



Press Release

NEWS RELEASE

October 30, 2009

KOSÉ Decides to Outsource Logistics Operations to Hitachi Transport

KOSÉ Corporation (Headquarters: Chuo-ku, Tokyo, President: Kazutoshi Kobayashi) has decided to outsource its logistics operations to Hitachi Transport System, Ltd. (Headquarters: Koto-ku, Tokyo, President: Takao Suzuki) and Hitachi Collabonext Transport System Co., Ltd. (Headquarters: Koto-ku, Tokyo, President: Kazunori Umino). This decision is part of KOSÉ's ongoing structural business reforms. KOSÉ and Hitachi Transport have reached an agreement in principle concerning the scheme for the transfer of logistics operations.

KOSÉ announced in May 2008 a medium-term management plan with four key components: rebuilding the cosmetics business in Japan, reinforcing overseas operations, entering new business fields, and upgrading the KOSÉ Group's overall strengths. Since then, the Company has been enacting management reforms to achieve these goals. With regard to upgrading group strengths, KOSÉ is aiming to improve efficiency and profitability by optimizing the overall cost structure from many perspectives. Outsourcing logistics operations is one step toward achieving this goal. KOSÉ has decided to use an external partner to perform logistics functions, which the company until now has handled using its own resources, including both facilities and operational systems. KOSÉ believes this action will produce many benefits. The Company expects to increase operating efficiency by focusing resources on its core business of manufacturing and selling cosmetics. In addition, outsourcing is expected to improve the quality of logistics operations, make it possible to adapt to changing logistics needs with greater speed, and reduce the environmental impact of logistics by streamlining these operations.

In accordance with the scheme for the transfer of operations, work will begin on developing logistics systems, designing business processes and other tasks. Plans call for enacting the transfer in stages at each distribution center. The transfer of all operations is to be completed during the fiscal year that ends on March 31, 2011.



Press Release

1. Outsourcing process at distribution centers

Present

All distribution centers are operated by KOSÉ
(Currently the following six locations)

Hokkaido Distribution Center
(Eniwa City, Hokkaido)

Tohoku Distribution Center
(Sukagawa City, Fukushima)

Sayama Distribution Center
(Sayama City, Saitama)

Meishin Distribution Center
(Konan City, Shiga)

Chushikoku Distribution Center
(Kasaoka City, Okayama)

Kyushu Distribution Center
(Koga City, Fukuoka)

→ After outsourcing

All operations will be performed by
Hitachi Transport System and
Hitachi Collabonext Transport System
(Logistics operations are to be consolidated
at the following four locations)

Hokkaido

Kanto

Kansai

Kyushu

2. Tentative timetable for outsourcing of development and distribution activities

| | |
|--|--|
| Second half of FY03/2009 to First half of FY03/2010 | Logistics systems and business process designs |
| Second half of FY03/2010 | Start of trial logistics outsourcing at selected locations |
| | After evaluation of performance, outsourcing will be expanded in stages |
| FY03/2011 | Completion of transfer to outsourcing of all logistics operations |