

October 27, 2017  
Shiseido Company, Limited

## Notice of Transfer of Zotos International, Inc.

Shiseido Company, Limited (hereinafter, Shiseido) hereby announces that it has reached and signed an agreement on transferring the shares of its consolidated subsidiary, Zotos International, Inc., which globally operates a professional hair care business (headquartered in Connecticut, United States; hereinafter, Zotos), and related business assets to Henkel AG & Co. KGaA (headquartered in Düsseldorf, Germany; hereinafter, Henkel).

### Note

#### 1. Reasons for the transfer

The Shiseido Group has been promoting a selection and concentration strategy in order to enhance its brand portfolio across the globe and drive growth by sharpening its focus on key categories and regions under its mid- to long-term business strategy VISION 2020, with which the company aims to “Be a Global Winner with Our Heritage.” Shiseido’s Professional business plays an important role in the company’s beauty portfolio, and Shiseido plans to concentrate and boost its investment in the professional market in Asia.

While pursuing the selection and concentration strategy, Shiseido conducted a thorough review with Henkel regarding the transfer of Zotos, which is based in North America and generates the majority of its sales from the North American market. As a result, Shiseido arrived at the conclusion that transferring Zotos to Henkel would be the best option for Zotos and Shiseido, and thus, decided to sign the transfer agreement.

Zotos joined the Shiseido Group in 1988 and since then has demonstrated steady growth by offering professional hair care products in 70 countries around the world, with a primary focus on the U.S. market. Henkel, headquartered in Germany, operates worldwide with the three business units: Adhesive Technologies, Laundry & Home Care, and Beauty Care, which focuses on hair care products. In recent years, Henkel has expanded its Beauty Care Professional business in Europe and the U.S. Shiseido believes that Zotos, which owns well-known professional brands in the U.S. in particular, will achieve further growth as part of Henkel.

Shiseido will use the resources gained from this transaction to further pursue its strategic objectives of continuing to nurture its Prestige brands, reinforcing production capability and other activities in order to implement its “New Strategy to Accelerate Growth” in the next three years of VISION 2020.

#### 2. Overview of this transfer

In this transaction, Shiseido will transfer the entire Zotos business to Henkel by transferring the shares and assets associated with the Zotos business as stated below.

The shares of Zotos are wholly owned by Shiseido Americas Corporation, which is a wholly-owned subsidiary of Shiseido and controls Shiseido’s Americas business. The shares will be transferred from Shiseido Americas Corporation to Henkel’s subsidiary in the U.S.

The assets associated with Zotos business include the related assets owned by Shiseido and its subsidiaries other than Zotos that will be transferred to Henkel.

<Corporate Profile of transferor, Zotos International, Inc.>

(1) Name	Zotos International, Inc.	
(2) Headquarters	Connecticut, United States	
(3) Representative	CEO Nancy Bernardini	
(4) Main businesses	Manufacturing and distribution of professional hair care, hair color and styling products	
(5) Capital	25 million US dollars (as of December 31, 2016)	
(6) Established	1929 (Shiseido Group's subsidiary from 1988)	
(7) Shareholder and percentage of shareholding	Wholly owned by Shiseido Americas Corporation, which is a wholly-owned subsidiary of Shiseido Company, Limited	
(8) Relationship between Shiseido and Zotos	Capital relationship	Shiseido owns 100% of Zotos' shares through Shiseido Americas Corporation.
	Personnel relationship	Shiseido has assigned a Corporate Officer to Zotos.
	Business relationship	Shiseido and Zotos conduct transactions such as trade of hair care products, etc.
(9) Consolidated financial results for the latest fiscal year (thousand US dollars)		
Fiscal year-end	December 31, 2016	
Net sales	233,315	
Operating income	15,810	
Net income	9,747	

< Items and value of related assets>

The related assets transferred from Shiseido and its subsidiaries to Henkel include intellectual property rights and inventories, etc. associated with Zotos business. The carrying amount of these related assets as of September 30, 2017 is approximately 2 million US dollars.

3. Corporate Profile of transferee, Henkel AG & Co. KGaA

(1) Name	Henkel AG & Co. KGaA	
(2) Headquarters	Düsseldorf, Germany	
(3) Representative	CEO Hans Van Bylen	
(4) Main businesses	Globally active with three business units: Adhesive Technologies, Beauty Care, and Laundry & Home Care businesses	
(5) Capital	438 million euro (as of December 31, 2016)	
(6) Established	1876	
(7) Total assets	27,917 million euro (as of December 31, 2016)	
(8) Shareholder and percentage of shareholding	Henkel family share-pooling agreement (61.02% of ordinary shares)	
(9) Relationship between Shiseido and Henkel	Capital relationship	There is no capital relationship between Shiseido and Henkel.
	Personnel relationship	There is no personnel relationship between Shiseido and Henkel.
	Business relationship	There is no business relationship between Shiseido and Henkel.
	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 Shiseido and Henkel.

4. Transfer value, number of shares transferred and settlement method as well as status of shareholding before and after the transfer

(1) Transfer value, (pre-closing adjustment) and settlement method	Transfer value of the shares and the related business assets of Zotos is 485 million US dollars. The settlement will be carried out in cash for the whole amount of transfer value. Share transfer is to be settled between Shiseido Americas Corporation and Henkel, and the transfer of related business assets is to be settled individually between Henkel and Shiseido or Shiseido's subsidiaries or affiliates which own the related business assets.
(2) Number of shares held before transfer	2,000 shares (ownership ratio of voting rights: 100%)
(3) Number of shares transferred	2,000 shares (ownership ratio of voting rights: 100%)
(4) Number of shares held after transfer	Zero (ownership ratio of voting rights: 0%)

As a result of this transfer, Shiseido expects to post 36 billion yen of extraordinary profit in its financial results for the fourth quarter of the fiscal year ending December 31, 2017.

5. Completion of this transfer

Completion of this transfer (hereinafter, Closing) is subject to, among other conditions, receiving competition law approvals in relevant countries, and the Closing is scheduled for December 2017 upon the completion of those procedures.

6. Share transfer

(1) Approval of CEO	October 26, 2017
(2) Date of agreement	
(3) Execution date	Transfer completion date (planned)
(4) Asset transfer date	
(5) Transfer completion date	December 2017 (planned)

7. Future outlook

Shiseido is currently examining the impact of this agreement on its consolidated financial results for the fiscal year ending December 31, 2017, and will disclose the details in due course.

- End of News Release -

**Reference** Relationship of affected business companies

