(Translation)

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Dear Sirs and Madams,


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## Shiseido Establishes a New Global Supply Chain Management Base in Osaka

- Shiseido Company, Limited announces the relocation of its Osaka Factory to improve its productivity as the primary factory making skincare products, and the establishment of a new distribution base, Shiseido Kansai Integration Center (tentative name), on the same premises -

In an effort to achieve the goals of its medium-to-long-term strategy named “VISION 2020”, Shiseido is reorganizing its business structure to build a strong foundation from which stable corporate systems that can sustain for 100 years or more will be derived. In order to “increase brand value”, Shiseido has actively invested in marketing and innovation, and has already decided to build a new basic research base, the Global Innovation Center (tentative name). This center will begin operation at the end of FY2018 in the Minatomirai 21 area of Yokohama. In addition, Shiseido will establish a new global supply chain management base in Ibaraki, Osaka. This base will include the New Shiseido Osaka Factory, to which the current Osaka Factory’s production facilities will be relocated to enhance the system for producing and providing high-quality skincare products that meet the needs of the Japanese market as well as global markets. The new factory will have a production capacity approximately 1.5 times higher than that of the current factory, and will play the role of the primary factory making skincare products in the company’s global supply chain management vision. Furthermore, Shiseido will have a new flagship distribution base, Shiseido Kansai Integration Center (tentative name), on the same premises, functions of which will include distributing products within Japan and overseas as well as storing and shipping products. The total investments are expected to amount to about 40 billion yen, with construction beginning in FY2018 and operation starting in FY2020 according to the plan.

## Shiseido's Global Strategies

Shiseido is making every effort to achieve the goals of its medium-to-long-term strategy "VISION 2020" to become a "Japanese company that leads the world's beauty industry." In order to create globally competitive brands, with the concept of "Centers of Excellence" at the core, Shiseido focuses on advanced countries and regions that have great influence internationally within each category. For example, Japan leads the skincare market; New York, makeup and digital marketing; and Paris, fragrance. Shiseido gathers information, plans strategies, and develops products in each advanced area and slots the results into global marketing activities. In particular, Shiseido is actively promoting strategies to increase the demand in Japan, China, other Asian countries, and all over the world for skincare products developed and made in Japan, the high quality of which epitomizes "made-in-Japan products". The role of the new global supply chain management base will be a great backup for the acceleration of the implementation of the strategies.

## Global Supply Chain Strategy and New Base

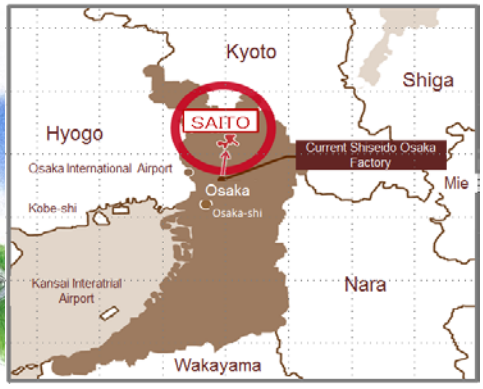
In order to accomplish the goals of its medium-to-long-term strategy "VISION 2020", Shiseido seeks to make its production bases unique and sophisticated in close connection with company-wide strategic marketing activities, and to plan supply chain management strategies with a global perspective. Shiseido targets a flexible structure where decisions are made as to what should be produced and where it should be produced considering multiple factors, from manufacturing costs to lead time to market to stocks and the procurement of raw materials.

By adopting the S&OP (demand forecasts and supply plans, etc.) system worldwide and balancing market demand and supply, Shiseido also aims to establish an optimized supply chain by "manufacturing products when needed", "producing only the necessary quantity", and "delivering to customers in a timely manner".

The new base is established for the purpose of promoting innovation across the supply chain while working with the research and development department. It is also an innovative supply chain base for ensuring the stable supply of high-quality skincare products to markets. Moreover, it is Shiseido's responsibility as a global enterprise to pursue energy-saving and efficient transportation, and to create synergy between production and distribution bases. In addition, Shiseido endeavors to bring benefits to the community while reducing environmental impact on the earth and existing in harmony with the surrounding environment.



Image of the new base




Map: the area of the new base

◆Establishment of New Shiseido Osaka Factory

The new factory will play the role of the primary factory that focuses on skincare brands with a mid-to-high price range that are internationally competitive and superior in quality. Thus, Shiseido ensures strict production and quality control, from reorganizing to operation of facilities, sanitary systems, human resources, raw/packaging materials, and waste management in compliance with ISO22716, equivalent to international standards that are used in the oral medicine manufacturing industry. Moreover, the new Shiseido Osaka Factory will lead Shiseido's craftsmanship as a "factory that creates the future", where humans and robots collaborate to develop highly efficient production technologies, based on the company's accumulated knowledge of skincare product manufacturing.

◆Shiseido Kansai Integration Center (tentative name)

The current distribution flow consisting of factories (production), distribution centers (storing), and product centers (shipment) will be integrated. The new center will provide for the integration of loading and unloading of raw materials, as well as storing and shipping of products. Various technologies and systems will be introduced, such as state-of-the-art distribution technology and highly efficient, robot-based selection systems that allow for sorting, selecting, and storing. These will enable more efficient and cost-effective operation, leading to a well-organized supply structure.

Going forward, in order to promptly satisfy the needs of customers and markets in Japan as well as overseas, Shiseido is aiming for a more streamlined operation and quicker response to market needs, with a view to improving this new facility as a distribution hub.

◆Outline of New Shiseido Osaka Factory and Kansai Integration Center (tentative names)

| | |
|---|---|
| Name | Factory: Shiseido Osaka Factory<br>Distribution base: Shiseido Kansai Integration Center (tentative name) |
| Planned construction site | Eastern Saito District, Ibaraki-shi, Osaka |
| Area | 72,350 $m^2$（approx. 22,000 tsubo） |
| Building area | Factory: 15,000 $m^2$<br>Distribution base: 13,000 $m^2$ |
| Floors | Factory: 4 stories above ground<br>Distribution base: 5 stories above ground |
| New factory: products | Skincare and other products |
| New factory: production capacity | Approx. 100 million products per year |
| Investment | Approx. 40 billion JPY |
| Construction begins (plan): | FY2018 |
| Operation begins (plan): | FY2020 |

*The above information is subject to change.

-End of News Release-

Reference

The following list shows the outline of our factories and distribution bases and their main productions. There are 3 domestic factories and 10 overseas factories as of February 2016.

3 Factories in Japan

| 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, toner, emulsion, cream, hair care and body care products, etc.) |
| Shiseido Kuki Factory (1983) | Kuki, Saitama | Primary factory making personal care products (shampoo, conditioner, etc.) |

10 Overseas 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 products and Beaute Prestige International fragrance products |
| Shiseido International France S.A.S. Unité du Val de Loire (1999) | Ormes, France | Global products and Beaute Prestige International 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. (Chung-Li Factory) (1980) | Jhongli City, Taiwan R.O.C. | Skincare and makeup products for the Taiwanese market |
| Shiseido Vietnam Inc. (Vietnam Factory) (2010) | Bien Hoa City, Dong Nai Province, Vietnam | Skincare products for the Japanese and Asian markets |

Main Distribution Bases

◆Japan

Outsourcing to Hitachi Transport System, Ltd., Hitachi Collabonext Transport System Co., Ltd., etc.

◆Overseas（3 bases）

China: Shanghai Distribution Center (Shanghai, China)

U.S.A.: America Distribution Center (Ohio, U.S.A.)

Europe: Europe Distribution Center (Duisburg, Germany)