

[Reference Material]

Shiseido Renews Its Line of *AUPRES* Skincare Products Designed Exclusively for the Chinese Market

Shiseido Co., Ltd., via its Chinese subsidiary Shiseido Liyuan Cosmetics Co., Ltd. (SLC), has renewed the skincare offerings in its *AUPRES* line of products designed exclusively for the Chinese market. The new products will be available for purchase at approximately 700 department stores that carry the *AUPRES* brand throughout China starting April 1.

The Company is taking advantage of this opportunity to renew its sales-counter design, beauty consultant uniforms and storefront customer service. Shiseido will also seek to expand its user base by creating a sense of excitement about the debut of these new products and enhancing its brand image, for example by making use of new image models and partnering with a popular Chinese duo to compose the lyrics for its commercials.

Background

After completing a comprehensive program of research into the condition of Chinese women's skin, Shiseido introduced the *AUPRES* brand of products designed exclusively for the Chinese market in 1994. Initially perceived as a highly desirable product at the time of its launch, *AUPRES* quickly gained the overwhelming support of Chinese women and has since developed into a leading national brand.

As their country undergoes social change in the wake of rapid economic growth, Chinese women are experiencing a concurrent transformation in their sense of values and beauty. Combined with access to a wealth of beauty information, extensive experience using cosmetics is leading to increased awareness of beauty among Chinese women. Shiseido is renewing the brand in an effort to endow *AUPRES* with compelling new value from the customer's point of view.

New Products and Marketing Strategy

Newly available products include the *AUPRES Time Lock* line of anti-aging products (4 items available in 10 varieties, price range: 135 to 220 yuan) and the *AUPRES Whitening* line of whitening products (4 items available in 10 varieties, price range: 135 to 220 yuan). Also available are *AUPRES Multi-effective Protector* for daytime use (50 ml, 200 yuan) and *AUPRES Cotton* (100 sheets, 20 yuan), a specially designed cotton sheet for a total of 10 items available in 22 varieties.

The brand concept of *you nei er wai zhan fang mei li* describes the process of drawing out the energy from which each Chinese woman's innate inner beauty flows, allowing it to blossom from the inside out. The new *AUPRES* brand has been created in the image of dynamic movement, for the animated and elegant women who characterize the new China.

Retail sales counters will use the *AUPRES* colors of pink, gold and black. Shiseido will enhance the interest of potential customers passing our retail areas, encouraging them to enter the Shiseido area where they will be offered advice to help them select the products that best meet their needs. Beauty consultant uniforms will also be updated to reflect the new sales counter design, and each store will be equipped with an *AUPRES Skin Analyzer*, a new beauty device specially developed to allow customers to view the texture of their skin, which is a barometer of skin beauty.

Shiseido will appoint Chinese actress Sun Li to portray the Chinese woman of this new era in a series of advertisements and television commercials. The commercials will attract consumers' attention with songs about the beauty of Chinese women composed by the popular Chinese music duo Yu Quan. The company plans to make the debut of these new *AUPRES* products memorable by holding media events not only in Beijing and Shanghai, but also in a number of important regional cities where it will orchestrate a highly effective marketing campaign paying close attention to the characteristics of each region and the media used.

New AUPRES Skincare Product Features

Shiseido's new AUPRES skincare products are founded on the concept of harnessing the skin's vitality to create a striking difference in beauty by effecting a transformation from the inside out. Representing a dramatic evolution in the traditional skincare approach of supplying a carefully balanced combination of moisture and oil, the brand moves beyond previous products by seeking to cultivate truly healthy skin that creates its own moisture and thereby protects itself from external influences. AUPRES refers to the fresh, moist, finely textured skin fostered by this approach as *dong gan nen fu*, a state of beauty that is made possible by three new technologies:

- (1) Inner Force Complex¹, a new skincare ingredient formulated to regulate and maintain the epidermis turnover cycle, stimulating cells to be sent from inside the skin in optimum condition.
- (2) Products contain ingredients that foster the growth of the stratum corneum², the key to creating the striking difference in beauty to which the brand aspires. These ingredients strengthen the cornified envelope in order to cultivate a healthy stratum corneum.
- (3) All items contain moisture-sensing moisture retention ingredients³ that serve to detect humidity, protecting the skin's moisture from harsh environments.

Products feature White Floral scent, a new and original AUPRES formulation combining jasmine, gardenia, freesia and lily of the valley to create an effect that is at once modern, intelligent and inviting.

Product packaging is decorated in fresh, beautiful skin tones infused with a faint touch of red to awaken the energy of inner beauty. Gold is also used to provide a refined, premium appeal.

Shiseido has selected lotion and emulsion dispensers that allow users to easily take accurate quantities of product for functional, clean everyday use. Products will be offered in reasonably priced and environmentally responsible refill sizes.

Overview of the AUPRES Time Lock Line

This line of anti-aging products is designed to cultivate youthful, elastic skin with an inner fullness by moisturizing and revitalizing the sources of skin fitness and elasticity that are prone to decline with age specifically, collagen and hyaluronic acid.

The benefits of Aupres skincare include regulation and maintenance of turnover cycle, cultivation of the stratum corneum and moisture retention for resilience in low-humidity environments

are bolstered by anti-aging action for finely textured, youthful skin from the inside out. The skin's elasticity and fitness are improved by Blackberry lily extract, while moisture retention support ingredients trap moisture lost due to age and soften the skin's surface for effective anti-aging results.

Product	Quantity	Price (at 1 yuan = 15 yen)
Creamy Cleansing Foam (facial wash)	120g	135 yuan (approx. 2,230 yen)
Energizer Lotion (facial lotion) I/II	170ml	200 yuan (approx. 3,000 yen) Refill: 180 yuan (approx. 2,700 yen)
Energizer Emulsion (emulsion) I/II	130ml	210 yuan (approx. 3,150 yen) Refill: 190 yuan (approx. 2,850 yen)
Nutrient Cream (cream)	50g	220 yuan (approx. 3,300 yen)

Supplement 1-(2)

Overview of the *AUPRES Whitening Line*

This line of whitening skincare products increases translucency while moisturizing to foster bright, even skin tone from the inside out. Synergy between the basic benefits of *AUPRES* skincare and whitening action creates finely textured, youthful skin from the inside out. Products contain System Whitening Factor⁶, a new *AUPRES* whitening ingredient, to address the sources of melanin production.

Product	Quantity	Price (at 1 yuan = 15 yen)
<i>Clear Cleansing Foam</i> (facial wash)	120g	135 yuan (approx. 2,230 yen)
<i>Energizer Lotion</i> (facial lotion) I/II	170ml	200 yuan (approx. 3,000 yen) Refill: 180 yuan (approx. 2,700 yen)
<i>Energizer Emulsion</i> (emulsion) I/II	130ml	210 yuan (approx. 3,150 yen) Refill: 190 yuan (approx. 2,850 yen)
<i>Nutrient Cream</i> (cream)	50g	220 yuan (approx. 3,300 yen)

Other New Products

Product	Quantity	Price (at 1 yuan = 15 yen)
<i>Multi-effective Protector</i> (daytime beauty essence)	50ml	200 yuan (approx. 3,000 yen)
<i>Facial Cotton</i> (cotton sheets)	100 sheets	20 yuan (approx. 300 yen)

¹Inner Force Complex combines birch extract, which is a liquid extracted from birch tree bark, and TMG, a simple natural substance obtained from molasses, a byproduct of beet sugar production. It stimulates the function of the stratum corneum and epidermis (enzyme activity) while regulating and maintaining the turnover cycle.

²Ingredients that foster stratum corneum growth combine special proprietary moisture retention agents that are easily absorbed by the skin.

³Moisture-sensing moisture retention ingredients have the ability to adapt to environmental factors, for example by absorbing and releasing moisture according to external humidity conditions. These biologically relevant substances share the same structure as the phospholipids that make up the body's cellular membranes and are gentle on the skin.

⁴Blackberry lily extract is obtained from the rhizomes of the perennial blackberry lily (*Iris sanguinea*).

⁵Moisture retention supporting ingredients are highly compatible with the skin and have the advantage of creating a veil over the surface of the stratum corneum to effectively trap moisture. In this way, they stimulate moisture retention by supplying moisture to the stratum corneum while at the same time preventing its evaporation, helping to soften the stratum corneum and contributing to its durability.

⁶System Whitening Factor combines Vitamin C derivatives, cherry leaf extract, cabbage rose extract and strawberry geranium extract to provide the following five effects that act systematically on the sources of melanin before its formation: (1) stabilization of free radicals, (2) inhibition of tyrosinase activation, (3) blockage of the transmission of information inside melanocytes, (4) reduction during the melanin generation process, and (5) reduction of generated melanin.

History of AUPRES

Date	Event
December 1991	Establishment of Shiseido Liyuan Cosmetics Co., Ltd. (SLC)
January 1994	Launch of AUPRES cosmetics exclusively for the Chinese market (skincare and makeup)
May 1995	Launch of AUPRES <i>White</i> line
May 1998	Launch of AUPRES <i>Sun Care</i> line
November 1998	Launch of AUPRES <i>Fragrance</i> line
January 1999	Renewal launch of AUPRES <i>Makeup</i>
March 1999	Launch of AUPRES <i>Oil Control</i> line
November 1999	Launch of AUPRES <i>DX</i> line
August 2000	AUPRES <i>Sun Care</i> endorsed as the official brand of cosmetic products for Chinese athletes participating in the Sydney games
September 2000	AUPRES designated as an honorary product of Beijing (a Beijing premium brand product)
January 2001	Launch of millennium commemorative AUPRES <i>Moisture Lip Color</i>
March 2001	Renewal launch of AUPRES <i>White</i> line
July 2001	AUPRES endorsed as the official cosmetics brand for Chinese athletes participating in the 2004 Athens Olympics
October 2001	Launch of JS extensive range of men's cosmetics from AUPRES
March 2003	Completed renewal of AUPRES sales counter in line with the launch of AUPRES <i>Balancing</i> line
September 2003	Start of exports and sales of AUPRES JS men's cosmetics to the United States
January 2004	Renewal launch of AUPRES <i>Makeup</i> line
March 2004	Opening of AUPRES specialty store in Beijing
November 2004	Launch of AUPRES <i>Eternal Total Recharge Cream</i> line and commemorative ceremony celebrating the 10th anniversary of the launch of the AUPRES brand
July 2005	AUPRES became the exclusive sponsor of the "Educational Project to Cultivate an Ideal of Beauty for Chinese Women" held by the Chinese League of Women (2005 to 2008)
August 2005	AUPRES endorsed as the official cosmetics brand for Chinese athletes participating in the Asian Games (2005 to 2008)
September 2006	AUPRES designated as an honorary product of China (a Chinese premium brand product)
March 2006	Launch of AUPRES <i>Trans White</i> line
February 2008	AUPRES agreed to continue its exclusive sponsorship of the "Educational Project to Cultivate an Ideal of Beauty for Chinese Women" held by the Chinese League of Women at the announcement of its continuation (2008 to 2012) (sponsorship extends from 2008 to 2009)
April 2008	Renewal of AUPRES skincare products and launch of AUPRES <i>Time Lock</i> and AUPRES <i>Whitening</i> lines