

Shiseido to Commence Operations of a Sales Company as a Wholly Owned Subsidiary in the Swiss Confederation

In order to strengthen its businesses in the Swiss market, Shiseido will commence operations of a Shiseido Group sales company in the Swiss Confederation in January 2010 by acquiring 100% of the shares of the current distributor, which is handling import and sales of Shiseido Group products in this market, and changing the distributor's company name to SHISEIDO S.A. (headquarters: Genève, Switzerland) The acquisition of shares will be conducted by Shiseido International Europe S.A. (headquarters: Paris, France), a holding company in Europe.

Shiseido S.A. is expected to handle global brand *SHISEIDO* products commonly sold worldwide as well as non-*SHISEIDO* brands, which do not carry the Shiseido name, with the overriding goal of expanding in-store share by enhancing the collective strengths of the Shiseido Group in the market.

Initiatives in the Overseas Cosmetics Business

Shiseido is currently promoting its Three-Year Plan, which was formulated in 2008 in seeking to become “*a global player representing Asia with its origins in Japan.*” With respect to its overseas cosmetics business in fiscal 2009, the second year of its Three-Year Plan, various initiatives are being undertaken to bolster business schemes by designating the “expansion of operations in new and emerging markets” and “strengthening of operating bases in existing markets” as key thrusts. During the current fiscal year, Shiseido has expanded its sales channels in Egypt, Morocco, Laos and Azerbaijan in terms of developing new markets. Also, with regard to markets in which Shiseido has already entered, the Company plans to commence operations in Greece through a joint venture and in Vietnam through a wholly owned subsidiary.

Shift of Business Scheme in Mature Cosmetics Market

With regard to the Swiss market, Shiseido commenced sales of *SHISEIDO* brand cosmetics from 1990 and non-*SHISEIDO* brands centered on fragrance and skincare products from 2000, building an image for respective brands in a mature cosmetics market where European cosmetics giants hold the top market share.

Along with business expansion and strengthening of its business foundations in overseas markets, Shiseido is currently undertaking measures for innovating the global brand *SHISEIDO* commonly available around the world. In this respect, various initiatives are being promoted such as augmenting the product lineup, remodeling the functions and design of counters and strengthening

the customer service skills of Beauty Consultants (BCs). A key focus among the latter is the training of BCs worldwide in terms of “counseling sales,” which Shiseido has cultivated over the years in the Japanese market underpinned by “*omotenashi*” (hospitality) activities directed toward communicating brand value and deepening the relationship between Shiseido and its customers.

To this end, in considering that it is indispensable to further strengthen counseling sales for skincare via BCs in order to expand in-store share in mature markets such as Switzerland, Shiseido has decided to shift to being able to manage business via direct operations by its own sales company. At the same time, with regard to fragrances, which is the main category in the Swiss prestige cosmetics market, Shiseido aims to capture market needs for Shiseido Group prestige fragrance brands, such as *Parfums Jean Paul Gaultier* and *Parfums ISSEY MIYAKE*, which are boasting high recognition in Europe and the United States

Shiseido’s efforts in the immediate future will concentrate on strengthening sales of a total of approximately 400 business partner stores, including luxury department stores, cosmetics retail groups and specialty stores, in which initiatives will center on increasing sales per store by undertaking meticulous marketing development such as customer data management.

Reference

<Overview of Shiseido S.A.>

Company name:	SHISEIDO S.A.
Location:	7, Place du Molard 1204 Genève, Switzerland
Capital:	500,000 Swiss Francs
Investment ratio:	Shiseido International Europe S.A. 100%
Main business:	Import and sales of global brand <i>SHISEIDO</i> and non- <i>SHISEIDO</i> brand products in Switzerland (see below for details)

•Shiseido International Europe S.A.

Company name:	Shiseido International Europe S.A. (wholly owned subsidiary of Shiseido)
Representative:	Yoshiaki Sato
Location:	11, Rue du Faubourg Saint-Honoré 75008 Paris, France
Capital:	256,133,010 euros
Investment ratio:	Shiseido Company, Limited 100%
Main business:	Shiseido Group European holding company

<Main Brands to be Handled by Shiseido S.A.>

Global brand SHISEIDO

Skincare, makeup, suncare, body care, fragrance and men's cosmetics products, etc.

Principal product lines include *SHISEIDO Future Solution LX* (launched globally from September 2009), *SHISEIDO The Skincare*, *SHISEIDO Bio-Performance*, *SHISEIDO Benefiance*, *SHISEIDO White Lucent*, *SHISEIDO Pureness*, *SHISEIDO Makeup*, *SHISEIDO Suncare* (body care), *SHISEIDO Body Creator* (body care), *SHISEIDO Zen* (fragrance), *SHISEIDO Men* (men's cosmetics products), etc.

Non-SHISEIDO brands

- *Parfums Jean Paul Gaultier*
- *Parfums ISSEY MIYAKE*
- *Parfums Narciso Rodriguez*

} Prestige fragrance brands handled by Shiseido Group company
Beauté Prestige International S.A. (headquarters: Paris, France)
Produced by globally recognized fashion designers.

- *DECLÉOR*: Prestige skincare brand based on aroma essences for professional use, including esthetics and spa
- *CARITA*: Prestige skincare brand for professional use, originating from the prestige "CARITA" esthetic salon in Paris
- *NARS*: Makeup brand that proposes the latest trends by U.S.-based makeup artist François Nars.
- *Serge Lutens*: Luxury cosmetics brand centering on fragrances produced by French artist Serge Lutens

Three overseas strategies in the current Three-Year Plan from fiscal 2008 to fiscal 2010

1) Innovating the global brand SHISEIDO:

Following the launch of a new makeup line in January 2009, initiatives have been implemented that include remodeling the functions and design of counters as a means of integrating the image of the global brand *SHISEIDO* as a high quality, highly functional and global prestige cosmetics brand at stores along with strengthening communication capabilities. Additionally, efforts are being directed toward improving the counseling skills of approximately 9,000 Beauty Consultants worldwide (excluding Japan).

2) Development of the City Concept strategy:

Under the City Concept, the world's major markets are considered as city-based rather than country-based units, whereby management resources are concentrated on target cities directed

toward enhancing the presence of the global brand *SHISEIDO* and realizing ripple effects on a group-wide basis.

3) Expansion of operations in New and Emerging Markets:

Along with such efforts as commencing sales via a subsidiary in Russia in 2008, Shiseido products are gaining a high reputation from customers, thereby successfully penetrating Shiseido's unique and sophisticated image as a prestige cosmetics brand. In conjunction with penetration into new and emerging markets, regarding markets in which Shiseido has already entered, plans call for examining various measures that include the strengthening of business schemes such as direct marketing by Shiseido's sales subsidiaries.

Main Initiatives for Strengthening Overseas Business

January 2008	Shiseido (RUS), LLC commenced sales of cosmetics in Russia. (Entered the market via distributor in 1999; established a subsidiary in 2007.) <u>Strengthening of business scheme</u>
March 2008	Commenced sales in Romania and Bulgaria. (Entered the market via import and sales distributor in Eastern Europe.) <u>Entry into emerging markets</u>
March 2008	Announced plans to establish a production factory in Vietnam (construction to be completed in February 2010), becoming the 11th production base overseas (Americas: 3, France: 3, Mainland China: 2, Taiwan: 2, Vietnam: 1). <u>Strengthening of global production structure</u>
January 2009	New makeup line launched from global brand <i>SHISEIDO</i> . Remodeled function and design of sales counters and introduced symbolic sign. <u>Innovating the global brand <i>SHISEIDO</i></u>
January 2009	Shiseido Deutschland GmbH incorporated the sales and marketing functions for The Netherlands and Poland and shifted to handling operations directly. Marketing was previously handled via its distributors since 1964 in The Netherlands and 1998 in Poland. <u>Strengthening of business scheme</u>
May 2009	Entered in Africa for the first time. Launched global brand <i>SHISEIDO</i> at duty free shops in Cairo Airport in Egypt via Shiseido Europe S.A.S (Paris, France). <u>Entry into emerging markets</u>
August 2009	Commenced sales in Morocco. Launched global brand <i>SHISEIDO</i> via Shiseido Europe S.A.S. <u>Entry into emerging markets</u>
August 2009	Commenced sales in Laos. Launched global brand <i>SHISEIDO</i> via Shiseido Thailand Co., Ltd. (Bangkok, Thailand). <u>Entry into emerging markets</u>
October 2009	Signed a contract to establish Shiseido Hellas S.A. in Greece as a joint venture between Shiseido International Europe S.A. (Paris, France) and a leading Greek cosmetics import and sales company. <u>Strengthening of business scheme</u>
December 2009	Sales to commence in Azerbaijan in Central Asia. Global brand <i>SHISEIDO</i> to be launched via Shiseido Europe S.A.S. <u>Entry into emerging markets</u>
January 2010	Commence operations of wholly owned subsidiary Shiseido Cosmetics Vietnam Co., Ltd. <u>Strengthening of business scheme</u>



Shiseido counter in Genève