently hold offices of Directors in the form of allotments of stock acquisition rights as stock options.

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