

[Reference]

## **Shiseido to Promote Full-Scale Development of Professional Business for Luxury Hair Salons in China**

Shiseido will promote full-scale development of the Professional Business in China through commencing sales of hair products exclusively for hair salons (hereinafter, “professional hair products”) from March 2010 via its wholly owned subsidiary, Shiseido China Co., Ltd. (Shanghai, China). Products handled will be based on two brands, specifically, the *SHISEIDO PROFESSIONAL* brand, which is currently marketed by Shiseido in Japan, Asia and Oceania; and *JOICO* brand marketed by Shiseido’s wholly owned subsidiary, Zotos International, Inc. (hereinafter, “Zotos”), in the United States. Shiseido is aiming for approximately 700 hair salons to handle these products in the two cities of Shanghai and Beijing by the end of 2010 and plans to expand to 2,500 hair salons by 2014.

In addition, a press conference to announce the launch of Shiseido’s Professional Business will be held on March 18, 2010 from 2:45 p.m. (3:45 p.m. Japan time) in Shanghai and will be attended by Shiseido President & CEO Shinzo Maeda.

### ***SHISEIDO BEAUTY STUDIO* (left) and training session conducted in the studio (right)**



*SHISEIDO BEAUTY STUDIO* in Shanghai



Shiseido’s unique training program for educating stylists on hair theories and the spirit of *omotenashi* (hospitality)

### **Professional Business as the Second Pillar After the Cosmetics Business in China**

Under its current Three-Year Plan (2008-2010) being promoted with the aim of seeking to become “a global player representing Asia with its origins in Japan,” Shiseido is working to strengthen the growing China business by targeting an average annual growth rate of 20%.

In March 2010, Shiseido has launched its new *DQ* brand in drugstores as a “third sales channels” after department stores and cosmetics specialty stores and is aiming to expand the stores handling the brand to approximately 600 outlets in fiscal 2010.

The cosmetics market in China is anticipated to continue to expand, in which cosmetics users are expected to reach 100 million in 2010 and increase to around 200 million by 2015. Concurrently, needs are expected to increase further accompanying the desire to make oneself look more beautiful in all aspects from skincare and makeup to hairstyles.

To seize this opportunity, Shiseido will promote full-scale development of the Professional Business in China to provide products exclusively for luxury hair salons as the second pillar of operations after the Cosmetics Business.

Shiseido aims to establish a solid presence in the Chinese hair salon industry through product development based on research conducted on “black hair” specific to Asian people, disseminating information of hairstyle trends originating from Tokyo and providing sufficient training programs for educating hair stylists.

### **Professional Market in China and Shiseido’s Initiatives**

The market scale of professional hair products in China in 2007 was estimated to be ¥90 billion along with one million salons handling these products, giving rise to fierce competition for market share among manufacturers. Specifically, over the past few years, the professional market for luxury hair salons has expanded to ¥50 billion. Further, this segment is maintaining an annual average sales growth rate of 10%, which is roughly on par with the cosmetics market. (Shiseido surveys)

The Professional Business in China will be promoted by Shiseido China Co., Ltd., a holding company handling imports and sales of Shiseido Group products in China, whereby products will be sold to hair salons via distributors. Luxury hair salons that will become the hairstyle trendsetters in China will be targeted. Also, emphasis will be placed on the steady development of brands rather than rapid salon expansion.

*SHISEIDO BEAUTY STUDIOS* have been established in Shanghai and Beijing in November 2009 with the aim of providing training programs for educating hair stylists handling Shiseido professional hair products in their salons. The studios offer Shiseido’s original hair stylist training program, including education on hair-related theories and a follow-up of basic techniques, while also aiming to strengthen hairstyle proposal capabilities suited to each and every customer and imbue the spirit of *omotenashi* (hospitality). These facilities are slated to be developed consecutively in other

cities and regions.

### **Shiseido's Professional Business (Domestic and Overseas Development)**

Shiseido's Professional Business accounted for 7% of overall sales in Japan and overseas in the fiscal year ended March 2009, which is second in size after the cosmetics business. In this respect, the Professional Business plays a strategic role as a business that will propose new value and aim to cultivate new customers by developing this business in 100 countries and regions worldwide through Shiseido Group brands.

Shiseido's Professional Business started in 1922 in Japan together with the launch of hair & makeup services and dressing services and the commencement of cosmetics sales, and has since consistently taken the lead in the Japanese hair salon industry.

Shiseido is currently engaged in two businesses. The Product Business is in charge of sales of professional-use products and consumer-use products sold in hair salons handled by wholly owned subsidiary Shiseido Professional Co., Ltd., and the Service Business provides various services to hair salons, esthetic salons and spas via Shiseido Beauty Salon Co., Ltd.

At the same time, the Product Business is mainly being developed overseas. Shiseido has entered the global luxury esthetic and spa market together with the acquisition of the *CARITA* French luxury esthetic brand (Carita S.A.; Paris, France) in 1986 and Laboratoires Decl or S.A. (Paris, France), which owned the *DECL OR* luxury spa brand that uses French plant-based aroma products, in 2000. In North America, Shiseido strengthened its foundation in the North American market by acquiring Zotos (Connecticut, U.S.A.), the top U.S. manufacturer of perm solutions that possesses the *ZOTOS* brand, in 1988.

In Asia and Oceania, Shiseido Professional (Thailand) Co., Ltd. (Bangkok, Thailand) was established as a joint venture in 2004 to handle the Product Business for conducting sales of *SHISEIDO PROFESSIONAL* brand hair products, as well as the Service Business, including the operations of directly managed beauty salons.

### **Brands Handled for Professional Business in China**

#### ***SHISEIDO PROFESSIONAL* Brand**

*SHISEIDO PROFESSIONAL* brand offers hair products for professional use developed based on the Shiseido's research on "black hair" that is specific to Asian people conducted over many years. The brand incorporates hair care products such as shampoo and conditioner as well as hair color agents, perm solutions and styling products for professional use. The perm solutions of this brand boast the top share in terms of sales for domestic hair salons and are sold in 10 countries and regions

worldwide centering on Asia and Oceania as a perm solution that realizes hair trends originating from Tokyo. (Salon price of main products: RMB128~RMB 298; 6 lines, 85 items)

**JOICO Brand**

*JOICO* is a professional hair product brand launched in Southern California in the United States in 1975. The brand was subsequently acquired by Shiseido via Zotos in 2001, with the aim of expanding U.S. market share. The brand incorporates hair care products such as shampoo and conditioner as well as lines including hair color agents, perm solutions and styling products for hair stylists. Currently sold in around 60 countries worldwide, the brand is highly recognized globally due to its fashionable, original hair colors and suggested hairstyles. (Salon price of main products: RMB124~RMB 209; 8 lines, 99 items)

**Overview of Shiseido China Co., Ltd.**

Company name: Shiseido China Co., Ltd.

Address: 33-35F, Xinmei Union Square 999 South Pudong Road, Shanghai, China  
P.C. 200120

Representative: Masaru Miyagawa, Chairman

Capital: RMB565,093,000

Investment ratio: Shiseido Co., Ltd. 100%

Main business: Global brand *SHISEIDO* products in China, designated lines originally developed for the Japanese market such as *Maquillage*, as well as import and sales of non-Shiseido brands including *Clé de Peau BEAUTÉ*, *IPSA*, and *Za*; and cosmetics and toiletry products including *AquaLabel* and *UNO*. Import and sale of professional hair products exclusively for hair salons will be now be included in business operations.

## Shiseido's History in the China Market

- 1981 Commenced sales of products imported from Japan in Beijing and other locations
- 1983 Initiated the first Technological Cooperation Agreement with the city of Beijing (up to the fourth agreement in 1991)
- 1991 Established joint venture Shiseido Liyuan Cosmetics Co., Ltd.
- 1993 Completed the construction of Beijing Factory of Shiseido Liyuan Cosmetics Co., Ltd.
- 1994 Launched *AUPRES* brand exclusively for the China market
- 1999 Completed the construction of Shanghai Zotos CITIC Cosmetics Co., Ltd. factory
- 2002 Established Shiseido China Research Center Co., Ltd. in Beijing
- 2003 Established wholly owned subsidiary Shiseido China Co., Ltd. in Shanghai to oversee China business
- 2004 Launched cosmetics specialty stores business (mainly the development of the Voluntary Chain System to expand sales channels to China's main cities in inland areas)
- 2006 Launched *URARA* brand exclusively for cosmetics specialty stores
- 2008 Established Shiseido China Training Center in Shanghai  
Launched tree-planting activities in Gansu Province as part of Shiseido's CSR activities in China
- 2009 Established SHISEIDO LIFE QUALITY BEAUTY CENTER in Shanghai
- 2010 Launched new *DQ* Brand for drugstores as the third sales channel for the Cosmetics Business in China

Full-scale development of the Professional Business as the second pillar of business after the Cosmetics Business



*SHISEIDO PROFESSIONAL* perm solutions

*Creator*



*JOICO* hair care products