



(Translation)

July 19, 2013

Dear Sirs and Madams,

Name of Company: Shiseido Company, Limited  
Name of Representative: Shinzo Maeda  
Chairman, President & CEO  
(Representative Director)  
(Code No. 4911; The First Section of the Tokyo Stock  
Exchange)  
Contact: Yukihiro Saito  
General Manager of Public  
Relations Department  
(Tel: 03 - 3572 - 5111)

### **Shiseido Establishes Wholly-Owned Subsidiary in India Targeting Emerging Middle-Income Customers**

(July 19, 2013 – Tokyo) Shiseido Co., Ltd. has established a wholly-owned subsidiary Shiseido India Private Limited in Mumbai, India, as part of its strategy to target the burgeoning middle-class masstige\* market, which is forecast to grow significantly in the coming years.

Shiseido's initial entry into the segment will target the "upper masstige" bracket with the skincare and makeup brand Za (pronounced zee-ei), which is currently offered in 12 markets in the Asia/Oceania region. With optimistic forecasts for long-term growth, the line is expected to bow in April 2014 with plans to be offered in 250 doors by the end of 2014, 650 doors in 2015, and expansion plans in place to reach over 1,700 doors by 2018. The global brand SHISEIDO has been present in the market since 2001 through a local distributor focusing on the prestige segment and will remain under the stewardship of the company.

\*Masstige, coined from "mass" and "prestige," refers to a category that is "more expensive than mass-produced products, but more moderately priced compared to prestige products."

#### **Shiseido in India**

To date, Shiseido has focused marketing efforts toward India's prestige segment. In 2001, it launched the global brand SHISEIDO in India through local distributor Baccarose Perfumes & Beauty Products Pvt. Ltd. Currently available at some 30 high-end department stores, the global brand SHISEIDO has recorded steady sales performance. In 2002, Shiseido bowed ISSEY MIYAKE and other designer fragrances produced by its wholly-owned French subsidiary Beauté Prestige International (hereafter BPI) via Baccarose. The fragrances are currently available at some 120 stores across India.



## **Background of the Establishment of the Subsidiary**

With a population of 1.2 billion, India can look forward to further population growth and economic development over the mid- to long-term\*\*.

According to a study carried out by Shiseido in 2011, it is estimated that the masstige market is eight times larger than the prestige market in which Shiseido currently operates. Therefore, to strategically expand its presence and better serve the profile of the local market, Shiseido established a representative office in Mumbai in 2011, carrying out marketing surveys and research into consumer habits and preferences.

As a result of these insights, Shiseido has decided to continue the current operational structure with Baccarose acting as distributor and operator of the global brand SHISIEDO and BPI fragrances in the prestige segment, while the newly established subsidiary will commence operations toward the masstige segment, which is expected to deliver greater growth.

\*\*Based on reports published by international organizations, including “By around 2030, India’s population is projected to surpass that of China to become the world’s number one, and reach 1.6 billion by 2050” (United Nations World Population Prospects), and “India’s nominal GDP is projected to grow 2.5 times during 2011 to 2025, making India the fourth largest economy in the world after Japan” (IMF).

## **Za Background**

Designated as one of Shiseido’s global mega-brands, Za is marketed as a comprehensive self-selection skincare and makeup brand. Present in Asian markets since 1997, it launched in Japan in September 2012 and expanded into the Philippines in June 2013 where it is posting positive sales. As stated above, the company will position Za toward the relatively high-priced segment within the masstige market in India.

Products will be imported into the market after being manufactured primarily at Shiseido’s Vietnam Factory (in Dong Nai Province) to maximize production and transportation cost efficiency. The Vietnam Factory, operational since 2010, produces products mainly for ASEAN and Japanese markets and is slated to undergo expansion this year to raise production levels.

Shiseido aims to become “a global player representing Asia, with its origins in Japan.” The ratio of its overseas sales has reached 44.9% (as of FY2013), bringing the near-term goal of 50% within reach. With the establishment of the Indian subsidiary, Shiseido has commenced direct investment in each of the BRIC (Brazil, Russia, India and China) markets. To pursue its steady growth strategy, the company intends to maintain its active investment not only in established markets but also in emerging markets as well.

# SHISEIDO

## Overview of New Company

Company name: Shiseido India Private Limited

Director: Yu Okazawa (Director, Corporate Executive Officer, Shiseido Co., Ltd.)

Date of establishment: July 4, 2013

Location: Mumbai, India

Capital: 650,000,000 Indian Rupees (JPY 1 billion as per Jan. 2013 exchange rate)



Za display rack in Bangkok, Thailand

The effect of establishment of Shiseido India Private Limited on our consolidated earnings for the fiscal year ending March 31, 2014 is expected to be minor.

We expect Shiseido India will contribute to the future expansion of our businesses in the Indian market.

-End of News Release-