



(Translation)

January 31, 2013

Dear Sirs and Madams,

Name of Company: Shiseido Company, Limited  
Name of Representative: Hisayuki Suekawa  
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(Representative Director)  
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### **Notice of Reorganization of Production and R&D Bases**

Shiseido Co., Ltd. (the “Company”) hereby announces that at the meeting of its Board of Directors held on January 31, 2013, resolved to reorganize its production and R&D bases, as detailed below, as part of the business structural reform it announced in its *First Quarter Results and Outlook for the Full Year for the Fiscal Year Ending March 31, 2013*, released July 31, 2012, and in its *First Half Results and Outlook for the Full Year for the Fiscal Year Ending March 31, 2013*, released October 31, 2012.

#### 1. Reasons for the Reorganization

In its current three-year plan, Shiseido has endeavored to achieve rapid sales growth and secure profits by making leading investments based on the theme of “Getting into a growth trajectory.” However, after the worldwide economic slowdown as a result of the European financial crisis, and the changes in China’s business environment, investments are unlikely to produce favorable returns. In view of these circumstances, the Company has changed its policy to create a significantly profitable structure in which it can steadily increase profits by achieving sales growth at the same rate as its market growth. To develop this robust business structure, Shiseido will carry out business structural reform by overhauling its organization, infrastructure, and operations.

This business structural reform will consist of three programs. The first one is aimed at reorganizing its production and R&D bases, the second one at strengthening its management of human resources and personnel costs, and the third one at integrating its functions on a global scale. In the plan to reorganize its production and R&D bases, it will take steps to reform its global supply chain in an effort to minimize the impact of foreign exchange amid its increasing share of overseas sales, which are mainly in Asia, and to reduce cost of goods sold and enhance its value creation.



## 2. Details of the Reorganization

### (1) Reorganization of production bases

As its competition with global peers is intensifying, Shiseido will carry out the reorganization of its production bases at a global level, placing a top priority on competitiveness. In particular, of its four production facilities in Japan—namely, the Kuki, Kamakura, Kakegawa, and Osaka factories—the Company will close down the Kamakura factory. The products that are currently produced in this factory will be transferred to the Kakegawa, Osaka, and Vietnam factories. In addition, the Vietnam factory will take over the production of medium- and low-price skincare and other products from the Kamakura and other Japanese factories, in order to serve as the core factory for producing skincare items in the medium and low price range for the Japanese and ASEAN markets. This will enable Shiseido to build a stable and efficient production system in which the individual bases in Japan and abroad can take advantage of their respective strengths. In order to establish this production system, a new factory building will be built at the Vietnam factory, and the capacity of existing buildings will be enhanced.

Viewing the 2011 Great East Japan Earthquake as an opportunity, Shiseido has been looking at transferring its production overseas to ensure a continual supply of products. In this respect, the Company has decided to close down its Kamakura factory, given that it is over 50 years old and would require massive maintenance and repair work to deal with its deteriorated state and strengthen its quake resistance, that it is now surrounded by residences, as opposed to when it was inaugurated, and is under too many constraints to continue operation, and that Shiseido has decided to move forward with the business structural reform, as outlined in 1. “Reasons for the Reorganization.”

Inaugurated in 2010, the Vietnam factory is a leading-edge factory whose equipment and operations are compliant with the international standards for cosmetics manufacturing. Like the domestic factories, it produces high-quality products.

#### <Profile of the Kamakura Factory>

Location	1-2-3 Iwase, Kamakura, Kanagawa Prefecture
Year of Establishment	1959
Factory Manager	Keiichi Nojiri
Main Products	Skin lotions, emulsions, beauty essences, creams and other skincare products, and lipsticks
Production Quantity	Approx. 100 million units a year (of which about 58 million are marketed, while about 42 million are used as samples)
Number of Employees (incl. fixed-term employees)	496 (as of December 31, 2012)
Major Destinations of Production Transfers	Skincare products: Osaka and Vietnam factories Lipsticks: Kakegawa factory



<Shutdown Schedule>

The Kamakura factory will discontinue production in December 2014, and close down in March 2015.

(2) Integration of R&D facilities

Shiseido's domestic R&D activities take place in two locations. Shiseido Research Center (Shin-Yokohama) engages in R&D for cosmetic products, while Shiseido Research Center (Kanazawahakkei) does basic research in a wide variety of areas, including cosmetics, pharmaceuticals, and food. To quickly bring to market the basic technologies that give Shiseido a competitive edge, thus expanding its value creation capacity, the Company will integrate these two bases into one. Specifically, the center at Kanazawahakkei will be shut down and the center at Shin-Yokohama will engage in both basic research and product R&D. Shiseido expects to see its depreciation costs and administrative and other expenses reduced after it integrates these R&D bases.

<Profile of the Shiseido Research Center (Kanazawahakkei)>

Location	2-12-1 Fukuura, Kanazawa-ku, Yokohama, Kanagawa Prefecture
Year of Establishment	1992
Main Research	R&D on pharmaceuticals and functional foods, and basic research in dermatology and other sciences
Number of Employees (incl. fixed-term employees)	83 (as of December 31, 2012)

<Shutdown Schedule>

The transfer to Shin-Yokohama will begin in May 2013. The center will shut down in September 2013.

3. Future Outlook

As a result of the reorganization of its production and R&D bases, in its consolidated financial results for the fourth quarter, the Company expects to post an extraordinary loss of approximately 6 billion yen, which includes an impairment loss of fixed assets. For the full-year consolidated earnings forecast, which incorporates this, please refer to the *Consolidated Settlement of Accounts for the First 3 Quarters Ended December 31, 2012 [Japanese Standards]*, released today.

If this move has a significant impact on its financial results in the following years, the Company will disclose these as soon as they are identified.

- End of News Release-