



(Translation)

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Dear Sirs,

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Name of the Representative:	Hisayuki Suekawa President & CEO (Representative Director)
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Shiseido to Develop New Cosmetic Products Business Model And Strengthen Web Marketing

From April 2012, Shiseido will reinforce its web marketing strategy aimed at the “expansion of contact with new customers” and “vitalization of Shiseido contract stores.” Also, a new business model will be developed for the domestic cosmetics business utilizing its experience in the store sales cosmetics business accumulated over many years.

For the new business model, Shiseido will maximize contact points with new customers by linked value-added oriented web marketing while taking full advantage of its strength of possessing an actual store network. Value-added oriented web marketing seeks to generate demand not only through cosmetics sales (goods) but also through proposing new beauty-care experiences (aspects), as well as enhances efforts to secure customers by sharing customer data with actual stores.

Specifically, seeking to attract more new customers, Shiseido will set up a new website under the theme of beauty and health in which a virtual shopping mall that includes multiple businesses besides cosmetics will be opened and pay and free web content will be developed. In parallel, the functions of Shiseido’s official website will be rebuilt and enhanced to draw the interest of customers who are enticed by the new website.

In addition to conveying standard information on Shiseido’s products, the new website will have new built-in functions such as “store navigation” to introduce Shiseido contract stores, “online counseling” for customers to select suitable products and an “online store” that can accept orders 24 hours a day, 365 days a year. This approach will enable Shiseido to expand its contact with new customers and lead them to Shiseido contract stores. Efforts also will be taken to secure customers by working together with contract stores.



Through these series of measures, Shiseido will promote a fundamental rebuilding of its domestic cosmetics business.

Shiseido's Initiatives for the Internet

From early on, Shiseido has been actively communicating with customers via the Internet, including establishing an official website in 1995 and a mobile phone site in 1999. Besides renewing Shiseido's official website in 2009, Shiseido has been promoting "cross-media" measures that combine existing media and the Internet and other mediums given the situation in which mass advertising has been less effective due to a diversity of sources of information in recent years.

Background of Reinforcement of Web Marketing

In 1923, Shiseido established the Shiseido Chain Store System, which is said to be Japan's first voluntary chain store system, for delivering safe and high quality products to more customers. This system has greatly contributed to Shiseido's expansion of market supremacy coupled with "mass promotion" methods, which were instituted after a period of high economic growth in Japan. However, the domestic cosmetics market has been maturing in recent years, whereby the advantages of conventional marketing methods are limited due to such factors as an expansion of the self-selection channel (non-counseling) and a diversity of sources of information as a result of the dramatic development of the Internet.

On the other hand, the mail-order business is experiencing a growth trend even though the cosmetics market has been maturing. In this realm, there is a huge expansion in orders via the Internet and mobile phone, with further growth expected due to the increasing popularity of smart phones and tablet devices such as the iPad. The Shiseido Group is also making advances in the cosmetics mail-order business through its subsidiaries. However, customers tend to focus on such factors as fragrance and texture besides product specifications due to the characteristics of cosmetic products. In this respect, among competitor mail-order cosmetics brands, other cosmetics companies are commencing and expanding store sales. This implies that growth potential via the mail-order channel is limited to some extent. Amid such an environment, Shiseido has been carrying out further research on maximizing the effectiveness of store sales and mail-order sales. In relation, last year Shiseido acquired the U.S. company Bare Escentuals, Inc., which has a unique business style aimed at securing customers by store sales, including through department stores and boutiques (directly managed stores), while actively promoting direct marketing through such channels as TV shopping.

Measures for Strengthening Web Marketing

Shiseido will set up a new website to be called "*Beauty Platform*" (hereafter, "BPF") for customers who are highly interested in cosmetics. The site invites various companies including non-cosmetics businesses to open their shops online in this virtual shopping mall. While the scale of the domestic market is shrinking due to a decline in population, expansion of contact with new customers is a common issue faced by many companies. Therefore, such a website is



expected to efficiently function as a site to connect customers and various businesses (information, products and services). Shiseido's customer organization, the Camellia Club, comprises 5.58 million members (as of 2009). The assumption can be made, however, that the number of customers may increase threefold to fourfold by adding the members of other companies that are placing their stores in the BPF virtual shopping mall. In addition to members from respective companies, it is expected that this will also expand opportunities to encounter generations in their teens and 20s, who are heavy Internet users but have a weak connection with Shiseido.

For visitors attracted to the BPF site transcending business categories, it is necessary to enhance the Shiseido website in order for them to become regular Shiseido customers. This site aims to let customers experience services provided by Shiseido on the Internet. Plans call for setting up functions to introduce the most appropriate brand information and provide guidance on how to use products as well as beauty solutions to customers via the telephone, web chats and video phone consultations. (Some services will be provided 24 hours a day, 365 days a year.)

The website will also work like a "restaurant search and reservation site" to lead customers to actual stores by introducing nearby Shiseido contract stores, using functions to search service information of respective stores and to make a reservation at a store for service directly from the website. Sharing customer data with some contract stores, Shiseido will also undertake efforts to reinforce customer relation management (CRM) and secure customers. CRM enables stores to provide advice and send service information via mail to customers at the appropriate timing.

IT infrastructures are widespread and purchasing cosmetics over the Internet is becoming common practice. With this in mind, Shiseido will establish an online store (excluding some products) that can receive orders 24 hours a day, 365 days a year aimed at improving convenience for working women and elderly people who have difficulty going to stores to purchase cosmetics.

Measures for Enhancing Existing Store Sales Business

It is essential to satisfy customers and secure new customers for the further growth of contract stores. At the same time, it is necessary to seek to expand customer contact with existing contract stores by transferring customers from the BPF site and Shiseido website. From 2011, Shiseido sales companies will comprehensively undertake efforts to provide support for contract stores in order to improve the appeal of sales points and service quality for customers, aimed at "creating stores chosen by customers." In addition, further assistance for the maintenance of IT environments and store advancement will be provided by establishing a specialized organization for future generation management administration support in the Sales Department, Specialty Stores at the Shiseido Head Office.

The effect of these efforts for the new business model on our consolidated earnings for the fiscal year ending March 31, 2012 is expected to be minor.

We expect that the new business model will contribute to the future expansion of our domestic cosmetics business.

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