

Shiseido Deploys *bareMinerals* to Brazil

~ Targets growing market through Group synergy ~

From May 2012, Shiseido will commence sales of the *bareMinerals* brand of its North American subsidiary, Bare Escentuals, Inc. (hereinafter, “BE”), via Shiseido’s wholly owned subsidiary, “Shiseido do Brasil Ltda.” In addition to the *SHISEIDO* brand targeting the prestige segment, *bareMinerals* has a strategic role to tackle the country’s rapidly growing entry-prestige segment with its unique value of natural and mineral origin. Product sales will be carried out through e-commerce and retail sales, including standalone *bareMinerals* boutiques, with the aim of achieving 100+ stores handling brand products over the next five years.

This will be the first time for *bareMinerals* to be marketed in South America and is a direct result of the Shiseido Group’s strategy to realize synergy between its global portfolio management and BE, which joined the Group in 2010.

Strategic Background of Business Reinforcement in the Brazilian Market

Following the commencement of sales via a distributor in 1996 and establishing the wholly owned subsidiary Shiseido do Brasil Ltda. in 2000, Shiseido is currently selling global brand *SHISEIDO* prestige cosmetics at approximately 140 cosmetics specialty stores in Brazil.

On the back of overall stable economic growth, Brazil has seen a steady rise in the middle-income group, which has stimulated consumption and contributed to double-digit growth in the cosmetics market over the last few years. Market scale has expanded to 2.4 trillion yen* achieving third-place in global cosmetic market ranking after the United States and Japan. Also, supported by such active domestic demand along with dramatic social changes, Brazil became top in the world in terms of social networking services (SNS), with approximately 90% of Brazilians active on at least one social network.

Since being joined by BE, the Shiseido Group has actively embraced a growth strategy to further develop the international business of *bareMinerals* by leveraging its expansive global network. Regarding Brazil, however, not only can *bareMinerals* be marketed through the existing Shiseido sales network, but it matches current market needs in that consumers are actively upgrading from the mass to entry-prestige segment. Brazil is also a prime market in which to leverage its SNS marketing expertise, which is recognized as a leading force in the United States.

*Cosmetics market including Color Cosmetics, Deodorants, Fragrances, Hair Care, Skin Care, Sun Care, Sets/Kits. The no.1 market is the United States valued at ¥3.8 trillion and No. 2 is Japan valued at ¥3.3 trillion.

***bareMinerals* Business Expansion through Hybrid Marketing**

The *bareMinerals* brand has captured overwhelming support in the North American market as the pioneer of mineral foundation. Following the recent consumer trend in Brazil toward natural and organic products, Shiseido expects brand awareness to increase rapidly and to gain the top mineral brand position.

Seeking to make inroads from the standpoint of leveraging the know-how accumulated by *bareMinerals* in the North American market to date, Shiseido will promote a hybrid marketing strategy combining SNS and retail business. *bareMinerals* already enjoys its position as the highly successful community-driven brand in the United States and is a leading click-to-brick innovator with advanced expertise on how to drive their online audience to the counter. Experience in managing standalone *bareMinerals* boutiques will also prove to be an asset for this venture.

Additionally, the price range of *bareMinerals* is designated as an entry-prestige brand that is within the moderate price range to target the middle-income group, which is considered the growth engine of consumption in Brazil. For this reason, Shiseido do Brasil Ltda. will be working to expand customer points of contact with *bareMinerals* while distinguishing *SHISEIDO* brand products, which are in the highest price range.

In this way, the Shiseido Group will work to strengthen development in the fast-growing and dramatically changing Brazilian market through various initiatives while also sharing and utilizing assets such as brands and know-how. The sales plan for *bareMinerals* products in the Brazilian market calls for double-digit growth or higher over the next five years. Brazil is currently the 32nd entry market and will be developed for the first time in South America.

Overseas Business Initiatives under Three-Year Plan

In order to become a *global player representing Asia with its origins in Japan*, Shiseido is currently promoting a Three-Year Plan (April 2011 - March 2014) that is comprised of four strategies: the Global Mega-Brand Strategy*, Asian Breakthrough Strategy, New Frontier Strategy and Customer-First Strategy.

Entry into the Brazil market for *bareMinerals* is one step in a line of achievements toward advancing the Shiseido Group further into emerging markets. Shiseido has announced plans to commence operations in Turkey (Shiseido Kozmetik Anonim Şirketi) and India (Shiseido Co.,Ltd. India representative office). Activities in China over the last 30 years have solidified the Shiseido Group's presence and established a base from which to nurture future expansion in the growth-engine market.

Strengthening development in Brazil at this time will extend beyond areas, and various measures will be taken to deploy the synergies of Shiseido and BE in terms of sales and marketing by combining the Global Mega-Brand Strategy, which is being promoted in pursuit of development by making investments through concentrating management resources, and the New Frontier Strategy.

Overview of Shiseido Brasil

- 1) Company name: Shiseido do Brasil Ltda.
- 2) Location: Sao Paulo, Brazil
- 3) Representative: Mr. Hideki Okada, President
- 4) Main business: Import and sales of Shiseido Group cosmetic products in Brazil
- 5) Capital: 3,470,680.36 Real (100% equity stake by Shiseido)

Shiseido Milestones in Brazil

Shiseido has made inroads in Brazil through a distributor in 1996 and established its wholly owned sales company, Shiseido do Brasil Ltda., in 2000. The company currently promotes prestige marketing and sells global brand *SHISEIDO* products, which are available in 87 countries and regions worldwide (including Japan), at approximately 140 prestige cosmetics specialty stores in Brazil. Since trust towards Japanese brands is high in the overall market, *SHISEIDO* is highly regarded as an upscale prestige brand with superior quality and safety.

Shiseido Global Mega-Brand *Bare Escentuals*

Under the Global Mega-Brand Strategy, Shiseido designates Global Mega-Brands* as those that capture markets beyond areas and in which management resources such as manpower or marketing costs are invested. Accordingly, Shiseido is placing an emphasis on nurturing Shiseido Group prestige and masstige categories by selecting three brands (total of 6 brands) from each domain.

Bare Escentuals, which originated in the United States, is one of the Global Mega-Brands. Accordingly, initiatives are underway for augmenting product categories and strengthening expansion targeting areas, beginning with emerging markets, by improving brand value in the prestige domain and in turn enhancing the value of the Shiseido Group. In this regard, a skincare line has been developed for Asian markets by incorporating the knowledge of the Shiseido Research Center and is scheduled to be launched consecutively in Asian markets, beginning with Japan, from March 2012. Shiseido also has commenced sales of *Bare Escentuals* products in upscale department stores in Hong Kong from October 2011 through a wholly owned sales company, Shiseido Hong Kong Ltd.

*Global Mega-Brands: Brands achieving sales of 50-100 billion yen that also capture markets beyond areas and in which management resources such as manpower and marketing costs are invested, thereby enhancing the value of the Shiseido Group and pursuing expansion of points of contact with new customer segments