

【Reference】

Shiseido to Launch *TSUBAKI* Hair Care Brand in Russia from June 2011

From June 2011, Shiseido will launch its *TSUBAKI* hallmark hair care brand (8 products, 12 items) through the Company's wholly owned subsidiary Shiseido (RUS), LLC (Moscow, Russia; hereinafter, "Shiseido Russia"). The products will be sold exclusively at *L'Etoile*, the largest prestige cosmetics specialty chain store based in Moscow, and will be available at approximately 600 stores across Russia as genuine prestige hair care products that realize beautiful, shiny hair. With this initiative, Shiseido will enter a new category following cosmetics with the aim of enhancing in-store share by expanding points of contact with customers.

Shiseido's Three-Year Plan and "New Frontier Strategy" in Russia

Shiseido is promoting a Three-Year Plan (fiscal 2011-fiscal 2013) starting from fiscal 2011 with the aim of becoming "a global player representing Asia with its origins in Japan."

Under the Three-Year Plan, four growth strategies are being executed, namely, the "global mega-brand strategy," "Asia breakthrough strategy," "new frontier strategy" and "customer-first strategy."

Among these, the objective of the "new frontier strategy" is to enhance initiatives in emerging countries. As one of the growth engines, following China, emphasis is being placed on the efforts being undertaken by Shiseido Russia, which is achieving favorable business expansion. Up until now, investment of management resources has been centered on the two metropolitan areas of Moscow and St. Petersburg. Going forward, however, initiatives will be also be promoted with a view toward major cities in regional areas as of means of expanding points of contact with customers in seeking to become one of the top five brands in the prestige market focusing on the promising skincare business.

Background of Introducing *TSUBAKI* in Russia

Sales counters of Russian prestige cosmetics specialty chain stores are centered on cosmetics, including fragrance products. Even so, mid- to high-end-priced hair care products of European and U.S. brands are flourishing driven by the high aesthetic sensitivity of Russian women.

In joint cooperation with *L'Etoile*, which is the largest chain store in Russia, Shiseido Russia will introduce Shiseido's hallmark *TSUBAKI*, genuine hair care brand for the first time in Europe targeting the luxury hair care market. The decision was made as part of efforts to further enhance Shiseido brand recognition and expand customer contact points.

In terms of market development, with the launch of *TSUBAKI* in the Russian market at this time, *TSUBAKI* will now be sold in eight countries and regions including Japan. (In Asia, *TSUBAKI* is currently available in China (including Hong Kong), Taiwan, South Korea, Thailand, Singapore and Malaysia.)

***TSUBAKI* Products to be Launched in Russia**

A total of 8 products and 12 items including shampoo (regular and large sizes), conditioner, treatment and hair mask items will each be launched from the “red” (line that realizes beautiful, shiny hair) and “white” (line that treats hair damage) *TSUBAKI* lines. Retail prices are expected to range between 320 to 900 Russian rubles (960 JPY - 2,700 JPY; 1 RUR = 3 JPY).

Overview of Shiseido's Business in Russia

Shiseido's business in Russia started upon commencing sales there through a distributor in 1999. A wholly owned subsidiary subsequently was established in 2007 and direct operations commenced from the following year in 2008.

In terms of sales strategy, Shiseido has been promoting initiatives to expand its business partners and the number of stores handling Shiseido products, centered on Russia's major cosmetics specialty chain stores, which have grown to about 900 stores as of the end of April 2011. Besides Moscow and St. Petersburg, initiatives also are currently being promoted toward making further inroads into major cities in regional areas. Furthermore, Shiseido is also strengthening and nurturing existing stores in line with new expansion, in which sales for existing stores have been steadily achieving double-digit growth since the start of direct operations in 2008. Additionally, activities are underway to strengthen the personnel system for Beauty Consultants (BCs) and acquire loyal Shiseido customers through store activities embodying *Omotenashi* (spirit of hospitality) extended by BCs.

In March 2011, Shiseido held the “Shiseido Exhibition /1872-2011/ Empire of Beauty” over a 20-day period in the arcade of GUM, Moscow's largest department store located in front of Red Square. The well-received event successfully attracted many customers including business partners.

Three-Year Plan (Fiscal 2011 – Fiscal 2013)

