

(Translation)



February 3, 2021

Dear Sirs and Madams,

Name of Company: Shiseido Company, Limited
Name of Representative: Masahiko Uotani
President and CEO
(Representative Director)
(Code No. 4911; The First Section of the Tokyo Stock Exchange)
Contact: Harumoto Kitagawa
Vice President
Investor Relations Department
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**Notice of Company Split (Simple Absorption-type Split) and Other Changes
Accompanying the Transfer of the Personal Care Business
—Aiming for Further Business Growth and Development through Joint Venture with CVC—**

Shiseido Company, Limited (the “Company”) has launched a fundamental business transformation positioning skin beauty as its core business category and aims to become a global leader in this field by 2030. As a part of these efforts, the Company has been continuously revisiting its business portfolio.

The Company recognizes that its Personal Care business, comprising such global brands as *TSUBAKI* and *SENKA* (the “Business”), requires enhanced marketing investment to maximize its potential and foster further growth, and concludes that these goals will be best achieved under a new business model. Therefore, the Company has determined to transfer the Business and participate in its operation as a shareholder of the company which will manage the Business after the transfer.

The Business will be transferred from the Company and its wholly owned subsidiaries, to be succeeded by a newly established company (the “New Company”), whose shares will be subsequently transferred to Oriental Beauty Holding Company, Limited (“OBH”), financed by funds advised by CVC Capital Partners (“CVC”) (the “Transaction”). Following the Transaction, the Company will provide cooperation aimed at further growth and development of the Business by establishing a joint venture and acting as a shareholder of the company which will operate the Business after the transfer, including the New Company and OBH. It is hereby notified that today the Company has executed a legally binding agreement pertaining to the above (the “Agreement”).

1. Background and Objectives of the Transaction

The Shiseido Group outlined its new medium-term strategy “WIN 2023” in August 2020. Along with plans for a fundamental transformation, we have positioned the skin beauty as our core business category and aim to become a global leader in this field by 2030. In addition, we are shifting our priorities from top-line growth to profitability and cash-flow management. Our goal is to achieve an operating margin of 15% in 2023 through a reduction of cost

of goods and selling, general and administrative expenses.

Shiseido's Personal Care business dates back to the establishment of Shiseido Trading Co., Ltd. in 1959, and over those 60 years it was a cradle of brands whose advertisements and slogans are still remembered by consumers. It has a long history of offering brands and products with high added value in Japan, China, and other Asian countries and regions, and enjoys the trust and support of many consumers. Based on the current business environment and the above strategy, the Company was considering a number of various strategic options for further growth and development of the Business, and as a result has determined that a spin-off of the Business will promote further development of its brands and employees and bolster investment into its growth, resulting in flexible strategies and fast decision-making attuned to the mass business segment, nurturing of human resources exceptional in value creation, and benefits for consumers and business partners.

In selecting candidates for the transfer, the Company prioritized a partner that would understand the personal care business model and that could strategically invest in its brands, business, organization and people in order to maximize the potential of the Business and realize its further growth, as well as a partner that the Company could trust. After a careful consideration of multiple candidates, the Company selected CVC as the most suitable partner. Established in 1981, CVC is a private equity firm with 23 offices around the world. It has an extensive track record in the business growth of and value creation for investee companies. We believe that the New Company will see rapid development through a refinement of its management system, aided by CVC's professionals with vast global experience in the cosmetics and retail industries, and leverage its growth potential thanks to aggressive investment backed by CVC's resources, with a possibility of going public in the future.

The Company intends to support the transition by establishing a joint venture, acquiring 35% of the shares of K.K. Asian Personal Care Holding, a wholly owning parent of OBH, and by cooperating with CVC in the operation of the Business.

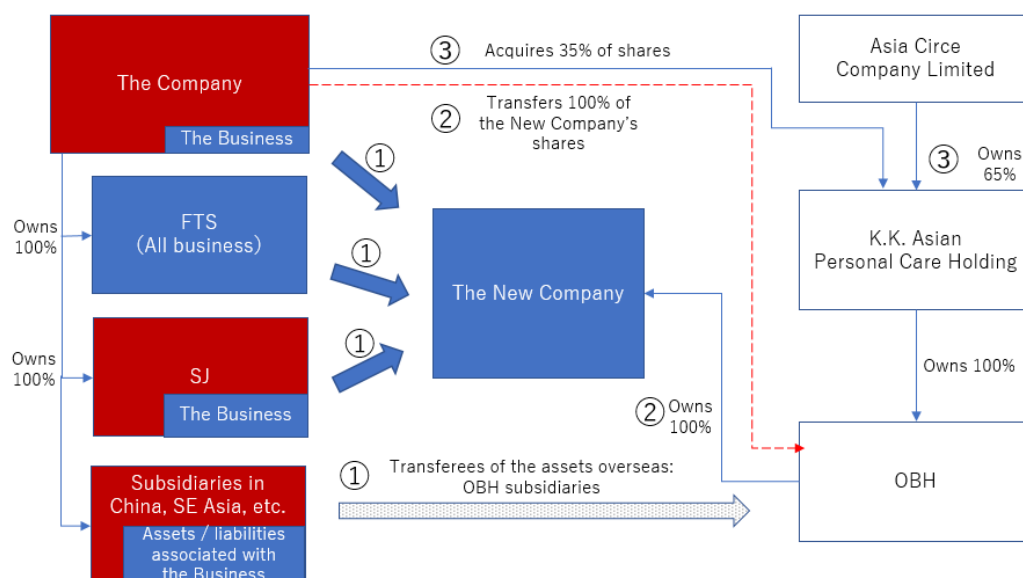
2. Details of the Transaction Procedures

The part of the Business operating in Japan will be transferred from the Company and its wholly owned subsidiaries Shiseido Japan Company, Limited ("SJ") and FT Shiseido Company, Limited ("FTS") to the New Company with an effective date of July 1, 2021 (planned) through absorption-type corporate splits (the "Company Splits"; Note 1), followed by a transfer of all of the outstanding shares of the New Company to OBH on the same date (planned; the "Share Transfer"). The overseas parts of the Business will be transferred from the Company's subsidiaries operating in 10 countries and regions to OBH subsidiaries (the "Succeeding Subsidiaries") through asset transfers in accordance with local laws (the "Asset Transfers"; Note 2).

Following the Share Transfer, on the same date (planned) the Company will acquire 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH (the "Share Acquisition of the Holding Company"), and will cooperate with CVC to operate the Business. After the Share Transfer, the Business will be excluded from the scope of consolidation of the Company.

Obtaining clearance from relevant authorities based on domestic and international competition laws is a prerequisite for carrying out the Transaction. Since the Company Splits are a simple absorption-type split carried out between the Company and its wholly owned subsidiaries, some of the disclosure items and details have been omitted.

<Reference: Overview of the Transaction Scheme>



- ① The Company and the Shiseido Group companies spin off assets and liabilities associated with the Business through company splits in Japan, to be succeeded by the New Company, and through asset transfers overseas, to be succeeded by OBH subsidiaries.
- ② The Company transfers the shares of the New Company to OBH.
- ③ The Company acquires 35% of K.K. Asian Personal Care Holding's shares and cooperates with CVC to operate the Business.

3. Schedule of the Transaction

Conclusion of the transfer Agreement	February 3, 2021
Establishment of the New Company	On or before June 30, 2021 (planned)
Approval of the Company Split agreements by the Board of Directors	On or before June 30, 2021 (planned)
Conclusion of the Company Split agreements	On or before June 30, 2021 (planned)
Approval of the Company Split agreements by a general meeting of shareholders (SJ, FTS, and the New Company)	On or before June 30, 2021 (planned)
Scheduled date of the Company Splits (effective date)	July 1, 2021 (planned)
Effective date of the Share Transfer	July 1, 2021 (planned)

(Notes)

- Since the Company Splits are a simple absorption-type corporate split as stipulated in Article 784 Paragraph 2 of the Companies Act, the Company will not convene a general meeting of shareholders to seek approval of the Company Split agreements.
- The Asset Transfers in each country and region overseas will be executed in stages after the effective date of the Share Transfer, based on the receipt of licenses and approvals in respective countries and regions.

4. Overview of the Company Splits

(1) Schedule

Please refer to "3. Schedule of the Transaction" above.

(2) Method

They are absorption-type corporate splits in which the Company, SJ, and FTS are the splitting companies and the New Company is the succeeding company. The Company and SJ will spin off parts of their businesses associated with the Business, whereas FTS will spin off all of its business to the New Company.

(3) Allotment of shares

The New Company will issue common shares (number undecided) at the time of the Company Splits and allot all of those shares to the Company. Since the Company Splits between SJ, FTS, and the New Company are a split between the Company's wholly owned subsidiaries, none of the Company's shares will be allotted in conjunction with the splits, nor will any equivalent value be paid.

(4) Handling of stock acquisition rights and bonds with stock acquisition rights

Not applicable.

(5) Capital increase or decrease

There will be no capital increase or decrease.

(6) Rights and obligations taken over by the succeeding company

The New Company will take over all assets, liabilities, and contractual relationships associated with the Business as stipulated in the absorption-type split agreements pertaining to the Company Splits, as well as all rights and obligations that accompany such.

(7) Prospect of obligation performance

The Company believes that there is no concern as to whether the New Company will be capable of performing its obligations after the Company Splits.

(8) Overview of the companies involved in the Company Splits

a. Splitting companies

Trade name	Shiseido Company, Limited	Shiseido Japan Company, Limited	FT Shiseido Company, Limited
Location	5-5, Ginza 7-chome, Chuo-ku, Tokyo	5-5, Ginza 7-chome, Chuo-ku, Tokyo	5-5, Ginza 7-chome, Chuo-ku, Tokyo
Representative's name and position	Masahiko Uotani, Representative Director, President and CEO	Norio Tadakawa, Representative Director, President and COO	Shigekazu Takatsu, Representative Director, President
Main business activities	Research, development, manufacture, and sale of cosmetics and other products	Sale of cosmetics and other products	Sale of toiletries
Capital	64,506 million yen	100 million yen	100 million yen
Date of establishment	June 24, 1927	December 1, 1927	October 1, 2003
Number of shares issued	400,000,000	8,000,000	2,200
Settlement term	December 31	December 31	December 31
Major shareholders and their shareholding ratios (As of June 30, 2020)	The Master Trust Bank of Japan, Ltd. (Trust Account): 13.51% Custody Bank of Japan, Ltd. (Trust Account): 6.01%	Shiseido Company, Limited: 100%	Shiseido Company, Limited: 100%

	BNYM TREATY DTT 15: 2.87% Mizuho Trust & Banking Co., Ltd., re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank: 2.50% JP MORGAN CHASE BANK 385632: 2.21% Custody Bank of Japan, Ltd. (Trust Account 7): 2.15% THE BANK OF NEW YORK 134104: 1.83% SSBTC CLIENT OMNIBUS ACCOUNT: 1.59% Custody Bank of Japan, Ltd. (Trust Account 5): 1.57% STATE STREET BANK WEST CLIENT - TREATY 5052234: 1.49%		
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Operating results and financial position of the splitting companies (consolidated)

(Millions of yen unless otherwise stated)

Period	Fiscal year ending December 31, 2017	Fiscal year ending December 31, 2018	Fiscal year ending December 31, 2019
Net Assets	445,872	468,462	517,857
Total Assets	949,425	1,009,618	1,218,795
Net Assets per Share (Yen)	1,059.84	1,123.19	1,242.85
Net Sales	1,005,062	1,094,825	1,131,547
Operating Profit	80,437	108,350	113,831
Ordinary Profit	80,327	109,489	108,739
Net Profit Attributable to Owners of Parent	22,749	61,403	73,562
Net Profit per Share (Yen)	56.95	153.74	184.18

b. Succeeding company

Trade name	Undecided
Location	5-5, Ginza 7-chome, Chuo-ku, Tokyo (planned)
Representative's name and position	Undecided
Main business activities	Sale of personal care products
Capital	Undecided

Date of establishment	On or before June 30, 2021 (planned)
Number of shares issued	Undecided
Settlement term	December 31
Major shareholders and their shareholding ratios	Shiseido Company, Limited: 100%

(Note) Since the New Company will be established on or before June 30, 2021, no settlement information for the most recent fiscal year is available.

(9) Overview of the business to be split

a. Details of the business

Business related to sale of personal care products

b. Operating results

	Results of the Business in the fiscal year ending December 31, 2019
Net Sales	105,597 million yen

c. Assets and liabilities of the business to be split, and their value (as of June 30, 2020)

(Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current Assets	34,379	Current Liabilities	10,596
Fixed Assets	963	Long-term Liabilities	1,060
Total Assets	35,342	Total Liabilities	11,656

(Notes)

1. Calculated based on the balance sheet as of June 30, 2020. The amounts to be actually transferred will be adjusted taking into consideration the increases and decreases in the above amounts that will arise by the date of effectuation.
2. The above amounts include amounts related to the Business in the overseas subsidiaries which are included in the Asset Transfers.

(10) Overview of the Company after the Company Splits

After the split, the trade name, location, representative's name and position, main business activities, capital, and settlement term of the Company will remain unchanged.

5. Overview of the Asset Transfers

(1) Subsidiaries to transfer assets

Shiseido China Co., Ltd.

Shiseido Hong Kong Ltd.

Taiwan Shiseido Co., Ltd.

FLELIS International Inc.

Shiseido Thailand Co., Ltd.

Shiseido Malaysia Sdn. Bhd.

Shiseido Singapore Co., (Pte.) Ltd.

Shiseido Korea Co., Ltd.

Shiseido Cosmetics Vietnam Co., Ltd.

Shiseido Vietnam Inc.

Shiseido Philippines Corporation

PT. Shiseido Cosmetics Indonesia

(2) Companies to take over assets

Succeeding Subsidiaries

(3) Overview of assets to be transferred

a. Details of assets to be transferred

Assets related to planning and sale of personal care products

b. Value of assets to be transferred

Please refer to “4. Overview of the Company Splits (9) Overview of the business to be split.”

6. Share Transfer

(1) Change in subsidiary

Please refer to “4. Overview of the Company Splits (8) Overview of the companies involved in the Company Splits, b. Succeeding company.”

(2) Overview of the company to which the shares are transferred

Trade name	K.K. Oriental Beauty Holding
Location	3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo
Representative's name and position	Yukinori Sugiyama, Director
Main business activities	Acquisition and holding of securities and related business operations
Capital	10,000 yen
Date of establishment	August 19, 2020
Major shareholders and their shareholding ratios	K.K. Asian Personal Care Holding: 100%
Relationship between the Company and OBH	<p>There are no special capital relationships, personal relationships or transactions between the Company and OBH. However, as described in “7. Overview of Share Acquisition of the Holding Company” below, after the Share Transfer, the Company plans to acquire 35% of the shares of K.K. Asian Personal Care Holding, the wholly owning parent company of OBH.</p> <p>Shiseido's external director, Mr. Toshiaki Fujimori, concurrently serves as Senior Executive Advisor of CVC Asia Pacific (Japan) Ltd., a wholly owned subsidiary of CVC Asia Pacific Limited. While he is not involved in the business execution of CVC Asia Pacific (Japan) Ltd., to ensure fairness of the Transaction, Mr. Fujimori did not participate in any determinations of the Board of Directors of the Company related to the Transaction, nor did he participate in any discussions, consultations or negotiations with CVC held by the Company pertaining to the Transaction.</p>

(3) Transfer price, number of shares transferred, and holding ratios prior to and after the transfer

1. Transfer price	The transfer price of all shares of the New Company and related business assets is 160 billion yen.
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2.	Number of shares held prior to the transfer	Undecided (Ratio of ownership voting rights: 100%)
3.	Number of shares transferred	Undecided (Ratio of ownership voting rights: 100%)
4.	Number of shares held after the transfer	0 (Ratio of ownership voting rights: 0%) (Note) After the Share Transfer, the Company will invest in K.K. Asian Personal Care Holding, the wholly owning parent company of OBH, acquiring 35% of its shares on the same date.

7. Overview of Share Acquisition of the Holding Company

(1) Overview of the company to acquire shares

In accordance with the Transaction procedures, the Company will acquire 35% of the shares of K.K. Asian Personal Care Holding as described in “6. Share Transfer (2) Overview of the company to which the shares are transferred” above.

(2) Overview of the counterparty to acquire shares

Trade name	Asia Circe Company Limited
Location	Suite 2009-11, ICBC Tower, 3 Garden Road, Central, Hong Kong
Representative’s name and position	Directors: Alvin Lam, Calvin Wong, Andrey Gromak
Main business activities	Acquisition and holding of securities and related business operations
Capital	1 USD
Date of establishment	May 18, 2020
Major shareholders and their shareholding ratios	Oriental Beauty Group Holding (HK) Limited: 100%
Relationship between the Company and Asia Circe Company Limited	There are no special capital relationships, personal relationships or transactions between the Company and Asia Circe Company Limited.

(3) Number of shares acquired and holding ratios prior to and after the acquisition

1.	Holding ratio prior to the acquisition	0% (Ratio of ownership voting rights: 0%)
2.	Holding ratio acquired	35% (Ratio of ownership voting rights: 35%)
3.	Holding ratio after the acquisition	35% (Ratio of ownership voting rights: 35%)

8. Future Outlook

The Company is currently analyzing the impact of the Transaction on its consolidated performance. The details will be announced simultaneously with the Company’s financial results for the first quarter of the fiscal year ending December 31, 2021, which is scheduled for May of 2021.

- End of News Release -