

Overview of Operations in the Fiscal Year Ending March 2010

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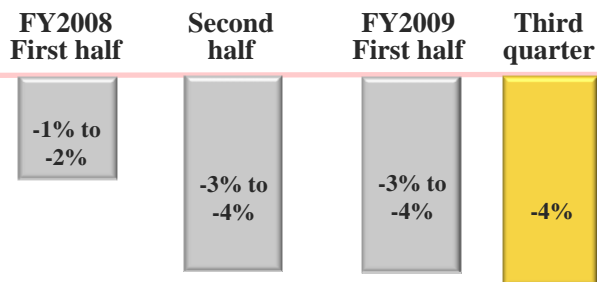
In this document, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

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●I would like to provide you with an overview of our operations in the fiscal year ending March 2010.



Over-the-counter Cosmetics Market Trend in Japan (Our Own Estimate)



Consumer caution and preferences for low-end items clearer following the sudden economic downturn sparked by the Lehman Brothers collapse in September 2008

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- Let me begin by discussing cosmetics market trends.
- In the domestic market, consumer caution and preferences for low-end items have become clearer following the sudden economic downturn sparked by the Lehman Brothers collapse in September 2008. Over-the-counter cosmetic sales of Shiseido have underperformed the market. We think that the stronger preference for cheaper items has been working as a negative factor for Shiseido, which has a smaller percentage of low-end items in its product mix.
- We expect that the domestic cosmetics market is unlikely to achieve a recovery for at least the first half of 2010.

Overseas Cosmetics Market Trend (Our Own Estimate)



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- Let me now turn to the overseas market, focusing on trends in the high-end cosmetics market in 2009.
- The market had trended down in both Europe and the United States but returned to positive growth in December in some areas such as the United States and Germany. The market is beginning to show some signs of recovery, despite variations in different countries. In terms of category, travel retail is recovering, mainly in Asia.
- Shiseido is beginning to see signs of a recovery in the fourth quarter, and sales are returning to a level higher than the previous year in each region, with market share improving.

Full-Year Outlook for the Year Ending March 2010

(billion yen)

	Outlook	YoY change	Local currency	Difference from previous forecast
Net sales	650	-5.8%	-	0
Domestic	413	-3.6%	-	0
Overseas	237	-9.5%	+3%	0
Operating income	50	+0.2%	-	0
Ordinary income	51	-2.0%	-	0
Net income	31	+60.0%	-	0

-Overseas sales ratio 36.5% (-1.5 pp)

-Operating margin 7.7% (+0.5 pp)

-Exchange rates US\$: ¥93.6 (-10%) Euro: ¥130.2 (-15%) Chinese yuan: ¥13.70 (-8%)

-Dividend Annual dividend to be ¥50 per share as initially planned

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- In this environment, our full-year outlook for the fiscal year ending March 2010 is as shown in the slide.
- As indicated in the table, we didn't change the full-year forecasts from the previous forecasts announced in October. This is primarily because income is improving in line with our projection, although the rate of domestic sales growth up to the third quarter was still below our full-year outlook. Another reason is that we expect to make up ground in the fourth quarter with a number of promising new products launched in Japan.
- Although the sales target becomes more challenge and less realistic recently, since the situation in the start-up period of the fourth quarter is still difficult, we are currently focusing on achieving the income targets for the full year.

Initiatives in FY2009

Steadily work towards achieving our objective of becoming “a global player representing Asia with its origins in Japan” within ten years, as set out in our current three-year plan.



- Despite the drastic change to the market brought by the global recession, we have worked towards achieving our objective of becoming a “global player representing Asia with its origins in Japan,” in ten years, as set out in our current three-year plan. In Japan, we have been steadily enhancing our fundamental power through our basic policy of “distinction and concentration.”
- Also, we are aiming to strengthen our sales force and continue marketing efforts to enhance Shiseido’s brand value. Overseas, we have been putting more effort into our global operations centering on Asia, and preparing for future growth.

Key Initiatives in the Second Half of FY2009 (Domestic)

Narrow down the brands/lines and stores in each sales channel we concentrate on bolstering and concentrate on specify priority areas.

Stores	Voluntary chain store “Power Shop”	Department stores Structured retailers	Drug stores
Lines merchandise domains	BENEFIQUE	REVITAL GRANAS	TSUBAKI AQUALABEL (AQL) UNO
	Relationship building domain High price range skincare		Self-selection/lottery domains Low price range haircare, skincare and men’s products

Voluntary chain stores	The 600 or so Power Shops that have been our focus are showing steady improvement. Since the second quarter, monthly over-the-counter sales have consistently been higher than a year ago.
Department stores	While total cosmetics counter sales have been substantially below the year-ago level, Shiseido’s over-the-counter sales have consistently outperformed total cosmetics counter sales in terms of the year-on-year change since January. In some months, there were even more than the year-ago level. Because of this, our market share is steadily increasing.

- In Japan, we have narrowed down the brands/lines and stores in each sales channel to strengthen. We have concentrated on specified priority areas, and the results are already apparent in the areas shown in the chart.
- We will continue to step up our efforts so that key shops in each channel will have power to boost overall sales.
- In particular, we are improving our sales capability for structured retailers, centering on the drug store channel. We see this as an important challenge.

Key Initiatives in FY2009 [Domestic]



TSUBAKI head treatment line



Refill of Uno Fog Bar



ELIXIR White



IN & ON

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- This fiscal year, we are launching a number of attractive new products.
- Even in the difficult environment, new products with recognized innovative value are selling well.
- In the fourth quarter, we are continuing to expand sales counters with valuable new products, such as the new line of TSUBAKI based on the concept of a head treatment and the refill for Uno Fog Bar, a blockbuster product that is an innovative new styling agent.

Reforming of the Global Brand SHISEIDO

Enhancing over-the-counter activities



Introduced a new counter to over 30 stores in 2009



Strengthening products



January 2009
Perfect Rouge



September 2009
Future Solution LX

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- Let me move on now to overseas operations. In the current fiscal year, we are rolling out a program to reform the global brand SHISEIDO.
- As a global player with its origins in Japan, we are bolstering over-the-counter activities unique to Shiseido by reforming the function and design of our product lines and sales counters and introducing an indicator for "omotenashi" in the activities of overseas consultants.

Maintaining Momentum in China Operations

Department store channel

MAQUILLAGE and Aupres—makeup lines that we focus this fiscal year—are enabling us to acquire 1980s generation customers and expand sales.



Website for a new Aupres makeup line

Cosmetic specialty store channel

The total number of stores was 4,500 at the end of December. Same-store sales continue to record double-digit growth.



Cosmetic specialty store

Masstige brands, such as Pure & Mild and Za, targeting the middle-income group are recording high growth.



Pure & Mild



Za

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- For China operations, our growth engine, we are focusing in the current fiscal year on makeup lines in the department store channel. Maquillage, which we began selling at the SHISEIDO counter as an imported product, and the new makeup lines of Aupres exclusively for China, are a significant help to attracting new customers, particularly the 1980s generation. As a result, sales are rising in line with expectations.

- In the cosmetics specialty store channel, the total number of stores that concluded agreements reached approximately 4,500 at the end of December. Same-store sales also remain solid, continuing to record double-digit growth.

- Masstige brands, such as Pure & Mild and Za, targeting the middle-income group, are also recording impressive growth and contributing to the expansion of our customer base.

Maintaining Momentum in China Operations

Drugstore channel

- Positioned as the third channel in China
- In the first year, we aim to introduce DQ in 600 stores



DQ, a new brand for drugstores



DQ counter

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- In addition, positioning drugstores as the third channel following department stores and voluntary chain stores, we will introduce DQ, a new brand for drugstores, in March 2010 to further expand points of contact with customers.

- In terms of the future growth potential of China, we believe that the market still has plenty of room for growth given the continuous adoption of measures to increase domestic demand by the Chinese government and an expected increase in the cosmetics population, particularly in inland areas, even after the Shanghai World EXPO.

Overview of Bare Escentuals, Inc.

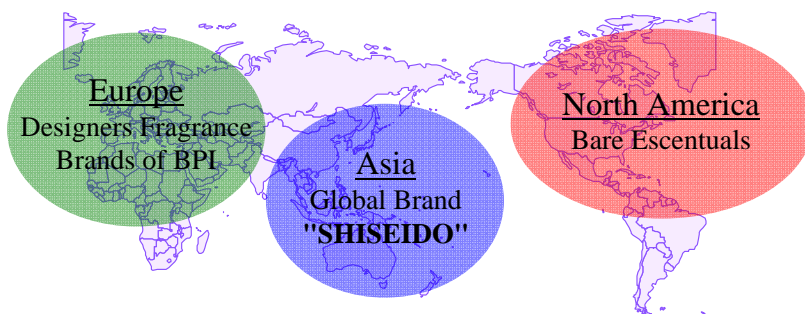
Name:	Bare Escentuals, Inc.
Founded:	1976
Location:	California, United States
Businesses:	Manufacturing and distribution of cosmetics
Employees:	2,779 (as of December 28, 2008)
Key Brand:	Mineral foundation "bareMinerals"
Business Model:	<ol style="list-style-type: none"> 1. Direct marketing such as through TV shopping channels 2. Selling at stores (department stores and company-owned boutiques)



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- On January 15, 2010, we resolved to offer to acquire Bare Escentuals, Inc., a U.S. cosmetics company, as a new operation.
- We began the tender offer on January 25. The period of the tender offer will continue until March 8.
- Bare Escentuals, a U.S. cosmetics company founded in 1976, is highly valued in the United States as a pioneer in the area of mineral makeup and has created a dominant brand in the mineral foundation market.

Our Vision for the Next Step



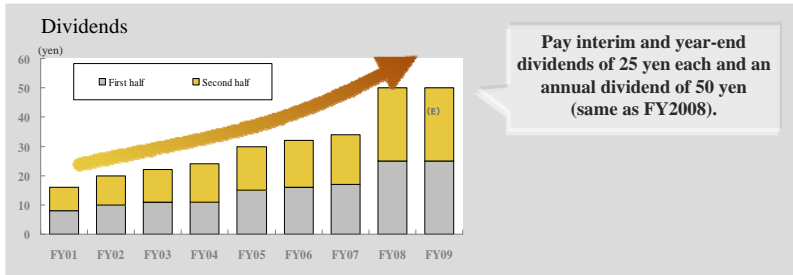
- Have multiple major global brands being rolled out worldwide

The True Global Player Representing Asia

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- Through this acquisition, we will reap three benefits. We will acquire new value, build a strong complementary relationship between Shiseido and Bare Escentuals in distribution, sales and R&D, and bolster the foundations of our business in North America. From a global perspective, we will be able to get closer to our prime objective of becoming a true global player, as we will have great global brands originating from each region: the global brand SHISEIDO originating from Asia, the designers fragrance brands of Beauté Prestige International from Europe, and Bare Escentuals originating from North America.

Shareholder Returns



Buyback of Company's shares and total shareholders return ratio:
Bought back 4 million shares worth 6.75 billion yen in May.
Total shareholders return ratio is expected to be 86%.

- The final topic is shareholder returns.
- As initially planned, we will pay interim and year-end dividends of 25 yen each for an annual dividend of 50 yen per share.
- Combined with the buyback of the company's own shares worth ¥6.75 billion in May, this is expected to bring the total shareholder return ratio for the current fiscal year to 86%.