Notice Regarding Construction of New Production Facility at the Gunma Factory

KOSÉ Corporation (Head Office: Chuo-ku, Tokyo, President & CEO: Kazutoshi Kobayashi) passed a resolution today at its Board of Directors Meeting for the construction of a new production facility within the grounds of its Gunma Factory (Isesaki City, Gunma Prefecture). Please see below for details.

1. Purpose for the construction of the new production facility at the Gunma Factory

Presently, KOSÉ Corporation is actively expanding its business operations as we work towards reaching the goals set forth in our mid-term management plan. We are currently restructuring our manufacturing framework to keep up with increases in production in line with future sales growth, to effectively manage high-mix low-volume production to address the ever-diversifying needs of our customers and as a measure to counter the aging facilities at our Sayama Factory as we aim to achieve the targets set out in our mid-term management plan.

Further, as we move towards expanding our overseas operations, the newly structured Gunma Factory will serve as our mother production facility accommodating the needs of our domestic and overseas production requirements. It is our aim to further reinforce our management base through the certain, timely provision of high-quality, competitive products as a result of the flexible use of each of our production facilities and a reduction in inventory and costs etc.

2. Overview of the new production facility

Proposed site: KOSÉ Corporation Gunma Factory (1913 Sakaiiyoku, Isesaki City, Gunma)
Site area: 18,666m²
Products produced: Cosmetics
Production capacity: 4,500t / 30,000,000 products annually
Amount invested: 6 billion yen
Scheduled start of production: 1st half 2017
3. Unique features of the new production facility

We aim to create a production environment compliant with GMP for cosmetic products and in turn, create a comprehensive quality assurance framework by establishing individual zones for each product and by efficiently managing each of these zones in the new production facility.

Each room in the facility will be compactly consolidated in sequence with production processes to create a one-way line of flow. Automated facilities will be introduced to vertical flow lines in order to increase efficiency in the area of physical distribution and material handling and these combined with automated production lines etc. to further enhance productivity.

New equipment and machinery will be specially adapted to suit the high-mix low production characteristics of cosmetic products with a flexible layout that will allow us to efficiently address future product changes and increases in production. Further, harnessing our unique technologies, we aim to create a factory capable of promptly meeting market demand, particularly in the area of the production of high-value added products.

Production, mainly in the area of cosmetic products, is expected to continue in the future at the existing production facilities at the Gunma Factory. We will also continue our efforts to lower our environmental footprint by reducing CO\textsubscript{2} emissions through the use of the highly energy efficient co-generation system etc. installed at the Gunma Factory in 2012 throughout the entire Gunma Factory.

4. Future forecasts

Start of operation of the new facility is scheduled for a date after April 2017. Therefore, there will be no effect on business performance for the current period.
KOSÉ Corporation Major Production Facilities

■Gunma Factory
Location: Isesaki City, Gunma, Japan
Start of operation: 1979
Site area: 88,987 m²
Products produced: Cosmetics and toiletries products

■Sayama Factory
Location: Sayama City, Saitama, Japan
Start of operation: 1964
Site area: 106,161 m²
Products produced: Cosmetics

Overseas Production Facilities

■KOSÉ Cosmetics Co., Ltd. Xiasha Factory (China)
Location: Economic and Technological Development Zone, Hangzhou, China
Start of operation: 2000
Site area: 30,402 m²
Products produced: Cosmetics

■Taiwan KOSÉ Co., Ltd. Hsinchu Factory (Taiwan)
Location: Hsinchu Industrial Park, Hsinchu County, Taiwan
Start of operation: 2004
Site area: 7,173 m²
Products produced: Cosmetics

Artist’s impression of the new production facilities