



(Translation)

October 8, 2019

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 Acquisition of Drunk Elephant Holdings, LLC  
~Acquiring an innovative prestige skincare brand *DRUNK ELEPHANT*<sup>TM</sup>~

On October 7 (October 8, Japan time), 2019 - Shiseido Company, Limited (hereinafter “Shiseido”) concluded an agreement of equity transfer between Shiseido, Shiseido’s consolidated subsidiary and regional headquarters for the Americas under the name of Shiseido Americas Corporation (Head Office: State of Delaware, USA, hereinafter “SAC”), Drunk Elephant Holdings, LLC (Head Office: State of Delaware, USA, hereinafter the “Acquiree”) and the equity holders of the Acquiree with regard to acquisition of the Acquiree by Shiseido through SAC. The Acquiree has ownership of *DRUNK ELEPHANT*<sup>TM</sup> (hereinafter “*Drunk Elephant*”), a brand with rapid growth mainly in the United States and unique brand positioning.

1. Overview of *Drunk Elephant*

*Drunk Elephant* is a prestige skincare brand that strongly resonates with a diverse consumer base across demographics and genders, including younger generations of Millennial and Generation Z consumers. *Drunk Elephant* is expanding its best-in-class presence in the “Clean” market where the United States is leading. *Drunk Elephant* was founded in 2012 and the products were launched in 2013, with a mission to change the way people understand and experience skincare, by delivering effective products for all skin types. The brand has a well-curated product portfolio that uses ingredients that either directly benefit the skin’s health or support the integrity and effectiveness of its formulations, and excludes those that are unnecessary or may adversely affect the skin. The brand was founded by Tiffany Masterson who has successfully expanded the reach of the brand within its native market in the United States and beyond, through direct and authentic engagement with her

community, via social media channels. The brand has an impressive growth trajectory and is well positioned to achieve in excess of 100 million dollars in 2019 just seven years after the brand’s founding.

The acquisition of *Drunk Elephant* enables Shiseido to continue to capture the tremendous growth potential of the “Clean” market in the United States and around the world.

2. Significance of this acquisition

“BEAUTY INNOVATIONS FOR A BETTER WORLD” is a key tenet of our Shiseido Group Philosophy, as we remain focused on serving our consumers over the next 100 years and beyond.

[1] Strengthening portfolio of prestige skincare categories as core business

This acquisition enables us to strategically strengthen our presence in the rapidly expanding global “Clean” category led by the younger generation of consumers in the United States. The addition of this brand to our made-in-Japan prestige portfolio, including *SHISEIDO* and *Clé de Peau Beauté*, will further strengthen our core prestige skincare business.

[2] Enhancing our profit base in the Americas region with the acquisition of a profitable skincare brand

*Drunk Elephant*’s profitability will contribute toward the overall profitability of the Americas business. Driven by a unique brand proposition squarely aligned with evolving consumer values and guided by Tiffany, *Drunk Elephant* will also contribute to deepening our relationships with major retailers in the United States, where consumer trends are rapidly changing and channel mix is drastically shifting.

[3] Expanding business globally leveraging Shiseido’s capabilities

This acquisition allows us to better serve a growing consumer demand across geographies. Demand for “Clean” is not limited to the United States, as the movement is already apparent in Europe and based on our survey results, “Clean” has high acceptance in China as well. We intend to leverage our cross-border marketing expertise and global platform including Asia to build *Drunk Elephant* into a global brand that plays a significant role in our prestige skin care business.

[4] Strengthening our digital and D2C (Direct to Consumer) engagement

Social influencer-driven and D2C brands are key growth drivers as consumer preferences shift toward personalization and digital. With its fun, irreverent and authentic engagement via social media, *Drunk Elephant* has become one of the most trusted and loved brands, supported by an ever-expanding loyal consumer base. This partnership will enable Shiseido Group to continue to build on our existing digital and social media presence.

3. Overview of the Acquiree

(1) Name	Drunk Elephant Holdings, LLC *1
(2) Address	State of Delaware, USA
(3) Title and name of representative	President, Patrick Beathard

(4)	Business	Marketing and distribution of cosmetics products	
(5)	Date of establishment	February 27, 2017 *2	
(6)	Major equity holders and their equity holding ratio	The corporations and individuals described in (1) of “4. Overview of other parties regarding the acquisition of equity” have 100% in total.	
(7)	Relationship between listed company and subject company	Capital relationship	N/A
		Personnel relationship	N/A
		Trade relationship	N/A
(8)	Consolidated sales for the subject company of the recent two fiscal years and 2019 estimate		
Fiscal Period		Year Ended in Dec. 2018	Year Ended in Dec. 2019 (Estimate)
Consolidated sales *3 (Millions of US dollars)		75	125
Consolidated total assets (Millions of US dollars)		38	-

\*1 For the purpose of sorting out equity holders of the Acquiree, a legal entity, VMG Drunk Elephant Blocker Inc., to have a portion of (less than 10%) of total equity interests of the Acquiree. SAC will acquire both the Acquiree and VMG Drunk Elephant Blocker, Inc. to hold 100% of equity interests of the Acquiree in total of direct and indirect holdings.

\*2 The business started in 2012 and brand launch of *Drunk Elephant* was in 2013. The date shown corresponds to the date of formation of Drunk Elephant, LLC (the limited liability company being acquired).

\*3 Since the fiscal year ended in December 2017 is the first year of foundation, we only disclose figures of the fiscal year ended in December 2018 and the fiscal year ending in December 2019 (Estimation).

#### 4. Overview of other parties regarding the acquisition of equity

(1)	Name	VMG Drunk Elephant Holdings, LLP	28.13%
		DE Colorado	13.92%
		Drunk Elephant Employee Holdings, LLC	11.88%
		PJDBZT, LP	10.64%
		D. Ellie, LP	10.31%
		Others	25.12%
(2)	Address	VMG Drunk Elephant Holdings, LLP - The States of Delaware, USA DE Colorado - N/A Drunk Elephant Employee Holdings, LLC - The States of Delaware, USA PJDBZT, LP - The States of Texas, USA D. Ellie, LP - The States of Texas, USA	
(3)	Relationship between listed company and subject company	Capital relationship	N/A
		Personnel relationship	N/A
		Trade relationship	N/A
		Related party or not	N/A

5. Information on the ratio of acquired equity interests, acquisition price and equity-interests-holding before and after acquisition

(1)	Ratio of equity interests owned before transfer	-
(2)	Ratio of acquired equities	100%
(3)	Acquisition price	845 million US dollars (approximate)
(4)	Ratio of equity interests owned after transfer	100%

The acquisition will be funded with a combination of cash and a credit facility (bank loan).

6. Schedule

(1)	Date of resolution by the Board of Directors	October 8, 2019
(2)	Date of conclusion of agreement	October 8, 2019
(3)	Execution date of equity transfer	Before Year End 2019 (Scheduled)

7. Forecast

This acquisition will have no significant impact on the consolidated operating results of the Shiseido Group for the period ending December 2019. This transaction will have an impact on assets and liabilities of Shiseido and the Shiseido Group. We will disclose information on these impacts as details are finalized.

-End of News Release-