

Shiseido to Commence Sales in the Republic of Azerbaijan

Shiseido will commence sales in the Republic of Azerbaijan from December 2009 as a means of promoting expansion of operations in new and emerging markets.

Regarding products to be handled, Shiseido will sell its global brand *SHISEIDO* via its subsidiary, Shiseido Europe S.A.S.

With this measure, Shiseido's cosmetics sales activities overseas will encompass 73 countries and regions worldwide (including Japan).

Expansion of operations in new and emerging markets directed toward realizing the Three-Year Plan (FY2008 – FY2010)

Shiseido is currently promoting its Three-Year Plan, directed toward becoming “*a global player representing Asia with its origins in Japan.*” In fiscal 2009, the second year of its Three-Year Plan, Shiseido has designated aggressively pursuing **expansion of operations in new and emerging markets** as one of its key thrusts in its overseas cosmetics business. Accordingly, various initiatives are actively being developed, including making inroads into the African continent (Egypt and Morocco) for the first time during the first half of the fiscal year.

Background to commencing sales in Azerbaijan

Azerbaijan is one of the Newly Independent States (NIS)*, which is geographically located at the crossroads of Europe and Southwest Asia, and is bordered by the Caspian Sea to the east, Russia on the north, Georgia and Armenia on the west and Iran to the south. Due to its geographical location, historical background and rich culture, Azerbaijan is a country where various values and aesthetic senses coexist. The country has achieved rapid economic development in recent years accompanied by significant growth in consumer purchasing power. Specifically, cosmetics needs have also diversified in conjunction with a rise in women's awareness with regard to the “desire to be beautiful” and an increasing interest in prestige cosmetics.

Sales of Western cosmetics brands have already started in this market. Given expectations for further growth in the future, Shiseido views this step as a good opportunity and has decided to take the lead in making a full-scale entry into the market as a Japanese cosmetics company. Additionally, among the NIS, Shiseido commenced sales in Russia in 1998 and Ukraine and Kazakhstan in 2002

via its distributor, making Azerbaijan the fourth country in which to commence sales in the NIS. (Shiseido (RUS), LLC. was established as a subsidiary in 2007 and commenced sales in 2008.)

*Newly Independent States (NIS): Newly independent states of the former Soviet Union comprise a total of 12 countries, including Russia, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Marketing plan

As with previous marketing initiatives undertaken for the global brand *SHISEIDO*, we will take measures to establish the presence of this prestige cosmetic brand through high quality products and exceptional beauty counseling services. The marketing plan for the first year calls for the commencement of sales at eight stores, which will be carefully selected from two retailers. In the future, Shiseido will promote sales activities to gain customer support while assessing market trends.

Reference

Overview of Shiseido Europe S.A.S

Company name:	Shiseido Europe S.A.S
Representative:	Yoshiaki Sato
Capital:	7 million euros (wholly owned by Shiseido Co., Ltd.)
Location:	11, Rue du Faubourg Saint-Honoré 75008 Paris, France
Main business:	Export and sales of Shiseido Group cosmetic products centered on Europe

Prestige Cosmetics Brand *SHISEIDO* Lines

Respective kinds of <i>SHISEIDO</i> skincare lines*, makeup, suncare, body care, fragrance and men's cosmetics products, etc.
<i>*SHISEIDO Future Solution LX</i> (globally launched from September 2009), <i>SHISEIDO The Skincare</i> , <i>SHISEIDO Bio-Performance</i> , <i>SHISEIDO Benefiance</i> , <i>SHISEIDO White Lucent</i> , <i>SHISEIDO Pureness</i> , etc.

Three overseas strategies from fiscal 2008 to 2010 with the aim of becoming a global player representing Asia with its origins in Japan

1) Innovating the global brand *SHISEIDO*:

Following the launch of a new makeup line in January 2009, initiatives have been implemented that include remodeling the functions and design of counters as a means of integrating the image of the *SHISEIDO* brand as a high quality, highly functional and global prestige cosmetics brand at stores along with strengthening communication capabilities. Additionally, efforts are being directed toward improving the counseling skills of approximately 9,000 Beauty Consultants worldwide (excluding Japan).

2) Development of the City Concept strategy:

Under the City Concept, the world's major markets are considered as city-based rather than country-based units, whereby management resources are concentrated on target cities directed toward enhancing the presence of the *SHISEIDO* brand and realizing ripple effects on a group-wide basis.

3) Expansion of operations in New and Emerging markets:

Along with such efforts as commencing sales via a subsidiary in Russia in 2008, Shiseido products are gaining a high reputation from customers, thereby successfully penetrating Shiseido's image as a prestige brand equivalent to relevant global competitors. In conjunction with penetration into new and emerging markets, with regard to markets in which Shiseido has already entered, future plan calls for undertaking various measures that include the strengthening of business schemes such as direct marketing by Shiseido's sales subsidiaries.