

(Translation)

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Dear Sirs and Madams,

Name of Company: Shiseido Company, Limited  
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**Shiseido Establishes a New Factory in Ohtawara City, Tochigi Prefecture  
~ Responding to Growing Demand Inside and Outside Japan Along With Production  
Capability Reinforcement at the Three Existing Factories in Japan ~**

Shiseido Company, Limited (Shiseido) has decided to acquire a plot of land in Ohtawara City, Tochigi Prefecture with the intent of building a new production site, Shiseido Nasu Factory (tentative name; hereinafter Nasu factory). Shiseido is planning to begin construction of the new factory in the fiscal year 2018 and start its operation in the fiscal year 2019. The new factory will mainly manufacture skincare products.

In addition to that, Shiseido will boost the production capabilities of its new Shiseido Osaka Factory (Ibaraki City, Osaka Prefecture), which is now in the preparation phase of construction and will manufacture skincare products targeting the Japanese and global markets, to 2.1 times higher than the initial plan. The company is also promoting cooperation with suppliers to ensure a stable supply of necessary raw and packaging materials. Through these initiatives, Shiseido aims to establish a stable and sustainable production system in the mid- to long-term.

Meanwhile, in order to quickly respond to expanding demand in Japan and overseas, Shiseido will take measures to enhance production capabilities of the three existing factories in Japan, such as improving their production infrastructure and increasing the number of staff, while also making an effective use of outsourced production, efficient manufacturing of flagship products, and other initiatives.

## 1. Background of production capability reinforcement

Shiseido has put efforts into strengthening its competitiveness through innovative changes in the management to accomplish the company's mid- to long-term business strategy VISION 2020, with which the company aims to "Be a Global Winner with Our Heritage". As a result, the demand for Shiseido products has been increasing not only in its home market, Japan, but in the global markets as well. On top of that, the company has been actively promoting its cross-border marketing strategy, which regards the three markets of Japan, China and Travel Retail as one, and consequently, the demand for Shiseido products is expanding inside and outside Japan thanks to the increasing number of consumers who perceive the value of "made-in-Japan" quality. In order to respond to such increase in cosmetics demand and achieve further growth of the company, Shiseido recognizes the importance of establishing a stable production system from a mid- to long-term perspective, and decided to increase investment into various initiatives, building a new factory among them.

## 2. Establishment of Nasu factory

The new factory will play the role of a primary factory focusing on skincare products, which are growing in demand, and provide high-quality safe products. Shiseido will ensure strict production and quality control in compliance with the international standards, ISO22716. While utilizing the advanced technologies, such as IoT and others, and establishing effective production and distribution from the viewpoints of cooperation with suppliers and creating a stable distribution system, the factory will promptly respond to the fast-changing market needs. In addition, Shiseido commits to zero impact on the water resources in the factory neighborhood and existing in harmony with the surrounding environment.

## 3. Outline of Nasu Factory

Name	Shiseido Nasu Factory (Tentative name)
Planned construction site	Nakatawara area in Ohtawara City, Tochigi Prefecture
Land area	110,000 m <sup>2</sup>
Building area	38,000 m <sup>2</sup>
Floors	Single story (partially multi-storied)
Products	Skincare and other products
Production capacity	Approx. 120 million products per year
Investment	Approx. 30-40 billion JPY
Start of construction (plan)	FY2018
Start of operation (plan)	FY2019

\*The above information may be subject to change.



【Image of Nasu Factory】

## 4. Future outlook

We believe that this matter has only minor effects on the consolidated financial results of the Company for the fiscal year ending December 2017, but that it will contribute to the profitability growth of Shiseido Group.



<Reference>

The following lists show the outline of Shiseido's factories and their main productions. (As of October 2017.)

<Japan: Three factories>

Factory (year of establishment)	Location	Main products
Shiseido Kakegawa Factory (1975)	Kakegawa, Shizuoka	Primary factory making makeup, medical, hyaluronic acid products (foundation, lipsticks, eye shadow, etc.)
Shiseido Osaka Factory (1939)	Osaka, Osaka	Primary factory making skincare products (cleanser, lotion, emulsion, cream, hair care and body care products, etc.)
Shiseido Kuki Factory (1983)	Kuki, Saitama	Primary factory making personal care products (shampoo, conditioner, etc.)

<Overseas: 10 factories>

Factory (year of establishment)	Location	Main products
Shiseido America, Inc. East Windsor Factory (1998)	New Jersey, U.S.A.	Global skincare products
Davlyn Industries, Inc. (Acquired in 1989)	New Jersey, U.S.A.	Global skincare and makeup products
Zotos International, Inc. Geneva Factory (Acquired in 1988)	New York, U.S.A.	Zotos perming, shampoo, and conditioner products
Shiseido International France S.A.S. Unité de Gien (1991)	Gien, France	Global fragrance products
Shiseido International France S.A.S. Unité du Val de Loire (1999)	Ormes, France	Global skincare products
Shiseido Liyuan Cosmetics Co., Ltd. (1993)	Beijing, China	Skincare and makeup products for the Chinese market
Shanghai Zotos Citic Cosmetics Co., Ltd. (1999)	Shanghai, China	Skincare and makeup products for the Chinese market
Shanghai Huani Transparent Beauty Soap Co., Ltd. (2011)	Shanghai, China	Hotel amenities and soap for the Taiwanese market
Taiwan Shiseido Co., Ltd. Hsinchu Factory (2016)	Hsinchu County, Taiwan R.O.C.	Skincare and makeup products for the Taiwanese market and makeup products for the ASEAN markets
Shiseido Vietnam Inc. Vietnam Factory (2010)	Bien Hoa City, Dong Nai Province, Vietnam	Skincare products for the Japanese and Asian markets

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