

(Translation)



February 9, 2022

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: Ayako Hirofuji
Vice President
Investor Relations Department
(Tel: +81 3 3572 5111)

**Notice of Company Split (Simple Absorption-type Split) and Other Changes
Accompanying the Transfer of the Professional Business
—Aiming for Further Growth of the Business in Cooperation with Henkel—**

Shiseido Company, Limited (the “Company”) has determined to transfer its Professional business, which delivers hair care, hair color, perm, straightening, styling, and other professional products mainly to hair salons in Japan and Asia, including the *SHISEIDO PROFESSIONAL* brand (the “Business”) to Henkel AG & Co. KGaA (headquartered in Düsseldorf, Germany; “Henkel”).

The trademark of *SHISEIDO PROFESSIONAL*, a comprehensive business brand covering a wide range of products within the Business, will be licensed to Henkel, while all other hair product brands*, such as *SUBLIMIC*, *PRIMIENCE*, and *CRYSTALLIZING*, will be transferred. The Company will retain 20% of the shares of the company succeeding the assets related to the Business in Japan, thus aiming to support further growth of the Business.

Henkel has global operations in the beauty care business with a strong foothold in both professional and consumer hair categories. The Company is confident that integration of its Professional business, whose brands are well established in Japan and Asia, with the Henkel Group, which possesses an extensive track record in the hair category in Europe and the United States, will provide the Business with global-level investment opportunities and business structure.

The assets related to the Business held in Japan will be transferred to the Company’s wholly owned subsidiary through an absorption-type corporate split, followed by a transfer of 80% of its shares to a subsidiary of Henkel. The shares and related assets of subsidiaries operating the Business overseas will be transferred to Henkel Group companies (collectively, the “Transaction”).

It is hereby notified that today the Company has executed a legally binding agreement pertaining to the above (the “Agreement”).

(Note) Key brands: *SUBLIMIC* (hair care), *PRIMIENCE* (hair color), *CRYSTALLIZING* (perm), *STAGE WORKS* (styling), *THE GROOMING* (men’s)

1. Background and Objectives of the Transaction

In its medium-to-long-term business strategy “WIN 2023 and Beyond,” the Shiseido Group has positioned the three years from 2021 to 2023 as a period to solidify its business foundation required for a global skin beauty company and has launched a fundamental business transformation and portfolio restructuring.

Shiseido’s Professional business activities started in 1974 with the establishment of a professional products sales department. In 2004, after a series of mergers and acquisitions, Shiseido Professional Inc. (“SPI”) was founded, which now offers a variety of mainstay items for hair salons such as hair color and perm solutions, hair care, styling, and

other products.

Henkel, established in 1876, is a global company with over 140 years of history and about 53,000 employees worldwide. Its sales in 2020 reached 19.3 billion euros, while operating profit was 2.6 billion euros (adjusted for one-time expenses and income, etc.). Headquartered in Germany, Henkel operates worldwide with the three business units: Adhesive Technologies, Laundry & Home Care, and Beauty Care, with a strong foothold in both professional and consumer hair categories. In recent years, Henkel Beauty Care has expanded its footprint, particularly in the professional hair segment, in Europe and the United States. Therefore, the Company is confident that integration of its Professional business, whose brands are well established in Japan and Asia, with the business of the Henkel Group will foster global competitiveness and expansion. Particularly in Japan, it will expand the scale of operations and product development capabilities, leading to an overwhelming presence in the market.

The transfer of the employees to the new owner is an important consideration and factor in this transaction. Basically, all employees of the Business will be transferred to the new companies, such as SPI, with new opportunities for career development.

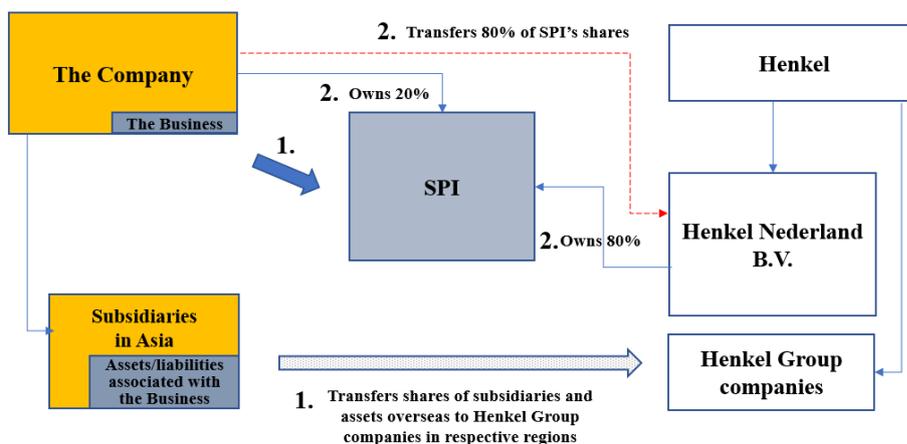
(Note) The Professional business engages in manufacturing and distribution of technical and retail products mainly for hair salons. It is a separate business from the beauty salon business, which is operated by Shiseido Beauty Salon Co., Ltd.

2. Details of the Transaction Procedures

Global brand holder functions of the Business including the Business in Japan (wholesale to SPI, etc.) and export operations (wholesale to overseas subsidiaries, etc.) will be transferred from the Company to SPI with an effective date on or before December 31, 2022 (planned) through an absorption-type corporate split (the “Company Split”), followed by a transfer of 80% of the outstanding shares of SPI to Henkel Nederland B.V. (Nieuwegein, Netherlands; the “SPI Share Transfer”). The overseas assets and operation of the Business will be transferred from the Company’s subsidiaries operating in Asia to Henkel Group companies through a share transfer (the “Other Share Transfer”) and asset transfers (the “Asset Transfers”) in accordance with local laws.

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

Reference: Overview of the Transaction Scheme



1. The Company transfers assets associated with the Professional business through a company split, to be succeeded by SPI, while Shiseido Group companies transfer assets and liabilities associated with the business through share and asset transfers, to be succeeded by Henkel Group companies.
2. The Company transfers 80% of SPI’s shares to Henkel Nederland B.V. and retains 20% to support further growth of the Business.

3. Schedule of the Transaction

Conclusion of the transfer agreement	February 9, 2022
Approval of the Company Split agreement by the Board of Directors	On or before June 30, 2022 (planned)
Conclusion of the Company Split agreement	On or before June 30, 2022 (planned)
Approval of the Company Split agreement by a general meeting of shareholders (SPI)	On or before June 30, 2022 (planned)
Scheduled date of the Company Split (effective date)	July 1, 2022 (planned)
Effective date of the SPI Share Transfer	July 1, 2022 (planned)

(Notes)

1. Since the Company Split is 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 agreement.
2. The Other Share Transfer and the Asset Transfers in each country and region overseas will also be executed on the effective date of the SPI Share Transfer, based on the receipt of licenses and any necessary governmental or other approvals in the relevant countries and regions.

4. Overview of the Company Split

(1) Schedule

Please refer to “3. Schedule of the Transaction” above.

(2) Method

This is an absorption-type corporate split in which the Company is the splitting company and SPI is the succeeding company. The Company will split off the part of its business associated with the Business to SPI.

(3) Allotment of shares

Currently undecided.

(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

SPI will take over all assets and contractual relationships associated with the Business as stipulated in the absorption-type split agreement pertaining to the Company Split, 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 SPI will be capable of performing its obligations after the Company Split.

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

a. Splitting company

Trade name	Shiseido Company, Limited
Location	5-5, Ginza 7-chome, Chuo-ku, Tokyo
Representative's name and position	Masahiko Uotani, Representative Director, President and CEO
Main business activities	Research, development, manufacture, and distribution of cosmetics and other products
Capital	64,506 million yen
Date of establishment	June 24, 1927

Number of shares issued	400,000,000	
Settlement term	December 31	
Major shareholders and their shareholding ratios (As of December 31, 2021)	The Master Trust Bank of Japan, Ltd. (Trust Account)	19.41%
	Custody Bank of Japan, Ltd. (Trust Account)	5.88%
	THE BANK OF NEW YORK 134104	1.97%
	Mizuho Trust & Banking Co., Ltd., re-trusted to Custody Bank of Japan, Ltd. Employees Pension Trust for Mizuho Bank	1.75%
	JP MORGAN CHASE BANK 385632	1.73%
	BNYM TREATY DTT 15	1.69%
	SSBTC CLIENT OMNIBUS ACCOUNT	1.67%
	STATE STREET BANK WEST CLIENT - TREATY 505234	1.64%
	Nippon Life Insurance Company	1.40%
JP MORGAN CHASE BANK 385781	1.28%	

Operating results and financial position of the splitting company (consolidated)

(Millions of yen unless otherwise stated)

Period	Fiscal year ending December 31, 2019	Fiscal year ending December 31, 2020	Fiscal year ending December 31, 2021
Net Assets	517,857	506,593	567,433
Total Assets	1,218,795	1,204,229	1,179,360
Net Assets per Share (Yen)	1,242.85	1,212.34	1,364.28
Net Sales	1,131,547	920,888	1,035,165
Operating Profit	113,831	14,963	41,586
Ordinary Profit	108,739	9,638	44,835
Net Profit (Loss) Attributable to Owners of Parent	73,562	(11,660)	42,439
Net Profit (Loss) per Share (Yen)	184.18	(29.19)	106.24

b. Succeeding company

Trade name	Shiseido Professional Inc.
Location	5-5, Ginza 7-chome, Chuo-ku, Tokyo
Representative's name and position	Hisae Asazuma, Representative Director, President
Main business activities	Manufacturing and distribution of technical and retail products for hair salons, such as hair care, hair color, perm, straightening, and styling items
Capital	250 million yen
Date of establishment	February 1, 1963
Total Assets	4,379 million yen (As of December 31, 2021)
Net Assets	817 million yen (As of December 31, 2021)
Net Sales	7,651 million yen (For the fiscal year ending December 31, 2021)
Number of shares issued	193,700
Settlement term	December 31
Major shareholders and their shareholding ratios	Shiseido Company, Limited: 100%

(9) Overview of the business to be split

a. Details of the business

Manufacturing and distribution of technical and retail products for hair salons, such as hair care, hair color, perm, straightening, and styling items

b. Operating results

(Millions of yen)

	Results of the Business in the fiscal year ending December 31, 2021
Net Sales	15,866
Operating Profit	757

(Note) The above amounts include amounts related to the Business in the overseas subsidiaries.

c. Assets and liabilities of the business to be split, and their value (as of June 30, 2021)

(Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current Assets	6,443	Current Liabilities	2,461
Fixed Assets	681	Long-term Liabilities	907
Total Assets	7,123	Total Liabilities	3,368

(Notes)

1. Calculated based on the balance sheet as of June 30, 2021. 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.

(10) Overview of the Company after the Company Split

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. SPI Share Transfer

(1) Change in subsidiary

Please refer to "4. Overview of the Company Split (8) Overview of the companies involved in the Company Split, b. Succeeding company."

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

Trade name	Henkel Nederland B.V.	
Location	Nieuwegein, Netherlands	
Representative's name and position	Ivan De Jonghe, Chairman of the Board	
Main business activities	Globally active with three business units: Adhesive Technologies, Laundry & Home Care, and Beauty Care, which focuses on hair products	
Capital	975 million euro (123,776 million yen*) (as of December 31, 2020)	
Year of establishment	1984	
Total assets	2,716 million euro (344,796 million yen*) (as of December 31, 2020)	
Net assets	2,647 million euro (336,036 million yen*) (as of December 31, 2020)	
Major shareholders and their shareholding ratios	Henkel Global Supply Chain B.V., Amsterdam, Netherlands (100%), a subsidiary of Henkel	
Relationship between the Company and	Capital relationship	There is no capital relationship between the Company and Henkel Nederland B.V.

Henkel Nederland B.V.	Personnel relationship	There is no personnel relationship between the Company and Henkel Nederland B.V.
	Business relationship	There is no business relationship between the Company and Henkel Nederland B.V.
	Related parties or affiliates of the concerned parties	There are no related parties or affiliates of the concerned parties falling under the related parties of the Company and Henkel Nederland B.V.

(Note) Applicable foreign currency exchange rate: 1 euro = 126.95 yen (as of December 31, 2020)

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

Transfer price*	12.3 billion yen (The aggregate amount of the SPI Share Transfer, the Other Share Transfer, and the Asset Transfers)
Number of shares held prior to the transfer	Undecided (Ratio of ownership voting rights: 100%)
Number of shares transferred	Undecided (Ratio of ownership voting rights: 80%)
Number of shares held after the transfer	Undecided (Ratio of ownership voting rights: 20%)

(Note) The valuation amount of the Business used in the calculation of transfer price is 14.8 billion yen.

6. Overview of the Asset Transfers

(1) Subsidiaries to transfer assets

FLELIS International Inc.
Shiseido China Co., Ltd.
Shiseido Hong Kong Ltd.
Shiseido Korea Co., Ltd.
Shiseido Malaysia Sdn. Bhd.
Shiseido Singapore Co., (Pte.) Ltd.
Taiwan Shiseido Co., Ltd.

(2) Companies to take over assets

Subsidiaries of the Henkel Group in each respective country or region.

(3) Overview of assets to be transferred

a. Details of assets to be transferred

Assets related mainly to planning and distribution of professional hair care, hair color, and styling products.

b. Value of assets to be transferred

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

(4) Regarding Other Share Transfer, the Business of Shiseido Professional (Thailand) Co., Ltd. will be transferred through a share transfer. (Since the transfer accounts for less than 5% of total net sales of the Business, its details have been omitted.)

7. Future Outlook

The impact of the Transaction on the Company’s consolidated performance in the fiscal year ending December 31, 2022 is included in its announcement of financial results for the fiscal year 2021 released today.

—End of News Release—