

## Press Release

**Shiseido Establishes New Supply Chain Base in Ibaraki City, Osaka**

Operation starts in September 2021 as a base with four functions of factory, logistics, consumer center, and factory tour course

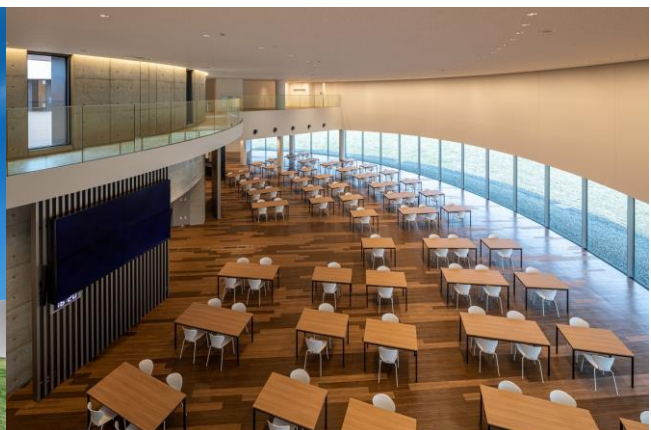
Shiseido Company, Limited (“Shiseido”) completed the construction of its Osaka Ibaraki Factory and West Japan Distribution Center (“WDC”) in Ibaraki City, Osaka Prefecture, Japan in December 2020 as a supply chain base for the production and distribution of prestige skincare products. Operations will start in September 2021 as a new concept supply chain base with four functions of factory, logistics, consumer center\*, and factory tour course.

Shiseido is implementing fundamental reforms under its medium-to-long-term strategy, WIN 2023 and Beyond with the aim to “Be a Global Winner with Our Heritage”. In pursuit of becoming the world’s No. 1 company in the skin beauty category by 2030, we set up our key strategies; “improving profitability”, “focusing on skin beauty”, and “rebuilding business foundation” for the period from 2021 to 2023, and this time, we have improved productivity, strengthened our production system, and established a production and supply network system with a focus on sustainability, respectively, in terms of each strategy. In addition, the distribution center is newly established on the same premise of the Osaka Ibaraki Factory, which is the first time for Shiseido’s factories, aiming to improving work efficiency from production to transportation, reducing transportation costs and environmental burdens. At the same time, we have also created an annex of the consumer center to utilize customer feedback in manufacturing, while also acting as a place open to the local communities and provides factory tours for the public. The Osaka Ibaraki Factory will lead the global production of Shiseido’s skin beauty category as a production base for prestige skincare products.

\*A department that oversees relaying consumers’ inquiries and requests to the departments involved and applying them to product development and other activities.



Exterior



Open-plan cafeteria

**Features of Osaka Ibaraki Factory****(1) Manufacturing factory for prestige skincare products**

The Osaka Ibaraki Factory will manufacture prestige skincare products including the serum *ULTIMUNE* from the brand *SHISEIDO*, which is sold in 88 countries and regions, and the global luxury brand *Clé de Peau Beauté*. Aiming to “Be a Global Winner with Our Heritage”, the factory will boost its production capacity to approximately 160 million units from 2023 to meet future demand.

## (2) Environmentally sustainable factory

The factory has an environmentally friendly building structure and has received an A rank from CASBEE (Comprehensive Assessment System for Built Environment Efficiency), which is highly regarded for factory buildings. The use of sandwich panels for the exterior walls, which are lightweight and have excellent heat insulation properties, increases the heat insulation performance of the building and realizes a reduction of approximately 30% in the energy (CO<sub>2</sub>) used to operate the factory and distribution center. In addition, the reuse of circulated water for cooling water used in manufacturing reduces 65,000 tons of water consumed per year. Since the factory and distribution center are located next to each other, we expect to reduce CO<sub>2</sub> emissions during product transportation by more than 60 tons per year. Through these efforts, we will continue to work to reduce our environmental impact.

## (3) “PEOPLE FIRST” workplace environment

Under our PEOPLE FIRST policy, we are actively investing in talent development, as we value people as the most important asset for the company and aim to create an organization in which “strong individuals create a strong company”. We believe that it is people who support delivering high quality service even in the supply network, so we create an environment where people can work comfortably. As part of our efforts, we have promoted various initiatives such as reforming the workplace from the perspective of females, who account for more than 60% of our employees, introducing a free-address workplace based on the ABW (Activity Based Working) concept, which allows the staff members to freely choose their working space and style, etc. Furthermore, a large open-plan space that covers all office departments will encourage active cross-functional interactions and maximize operational efficiency and create new value. Meanwhile, the cafeteria, which is used by all staff members, has an open circular atrium with natural light coming in from the windows, and serves as a symbol of this base. At the production site, we have introduced a state-of-the-art IoT system that automates the process of “loading materials” including bulk materials in the filling and finishing area, which results in reducing the workload and creating a comfortable working environment for the staff members.

## (4) Together with local communities

As a new resident of Ibaraki City, we will place importance on continuous efforts to build relationships of trust with local communities, and as a factory open to the public, we will aim for co-existence and co-prosperity with the local communities with a wish to be a place for communication activities with private sectors, government offices, schools, and other organizations. In addition, the factory will be also positioned as a base for communicating the brand value and our commitment to quality to people around the world and increasing the number of loyal Shiseido users. To this end, we will open SHISEIDO BEAUTY SITE to offer factory tours to the public starting in 2022.

## Features of West Japan Distribution Center (WDC)

The WDC is an integrated logistics center independently operated by Shiseido. The center is responsible for two functions; the logistics function of receiving and storing products manufactured at the Osaka Ibaraki factory and Shiseido’s other domestic factory’s and supplying inventory to seven shipping centers nationwide (Distribution Center), and the shipping function of delivering products to nearby retailers mainly in the Kansai area (Product Center).

## (1) Establishment of supply network by integrating factory and warehouse

Via one of the largest automated warehouses in Japan, we have improved work efficiency through the automation of warehousing products manufactured at the Osaka Ibaraki Factory, which is located next door. In addition, we have integrated the functions of factory, distribution center, and product center and realized an efficient supply network that enables us to shorten the lead time for supplying products to the market and reduce transportation costs.

## (2) The world's first shipping system to save labor drastically

We have adopted walking-less shipping system GP3 (Goods to Person for Pick and Pack), which performs everything from picking to packing and labeling with packing tags at the same time. This is realized as the box-making and sealing processes are automated and added to the next-generation multi-shuttle that has Shiseido's unique functions. The system, which operates on two stories, the third and fourth floors of the distribution center, has a high shipping capacity, being the world's first shipping system pursuing maximum efficiency. The center is equipped with facilities for efficient product delivery to the market by saving labor drastically through the automation of palletizing and depalletizing.

### Principles of production base strategy

Under its medium-to-long-term strategy WIN 2023 and Beyond, Shiseido is promoting the establishment of supply network strategy for production bases from a global perspective. We aim to create a system that allows each factory to respond flexibly, taking into account not only cost, but also various factors such as lead time, inventory and raw material procurement. We are also trying to build a cutting-edge factory that incorporates the latest technologies such as IoT and AI. At the same time, we will establish a manufacturing system that can lead the industry by making the factory a place where people can work comfortably and with pride.

In addition, with an eye on the post-COVID-19 situation, the Fukuoka Kurume Factory (Kurume City, Fukuoka Prefecture, Japan) is scheduled to start operation in the first half of 2022, following the Nasu Factory established in 2019 and this Osaka Ibaraki Factory to meet the expected future expansion of demand in Japan and overseas.

### Outline of the new base

|                                 |   |
|---------------------------------|---|
| Address                         | 1-4-1, Saito Moegi, Ibaraki City, Osaka Prefecture, Japan |
| Land area                       | 72,435 m <sup>2</sup>                                     |
| Building area                   | 7 stories above ground (steel-frame construction)         |
| Investment                      | Approximately 63.5 billion yen                            |
| Name of the factory             | Osaka Ibaraki Factory                                     |
| Products                        | Prestige skincare products for Japan and overseas markets |
| Production capacity             | Approximately 160 million units per year (from 2023)      |
| Start of operation              | December 21, 2020   |
| Name of the distribution center | West Japan Distribution Center (WDC)                      |
| Area of delivery                | Mainly western Japan                                      |
| Storage capacity                | 33,000 pallets  |
| Start of operation              | March 1, 2021   |

<Reference>

List of Shiseido factories and their main productions (as of September 2021, including factories under construction)

[6 factories in Japan]

| Factory (year of establishment)                           | Location                                 | Production (main products)                |
|---|--|---|
| Takegawa Factory (1975)                                   | Takegawa City,<br>Shizuoka<br>Prefecture | Makeup products                           |
| Osaka Factory (1939)                                      | Osaka City,<br>Osaka Prefecture          | Prestige skincare products                |
| Kuki Factory (1983)                                       | Kuki City,<br>Saitama Prefecture         | Personal care products, sun care products |
| Nasu Factory (2019)                                       | Ohtawara City,<br>Tochigi Prefecture     | Cosmetics skincare products               |
| Osaka Ibaraki Factory (2020)                              | Ibaraki City,<br>Osaka Prefecture        | Prestige skincare products                |
| Fukuoka Kurume Factory<br>(planned in first half of 2022) | Kurume City,<br>Fukuoka Prefecture       | Cosmetics skincare products               |

[7 factories overseas]

| Factory (year of establishment)                                      | Location  | Production (main products)  |
|--|---|---|
| Shiseido America, Inc.<br>East Windsor Factory (1998)                | New Jersey, U.S.A.                              | Global skincare products, makeup products   |
| Shiseido International France<br>S.A.S. Unité de Gien (1991)         | Gien, France                                    | Fragrance products  |
| Shiseido International France<br>S.A.S. Unité du Val de Loire (1999) | Ormes, France                                   | Global skincare products, fragrance products  |
| Shiseido Liyuan Cosmetics Co.,<br>Ltd. (1993)                        | Beijing, China                                  | Skincare and makeup products for the regional market  |
| Shanghai Zotos Citic Cosmetics<br>Co., Ltd. (1999)                   | Shanghai, China                                 | Skincare and makeup products for the regional market  |
| Taiwan Shiseido Co., Ltd.<br>Hsinchu Factory (2016)                  | Hsinchu County,<br>Taiwan R.O.C.                | Skincare and makeup products for the Taiwanese regional market, makeup products for the ASEAN markets |
| Shiseido Vietnam Inc.<br>Vietnam Factory (2010)                      | Bien Hoa City,<br>Dong Nai Province,<br>Vietnam | Skincare products for the Japanese and Asian markets  |