



(Translation)

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## **Notice of Company Split (Simple Absorption-type Split) and Other Changes Accompanying the Transfer of the Manufacturing Business of Personal Care Products**

Shiseido Company, Limited (the “Company”) hereby announces that it has determined to transfer its manufacturing business of personal care products conducted at Shiseido Kuki Factory (Saitama Prefecture, the “Kuki Factory”) and Shiseido Vietnam Factory (Bien Hoa City, Dong Nai Province, Vietnam; the “Vietnam Factory”).

The business conducted by the Company at the Kuki Factory (the “Business”) will be transferred from the Company through a company split (simple absorption-type split) to be succeeded by a newly established company (the “New Company”), whose shares will be then transferred to K.K. Asian Personal Care Holding (“APCH”), a subsidiary of Oriental Beauty Holding (HK) Limited (“OBH”), directly or indirectly financed by funds advised by CVC Capital Partners (“CVC”) (the “New Company Share Transfer”). Subsequently, all of the equity interest of the Company in its wholly owned subsidiary Shiseido Vietnam Inc. (“SVI”), which operates the Vietnam Factory, will be transferred to APCH (the “SVI Equity Interest Transfer”). It is hereby notified that today, the Company has executed a legally binding agreement (the “Agreement”) pertaining to the New Company Share Transfer and the SVI Equity Interest Transfer (collectively, the “Transaction”) and other related matters.

### **1. Background and Objectives of the Transaction**

The Kuki Factory began operations in 1983 as a mass-production facility different from a typical cosmetics factory. It is positioned as a mainstay factory for personal care products and has contributed to the Company’s operations through manufacturing and supplying high quality products. The Vietnam Factory began operations in 2009 as a production base for the Japanese and Asian markets, mainly manufacturing personal care products such as the *uno* brand.

On the other hand, the Company has been undergoing portfolio reorganization as part of its fundamental business transformation, positioning skin beauty as the core business. In July 2021, the Company transferred its personal care business to Fine Today Shiseido Co., Ltd. (“FTS,” Minato-ku, Tokyo), a company indirectly financed by CVC, and other companies, aiming for further growth and development of the business. Following the transfer, the Company has been cooperating with CVC in the operation of the business by producing and supplying personal care products from both Kuki and Vietnam factories pursuant to a contract manufacturing agreement (“CMA”) with FTS as a shareholder with a 35% stake in APCH, the wholly-owning

parent company of FTS.

FTS has made a good start since the transfer, achieving stable business operations, and the Company has continuously discussed with CVC strategic actions required to ensure its sustainable growth. As a result, the Company concluded that equipping FTS with its own production infrastructure and integrating production and sales would be the best option and decided to transfer the Business and SVI to APCH. After the transfer, FTS, by further promoting a structure where R&D, production, marketing, sales and other functions are integrated, will be able to create new value-added products, implement production technologies, develop professionals and generate synergy through interactions of people, in a prompt manner. The employees of the Business and SVI will basically become employees of the New Company and SVI, which will newly become a subsidiary of APCH after the Share Transfer, and will engage in production.

In addition, the Company currently owns 35% of APCH to support the independence of the personal care business for further growth but considering successful autonomous business operations under the new structure, the Company will transfer a portion of its shares to OBH and reduce its shareholding ratio to 20.7% on the same date as the New Company Share Transfer (the “APCH Share Transfer”). The Company’s shareholding ratio after the capital increase of OBH, which is scheduled to take place on the same date as the APCH Share Transfer, will be 20.1%

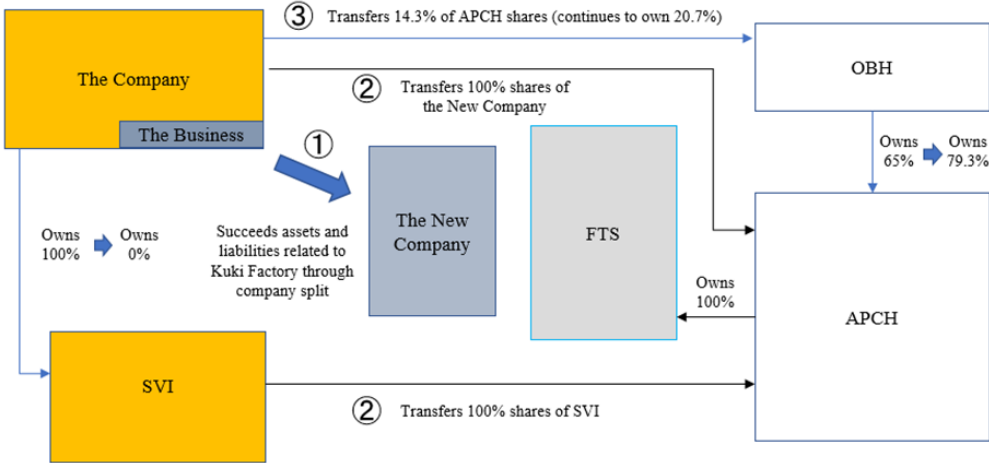
The Company has determined, given the terms of the CMA with FTS and the Company’s inability to adequately invest in the Business and SVI under its current strategy, a prompt transfer of the Business and SVI to APCH will be in the best financial interest of the Company. The Transaction will also allow the Company to focus on production technologies specific to prestige and premium cosmetics, ultimately decreasing our cost of sales ratio. Under its medium-to-long-term strategy “WIN 2023 and Beyond”, the Company has now established a domestic production base that handles the prestige and premium cosmetics business in the skin beauty category, by commencing operations at the Nasu Factory in 2019, the Osaka Ibaraki Factory in 2020, and the Fukuoka Kurume Factory in May 2022, in addition to the existing Kakegawa Factory and Osaka Factory. Shiseido strives to become a true “Global Winner with Our Heritage”, through stably supplying Shiseido’s unique “made by Japan” products.

## **2. Details of the Transaction Procedures**

The Business will be transferred from the Company to the New Company in the first quarter of 2023 (planned) through an absorption-type split (the “Company Split”), followed by a transfer of all New Company shares to APCH. The Company also plans to transfer all of its equity interest in SVI to APCH in the second half of 2023 (planned).

The New Company Share Transfer is subject to obtaining clearance from relevant authorities based on the Antimonopoly Act, while the SVI Equity Interest Transfer is subject to obtaining the necessary permits and approvals in Vietnam. 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 New Company succeeds assets/liabilities related to the Kuki Factory from the Company through a company split.
- ② The Company transfers 100% shares of the New Company and SVI to APCH.
- ③ The Company transfers 14.3% of APCH shares to OBH and continues to own 20.7% shares of APCH.

**3. Schedule of the Transaction, etc.**

Conclusion of the Agreement	August 1, 2022
Establishment of the New Company	Second half of 2022 (planned)
Approval of the Company Split agreement by the Board of Directors	First quarter of 2023 (planned)
Conclusion of the Company Split agreement	First quarter of 2023 (planned)
Approval of the Company Split agreement by a general meeting of shareholders (the New Company)	First quarter of 2023 (planned)
Effective date of the Company Split	First quarter of 2023 (planned)
Date of the New Company Share Transfer	First quarter of 2023 (planned)
Date of APCH Share Transfer	First quarter of 2023 (planned)
Date of the SVI Equity Interest Transfer	Second half of 2023 (planned)

(Notes)

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.

**4. Overview of the Company Split**

(1) Schedule

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

(2) Method

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

(3) Allotment of shares

In the Company Split, the New Company will issue common shares (the number of shares to be issued has not been determined), and all shares will be allotted to the Company.

(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 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 the New Company 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, production, and distribution of cosmetics and other products	
Capital	64,506 million yen (as of December 31, 2021)	
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., Employees Pension Trust for Mizuho Bank re-trusted to Custody Bank of Japan, Ltd.	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 ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended 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

(Notes)

The Company has disclosed that it will voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending December 31, 2022, in place of the conventional Japanese GAAP. The above operating results and financial position of the splitting company, however, are calculated under the Japanese GAAP.

b. Succeeding company

Trade name	Undecided
Location	Undecided
Representative's name and position	Undecided
Main business activities	Production of personal care products
Capital	Undecided
Date of establishment	Second half of 2022 (planned)
Number of shares issued	Undecided
Settlement term	December 31
Major shareholders and their shareholding ratios	Shiseido Company, Limited: 100%

(Notes)

As the New Company is scheduled to be established in the second half of 2022, there is no fixed most current fiscal year.

(9) Overview of the business to be split

a. Details of the business

Production of personal care products

b. Operating results

Since this is a production division, there are no operating results such as sales to be disclosed.

c. Assets and liabilities of the business to be split, and their values (as of December 31, 2021)

Assets		Liabilities	
Item	Book value	Item	Book value
Current Assets	5,461 million yen	Current Liabilities	438 million yen
Fixed Assets	11,914 million yen	Long-term Liabilities	875 million yen
Total Assets	17,376 million yen	Total Liabilities	1,314 million yen

(Notes)

1. Calculated based on the balance sheet as of December 31, 2021. The amounts to be transferred will be adjusted taking into consideration the increases and decreases in the above amounts that will arise by the Effective date of the Company Split. The Company has disclosed that it will voluntarily adopt International Financial Reporting Standards (IFRS) from the fiscal year ending December 31, 2022, in place of the conventional Japanese GAAP. The above assets and liabilities, however, are calculated under the Japanese GAAP.
2. The above amounts denote the entire amount of the production business of personal care products, etc. including the related assets of SVI.

(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. Overview of the New Company Share Transfer and the SVI Equity Interest Transfer**

(1) Overview of the subsidiaries to be transferred

As for the New Company, please refer to "4. Overview of the Company Split, (8) Overview of the companies involved in the Company Split, b. Succeeding company." As for SVI, please see the following.

Trade name	Shiseido Vietnam, Inc.	
Location	Amata Industrial Park, Bien Hoa City, Dong Nai Province, Vietnam	
Representative's name	Toshihiko Suzuki	
Main business activities	Production of cosmetic products, etc.	
Capital	1,061,993 million Vietnamese dong (5,367 million yen) (as of December 31, 2021)	
Year of establishment	April 2008	
Total assets	1,284,541 million Vietnamese dong (6,492 million yen) (as of December 31, 2021)	
Net assets	1,114,404 million Vietnamese dong (5,632 million yen) (as of December 31, 2021)	
Net sales	1,317,322 million Vietnamese dong (6,658 million yen) (Fiscal year ended December 31, 2021)	
Settlement term	December 31	
Major shareholders and their shareholding ratios	Shiseido Company, Limited: 100%	
Relationship between the Company and	Capital relationship	The Company owns 100% of capital of Shiseido Vietnam, Inc.

Shiseido Vietnam, Inc.	Personnel relationship	An employee of the Company serves as an officer of Shiseido Vietnam, Inc.
	Business relationship	Shiseido Vietnam, Inc. manufactures personal care products based on a CMA between the Company and FTS.
	Related parties or affiliates of the concerned parties	Shiseido Vietnam, Inc. is an affiliate company of the Company and therefore is a related party.

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

Trade name	K.K. Asian Personal Care Holding	
Location	2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo	
Representative's name and position	Tetsuro Komori, Representative Director	
Main business activities	Holding of shares and equity interests and related activities	
Capital	10,000 yen (as of December 31, 2021)	
Year of establishment	January 19, 2021	
Total assets	59,471 million yen (as of December 31, 2021)	
Net assets	59,419 million yen (as of December 31, 2021)	
Major shareholders and their shareholding ratios	Oriental Beauty Holding (HK), Limited: 65% Shiseido Company, Limited: 35%	
Relationship between the Company and K.K. Asian Personal Care Holding	Capital relationship	The Company owns 35% of capital of K.K. Asian Personal Care Holding.
	Personnel relationship	A director of the Company serves as an officer of K.K. Asian Personal Care Holding.
	Business relationship	There is no business relationship between the Company and K.K. Asian Personal Care Holding.
	Related parties or affiliates of the concerned parties	The New Company is an affiliate company of the Company and therefore is a related party.

(Notes)

As mentioned in “6. Overview of the APCH Share Transfer” below, on the day of the New Company Share Transfer, the Company plans to transfer a portion of its APCH shares to OBH, reducing its shareholding ratio from 35% to 20.7%.

(3) Number of shares transferred, and holding ratios prior to and after the transfer

a. New Company Share Transfer

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: 100%)
Number of shares held after the transfer	0 shares (Ratio of ownership voting rights: 0%)

b. SVI Equity Interest Transfer

Equity interest held prior to the transfer	1,061,993 million Vietnamese dong (6,076 million yen) (Ratio of ownership voting rights: 100%)
Equity interest transferred	1,061,993 million Vietnamese dong (6,076 million yen) (Ratio of ownership voting rights: 100%)
Equity interest held after the transfer	0 Vietnamese dong (Ratio of ownership voting rights: 0%)

(Notes)

The transfer price will not be disclosed due to an agreement with the transferee. The price has been reasonably calculated based on discussions between the two parties.

**6. Overview of the APCH Share Transfer**

(1) Subsidiaries to transfer shares

Please refer to “5. Overview of the New Company Share Transfer and the SVI Equity Interest Transfer, (2) Overview of the company to which the shares are transferred” above.

(2) Overview of the share transferee

Trade name	Oriental Beauty Holding (HK), Limited	
Location	Suite 2009-11 ICBC Tower, 3 Garden Road, Central, Hong Kong	
Representative’s name	Alvin Lam, Andrey Gromak	
Main business activities	Acquisition and holding of securities and related operations	
Capital	373,360,577 USD (42,988 million yen) (as of December 31, 2021)	
Date of establishment	May 18, 2020	
Total assets	531,795,573 USD (61,230 million yen) (as of December 31, 2021)	
Net assets	516,138,191 USD (59,428 million yen) (as of December 31, 2021)	
Major shareholders and their shareholding ratios	Oriental Beauty Group Holding (HK) Limited: 79.1% Oriental Beauty Co-Investment Limited Partnership: 20.9% (Common stock ownership ratio)	
Relationship between the Company and Oriental Beauty Holding (HK), Limited	Capital relationship	There is no capital relationship between the Company and Oriental Beauty Holding (HK), Limited.
	Personnel relationship	There is no personnel relationship between the Company and Oriental Beauty Holding (HK), Limited.
	Business relationship	There is no business relationship between the Company and Oriental Beauty Holding (HK), Limited.
	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 Oriental Beauty Holding (HK), Limited.



(3) Number of shares transferred, and status of shares held prior to and after the transfer

Number of shares held prior to the transfer	104,002,500 shares (Ratio of ownership voting rights: 35%)
Number of shares transferred	42,500,000 shares (Ratio of ownership voting rights: 14.3%)
Number of shares held after the transfer	61,502,500 shares (Ratio of ownership voting rights: 20.7%)

(Notes)

The transfer price will not be disclosed due to an agreement with the share transferee. The price has been reasonably calculated based on discussions between the two parties. The Company's shareholding ratio after the capital increase of OBH, which is scheduled to take place on the same date as the share transfer will be 20.1%

## 7. Future Outlook

The impact of the Transaction on the Company's consolidated financial results is expected to be a loss of approximately 14.0 billion yen for the fiscal year ending December 31, 2022, including impairment loss on the transferred assets. For the fiscal year ending December 31, 2023, loss on transfer etc. of approximately 16.0 billion yen is expected.

—End of News Release—