

With Employees

With Employees. Shiseido promotes the development of worker-friendly workplaces for all employees by placing importance on employee diversity.

➤ Basic Policy Regarding Personnel Affairs

Shiseido Group's basic policy regarding personnel affairs

➤ Diversity and Inclusion

Specific initiatives to promote diversity

➤ Realizing a Rewarding Workplace

Systems and measures introduced at Shiseido to enable all employees to realize work-life balance and increase productivity

➤ Fair Evaluation of Employees

Rules and guidelines regarding the handling of evaluations and other relevant matters that have been established as personnel affairs policy

➤ Utilization and Development of Human Resources

Shiseido Group's human resources development policy, its promotion and career support measures in Japan and overseas

➤ Safety and Health of Employees

Support systems to protect the invaluable health of each and every employee

➤ Employment and Labor

Basic information on the number of employees, welfare and benefit programs, and employment in the Shiseido Group companies

➤ Good Relationship with Labor Union

Shiseido Group is working to build and maintain a sound employer-employee relationship through communication among management, labor unions and employees.

Basic Policy Regarding Personnel Affairs

Shiseido Group denotes its policy under "With Employees" and "With Society and the Earth" in Shiseido Group Standards of Business Conduct and Ethics and adopts the policy in all subsidiaries and business sites globally.

Based on these basic policies, Shiseido and its Group companies in Japan individually establish personnel affairs regulations, including employment regulations, in accordance with domestic laws and regulations, and apply these to the contracts of all directly employed personnel, including fixed-term employees. As for the establishment and revision of personnel affairs regulations, it is fundamental for Shiseido to develop content that exceeds legal requirements, and the Company is reporting relevant matters to administrative authorities upon receiving confirmation and approval from labor unions or the majority of employee representatives. In this respect, Shiseido will continue complying with the law.

Since 2015, aiming to "strengthen the Company through human efforts and create an organization that overcomes competitors," we have established BIG WIN 5 as action guidelines for Shiseido Group employees and have engaged in actions to reform our human resource activities as well as to cultivate talent that constantly takes on challenges and creates new consumer values.

As from 2018, we are globally working on beauty innovation, in the belief that beauty has the power to change the world, in order to accelerate the growth in the latter three years toward the accomplishment of VISION 2020.

To encourage further growth, our global leadership team established new VISION 2020 working principles named TRUST 8, as the global common action guidelines for Shiseido Group employees.

Sharing TRUST 8 as our common language and based on these principles, we will aim to be the world's most trusted beauty company, where all employees do the right thing and build trustful relationships with stakeholders inside and outside the company.

<WORKING PRINCIPLES "TRUST 8">

<p>1</p> <p>THINK BIG Adopt a big picture perspective. Define new values through creativity.</p>	<p>2</p> <p>TAKE RISKS Embrace risk. Practice "Fail & Learn & Trial".</p>	<p>3</p> <p>HANDS ON Consider front-line realities when making decisions. Take the lead from end to end.</p>	<p>4</p> <p>COLLABORATE Break free from the silo mentality. Leverage the diverse capabilities of colleagues.</p>
<p>5</p> <p>BE OPEN Be transparent. Create an environment that encourages everyone to speak up - even if it is bad news.</p>	<p>6</p> <p>ACT WITH INTEGRITY Be sincere and humble at all times.</p>	<p>7</p> <p>BE ACCOUNTABLE Commit to the goal. Take accountability for the execution.</p>	<p>8</p> <p>APPLAUD SUCCESS Create a culture that celebrates success.</p>

TRUST 8
VISION 2020 WORKING PRINCIPLES

Diversity and Inclusion

Shiseido declares the following in "With Employees" in Our Way which defines the actions that must be taken and shared by each and every employee of the Shiseido Group.

1. We respect the character and individuality of everyone in the work place, in all their diversity, and strive to develop and grow together.
 - (1) We never engage in or tolerate discrimination on any basis including, but not limited to, race, color, gender, age, language, property, nationality or national origin, religion, ethnic or social origin, political or other opinion, disability, health status and sexual orientation, nor do we engage in or tolerate moral harassment, including sexual harassment and abuse of power.
 - (2) We work together with our co-workers to fulfill our potential in our jobs.
 - (3) We strive to maintain a dialogue with our co-workers, and are committed to their growth as well as our own.
 - (4) We strive to conduct fair evaluations.

We promote diversity by activities mainly focused on "women" who account for 90% of Shiseido Group's consumers and 80% of employees, as well as by creating an environment and organizational climate in which each and every employee's ability can be exerted to the full.

Support for Women's Empowerment

Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of "enhancing corporate trust of employees, who are major stakeholders in the company". At the same time, efforts are made to enhance the level of company recognition externally through advanced initiatives that are unique to Shiseido.

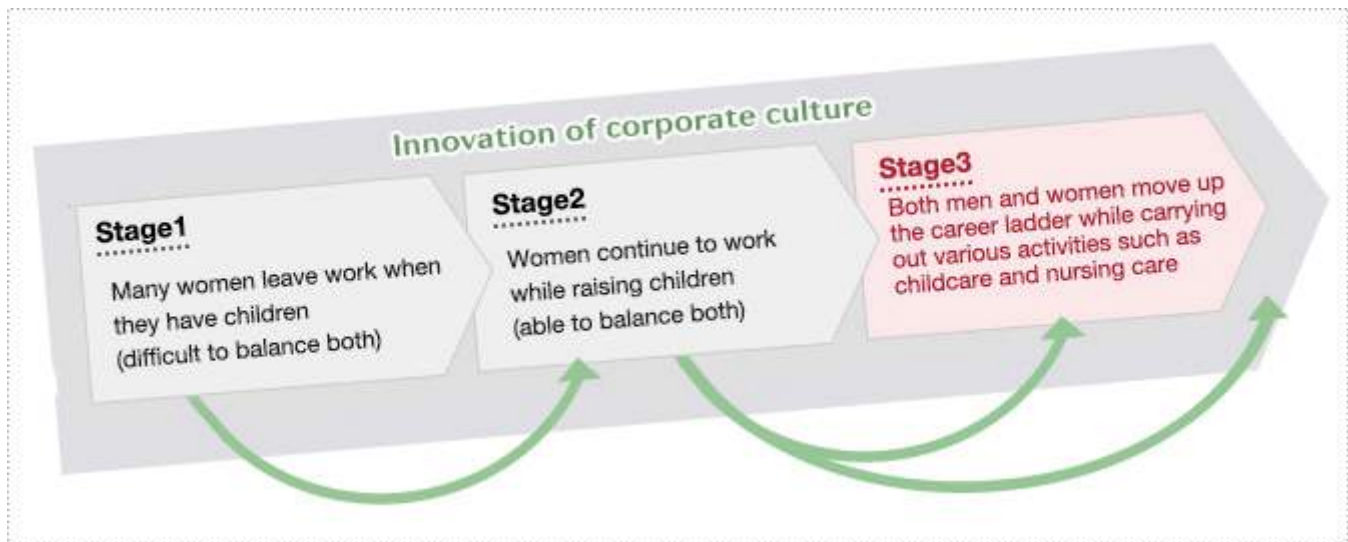
In fiscal 2005–2012, we formulated the "Gender Equality Action Plan" and promoted the "cultivation of the corporate culture", in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on "strengthening the appointment and promotion of female leaders and human resources development" with the assumption of employing skilled employees. At the same time, we also worked on "reviewing how employees work to improve productivity" as a company-wide initiative in order to correct long-hour labor, which keeps women from taking active roles, and to realize employees' work-life balance.

As a result, we were able to cultivate career awareness among female employees. The ratio of female leaders(Japan) has reached 26.0% as of January of 2018, and it has significantly improved compared to before the plan formulation. With the "review of how employees work", the number of employees working long hours has reduced, and the overtime work has been reduced by half through the implementation of switching off lights in all offices, Go Home On Time Day, etc. We have been able to reach certain results.

We will aim to further improve the productivity by working with people with disabilities and foreign people and realize a flexible and highly productive way of working by establishing role models in women's career development and according to diverse values.

Note: Female leader ratio in overseas offices: 70.1%

<Three Steps for Women Taking Active Roles>



We have intensively cultivated a company culture in which diverse employees, including women, play active roles while demonstrating their skills and proactively building their career.

In November 2015, we held a seminar for managers with the themes of efficient workstyle and development of subordinates, and in December, an in-house event named "Career Navi Lunch" was held to share the experience of role model employees.

Also, expecting to see a woman president in the future, we aim to raise women's ratio in our company's senior management such as department directors and hold "NEXT LEADERSHIP SESSION for WOMEN", leadership training sessions for women employees, headed by the president. As one of our constant efforts to foster future women leaders, we held the first series of the sessions in 2017 and plan to have two more, in which participants go through a 10-month comprehensive leadership development program that offers lectures given by women leaders from outside the company, a workshop to learn from horses' demeanor, individual coaching sessions and other lessons. The goal of the program is to help participants have a clear image of their future job with greater responsibilities and influence, discover their own unique-to-women leadership style to become more confident in themselves, and upgrade their management skills. The contents of the program include, therefore, not only general leadership development training but also assistance in solving concerns and problems unique to women.



"NEXT LEADERSHIP SESSION for WOMEN"



Workshop to learn from horses' demeanor

Horses swiftly respond to your action (leadership) regardless of your title or social position. We hold a workshop to provide participants with an opportunity to reconsider their actual leadership by watching the horses' response (feedback).

TOPICS : Shiseido Tops in Overall Ranking for Three Straight Years in “100 Best Companies Where Women Play Active Part”

Shiseido achieved “The First-Place of Overall Ranking” for three straight years since the year 2014 in “100 Best Companies Where Women Play Active Part” organized by “Nikkei Woman” and “Nikkei Womenomics Project”. Adding to it, we were awarded a prize on “The First Place of Diversity Penetrance” as a category ranking.

This ranking was based on “Survey on Female Workers’ Workplace Opportunities” conducted by “Nikkei Woman”, women’s career and lifestyle magazine published by Nikkei Business Publications, and Nikkei Womenomics Project, and evaluated 534 companies with valid responses. The survey measures how female workers are treated and promoted in terms of four categories: 1) promotion to managerial positions, 2) work-life balance, 3) active use of women’s ability, and 4) diversity penetrance. After appropriate weights are added to the scores of each category, the results are summed up to derive deviation scores for the overall ranking of “Companies Where Women Play Active Part” and for the previously mentioned four category rankings.

Shiseido has been promoting various initiatives since 1990 with the aim of becoming a company in which women continue to take active roles through corporate culture reform/reform of employee awareness, by establishing internal systems, such as child care leaves/child care time system, and others, prior to the law and establishing child care facilities within affiliates as part of the initiatives to support people to balance work and child care. From 2004, we have been dealing with enabling women to take active roles as a corporate strategy. Through Stage 1 - “many women leave work when they have children” and Stage 2 - “women continue to work while raising children”, we are currently aiming to become a company that enables a situation of Stage 3 - “both men and women move up the career ladder while carrying out various activities such as childcare and nursing care”. Shiseido was awarded as a double winner of Overall Ranking and Diversity Penetrance in 2016 and has received requests from various organizations to share its initiatives, which are highly valued by society.

To achieve our mid- to long-term strategy “VISION 2020”, we will work on creating the model for Shiseido to remain vital for the next 100 years. Furthermore, to actualize our vision, “be a global winner with our heritage”, we will focus on management with the emphasis on diversity. Shiseido will further evolve to “the best company that is a great place to work” for anyone.



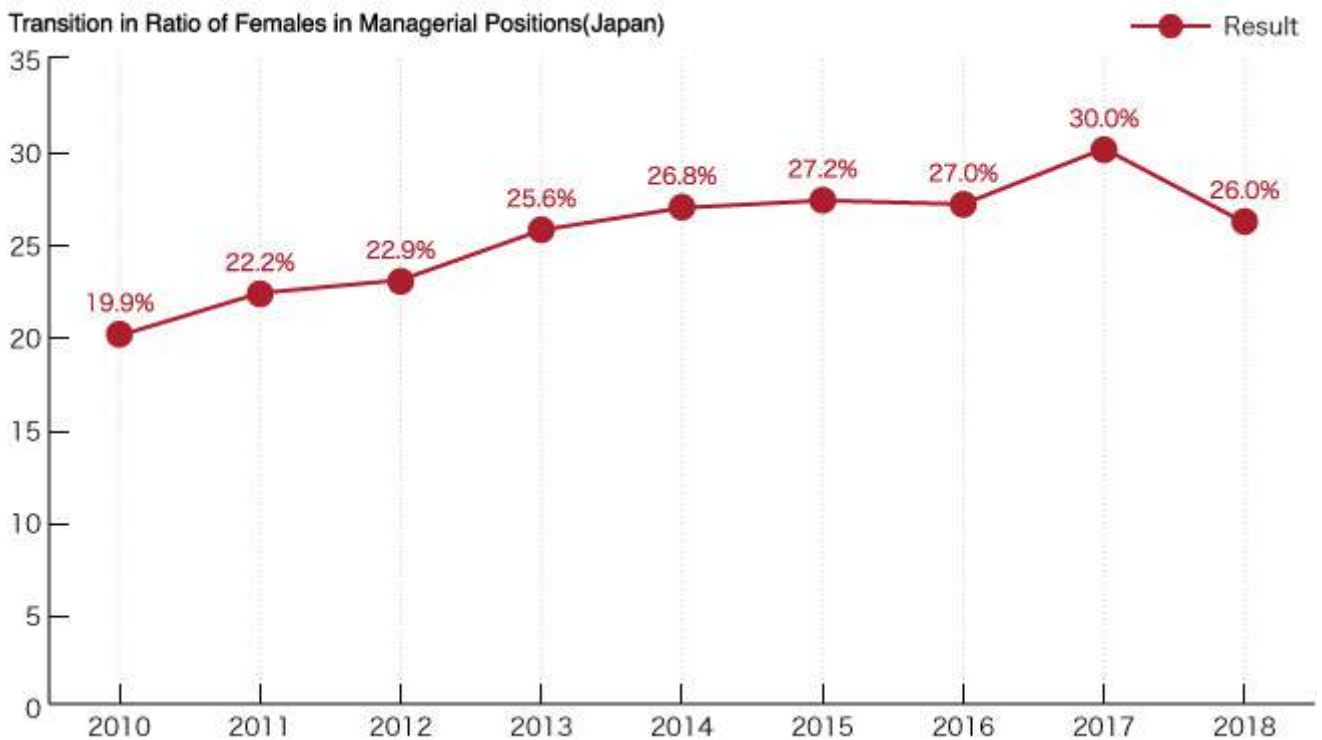
Commendation ceremony for “100 Best Companies Where Women Play Active Part” (May 2016)

Ratio of Female Managers

In terms of female manager appointment, the Company has promoted “individual personnel development” to enable female employees to assume managerial positions in the future through the steady achievement of results and learning the basics of management, dealing with a higher level of work duties (how to assign work), expanding the professional area of focus (transfer), and other relevant initiatives, and achieved a 30% ratio of females in managerial positions in January 2017.

In order to evolve further, we focus on nurturing global human resources through leader trainings and digital skill enhancement programs, etc., aiming to create the "50:50" equal opportunity climate. In terms of social contribution, we established KODOMOLOGY CO., LTD., a company whose main business is the entrusted operation of in-house nurseries, in February 2017. Through this, we will contribute to the realization of a society where everyone can play an active role balancing their careers with raising children.

Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.



Supporting LGBT

We are working on various activities such as creating an environment where every employee can be themselves at work, deepening the understanding of LGBT and supporting LGBT persons.

For example, we have held in-house sessions for understanding LGBT (since July 2015) and revised the employment regulations in which one can enjoy the same treatment for having a same-sex partner as that for an opposite-sex partner (as of January 1, 2017). By doing these, we are promoting the correct understanding of LGBT and preparing in-house systems for the employees who are LGBT persons.

Also, we participate in Japan's biggest LGBT supporting event, Tokyo Rainbow Pride, and continue social support activities such as makeup advice, sampling activities (volunteers from the Company) and makeup advice for patients who have undergone gender reassignment surgery, etc.

Through these activities, we were certified as Gold, the highest grade, in 2017 by “work with Pride”, an organization that evaluates companies' LGBT support efforts.

Employment of Individuals with Disabilities

As one of our measures for "creating a workplace where all employees can actively work", we promote the employment of individuals with disabilities. Currently, about 290 such employees are taking active roles in the Shiseido Group.

We promise the employees with disabilities that "we seriously expect achievement from them", "we provide necessary consideration, but no special treatment" and "we willingly support those with the passion to work hard", and continuously reinforce the recruitment and retention of employees who may bring diversity to our organization.

In a special subsidiary, Shiseido's Hanatsubaki Factory Co., Ltd., 34 employees, primarily developmentally challenged individuals, are working at the four locations in Tokyo, Osaka and Kakegawa.

As of June 1, 2018, the number of employees with disabilities accounts for 3.19% in Shiseido Company, Limited and 2.04% in the Shiseido Group in Japan as a whole.

Employment of Foreign Personnel

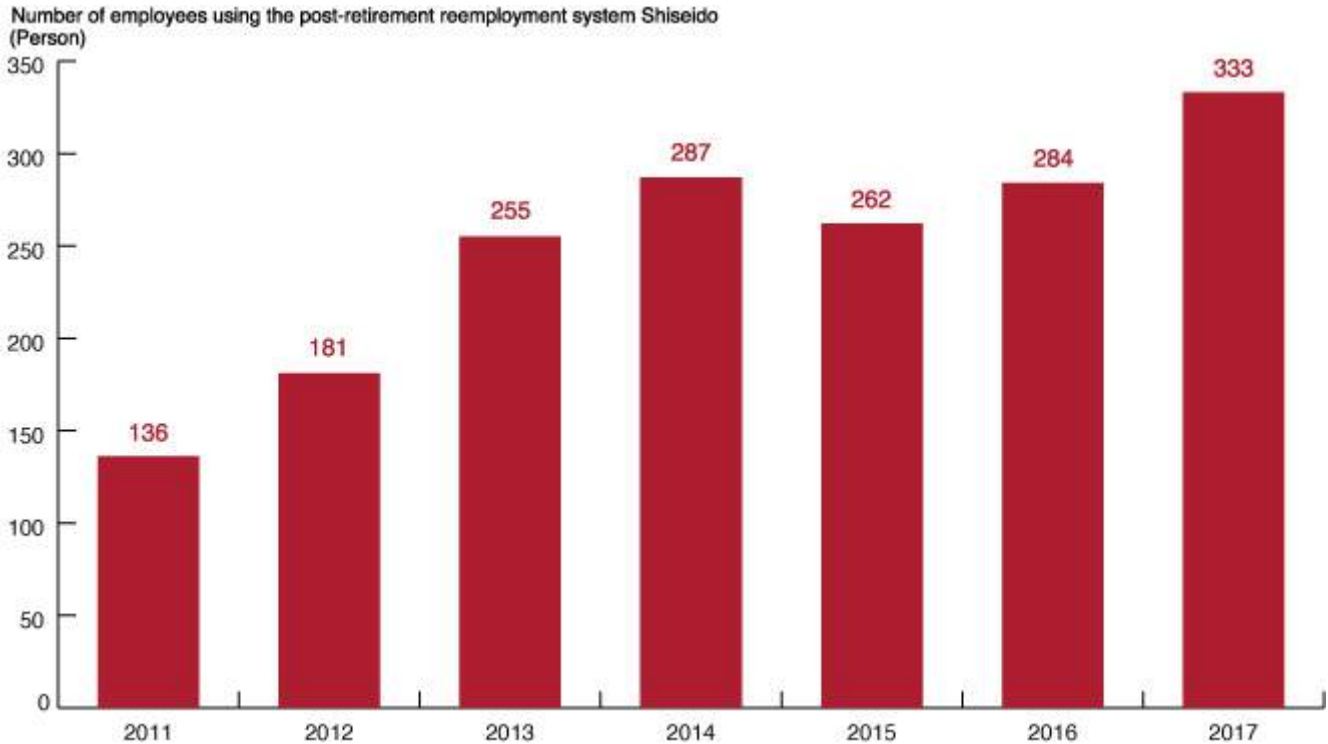
In addition to overseas subsidiaries, the Shiseido head office also has been employing diverse personnel regardless of nationality. We are hiring foreign personnel at the head office while adhering to the immigration control system, including resident status considerations, and subjecting them, regardless of nationality, to the same employment regulations after they join the company as the Japanese employees.

Post-retirement Reemployment System

Shiseido has been introducing a post-retirement reemployment system since FY2006 aimed at developing an energetic corporate culture and establishing an environment in which middle-aged and older employees who have grown within Shiseido can continue to work as long as they have the motivation and ability to do so. Especially since FY2014, we have introduced the "EL Partner System" and reemployed all the employees who wish to continue working.

As for the research and development area, we operate the "Senior Scientist System" for personnel that possess high expertise, ensuring handing down techniques and know-how to the next generation employees.

Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.



Employment of Fixed-term Employees

The domestic Shiseido Group employs fixed-term employees based on labor-related laws and regulations and provides appropriate treatment with various social insurance and holidays stipulated by the law according to employment regulations and various other regulations.

Shiseido also has a system to reemploy retired employees*. We encourage such employees to work in Shiseido again, utilizing the experience they have gained after retirement.

*They are re-employed as fixed-term employees.

Employment of Temporary Employees

Temporary employees are working at the respective business sites and domestic Group companies of Shiseido according to the Worker Dispatch Law.

With regard to the employment of temporary employees at Shiseido Group, we are implementing various measures such as concluding agreements with employment agencies, development and management of registers, and appointment of personnel in charge of management, all of which is based on the Worker Dispatch Law policy related to measures that should be established regarding employment agencies and other relevant laws and regulations.

Shiseido will continuously and appropriately respond to amendments in or reinterpretations of respective laws and regulations.

Realizing a Rewarding Workplace

Realizing a Rewarding Workplace

Shiseido aims to "become a company where both mentally and physically healthy employees fully enjoy their time for personal development and create innovation." We call this "WORK LIFE BEAUTY." We are working to implement flexible work arrangements and resolve the issue of long working hours to create a rewarding workplace where every employee can work with enthusiasm.

Domestic business sites and affiliated companies are concluding labor-management agreements pertaining to overtime work by business site according to laws and regulations, and reporting to concerned administrative authorities.

As for concluding the labor-management agreements, not only do we state the statutory limit related to working hours but also include aspects of the risk of long-time work based on government guidelines. With this agreement, Shiseido is setting a maximum of 80 hours per month of overtime work even in exceptional cases (instances of 45 to 80 hours of overtime work per month are limited to up to 6 times per year).

Shiseido's efforts to reduce long working hours are as follows.

■ 1. Spread Knowledge of the Labor-Management Agreement

Based on the understanding that overtime work is mandatory upon the order of the employer (supervisors), Shiseido complies with laws and regulations by informing the details of the agreement to personnel in charge at respective workplaces and personnel in charge of human resources at respective workplaces and periodically informing managers with subordinates, etc. We also provide relevant information to employees by using in-house bulletin boards and other means.

■ 2. Promotion of Activities to Review How Employees Work

From FY2011, Shiseido established the guidelines (key performance indicators [KPI] and goals related to working hours) for reviewing how employees work and is currently promoting relevant activities at all domestic business sites. According to the "Agreement 36 (Saburoku kyotei)", we have devised three objectives in the guidelines for reviewing how employees work to 1) reduce overtime work, 2) improve the acquisition rate of annual paid leave, and 3) reduce overall actual working hours. Accordingly, we are making progress in terms of reviewing promotion methods of work that address each business site and workplace. We are also horizontally expanding good internal examples by developing and distributing the "Guidebook to Review How Employees Work", which is a collection of case studies for review.

Since FY2016, all Shiseido Group offices in Japan clearly have stated concrete measures to conduct "Work-style reform" and have been carrying out further improvements.

■ 3. Promotion of Measures to Switch Off Office Lights

At all Shiseido Group's business sites* in Japan, including affiliated companies, office lights are switched off at 10 p.m. and the lights-off time at Shiodome Office is set to be 8 p.m.

* Excluding factories, stores, and storefronts that are implementing 24-hour operations or shift work. Furthermore, working from home, which had been introduced in headquarters, Global Innovation Center (GIC), Shiseido Japan Co., Ltd. and some of the affiliated companies, has been formalized as a teleworking system since April 2017 (qualified workers and jobs are determined by each workplace). As a measure of introducing diverse work styles, use of satellite offices and other practical systems are available for all employees including working mothers and those who are taking care of their families.

■ 4. Verification of Actual Status of Overtime Work Between Employer and Employees

Actual work hours and acquisition rate of paid leave are being regularly verified between employer and employees, reflecting the results in labor-management initiatives after sharing the issues.

Additionally, in order to respond to the requests for more diverse working forms, Shiseido is improving childcare- and nursing care-related leaves/short working hours/time-off systems based on laws and regulations. In particular, Shiseido made it possible to use short working hours for employees with children up to the third grade in elementary school beyond the legal requirement. (Conditions for limited-term contract employees vary depending on contract terms; however, the conditions are higher than what have been stipulated by law.)

Furthermore, Shiseido has a spousal accompaniment for childcare system in place, by which employees with childcare responsibilities may request to accompany a spouse transferred within Japan. We also have a leave system to allow employees to take leave up to three years so that they can accompany spouses who are transferred overseas. At the same time, regarding work-related systems, Shiseido has introduced a specialized discretionary work hour system for researchers at GIC.

Support for Balancing Work with Childcare and Nursing Care

As a means for all employees to realize work-life balance and increase productivity, Shiseido has since 1990 been introducing various systems to help both men and women move up the career ladder while carrying out various activities such as childcare and nursing care.

[Click here for details on Support for Women's Empowerment](#)

Specifically, such initiatives include the establishment and operation of the "Kangaroo Shiodome" daycare facility located within a business site, a paid childcare leave system within a limited period of two weeks to encourage male employees to take childcare leave, and introduction of the Kangaroo Staff System* for Beauty Consultants (BCs) to work shorter hours for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of 2017, 1,483 employees (including 18 male employees) used the childcare leave (including short-term paid parental leave), 2,130 employees (including 2 male employees) worked shorter hours to care for their children, 37 employees (including 3 male employees) took nursing care leave, and 24 employees (including 2 male employees) worked shorter hours for nursing care.

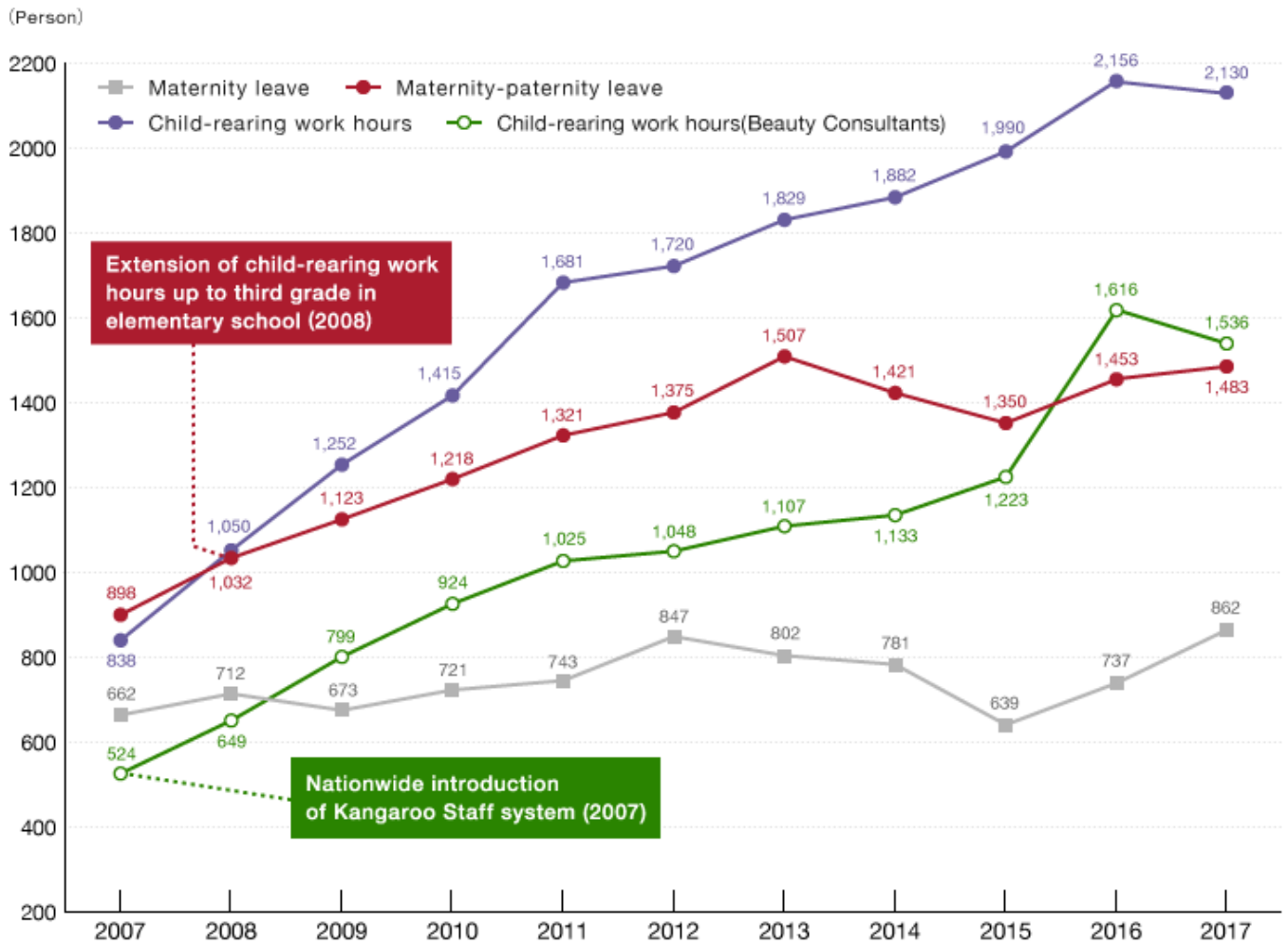
Moreover, as a part of activities aimed at becoming a company where both men and women can advance in their careers while raising children or nursing family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain the current situation and left in place the balance support systems introduced to date. Next, we conducted individual interviews with BCs currently raising children and their superiors, to ensure that systems could be utilized in ways tailored to the diverse working styles of each individual. Through the interviews, as well as having BCs share information about their childcare environments, we have communicated our expectations as a company with regard to BCs who are raising children, and confirmed the working styles that will lead to career advancement while taking into account the circumstances each BC faces. As a result of promoting these reforms, 98% of BCs working short hours for childcare have revised the way they work, and consequently, they have gained an even greater awareness of career advancement than ever before.

* Kangaroo Staff System (Japan)

Shiseido introduced the "Kangaroo Staff System" throughout Japan in 2007 to support evening storefront activities by having temporary workers take the place of BCs engaged in consumer service activities so that the BCs could work short hours to care for their children.

This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% consumer-oriented" philosophy. In recent years, the Kangaroo Staff program has more than doubled in size to 1,837 Kangaroo staff providing such support for more than 1,000 BCs making use of child-rearing work hours.

Number of Employees Who Used Child Care System in the Shiseido Group in Japan



Note1: Years ended December. Results for FY2015 are for 9 months between April and December.

Note2: The data is subject to the number of persons who used the systems among the domestic Shiseido Group managers, employees in general positions, Beauty Consultants, employees in specialized positions (routine operations specific to worksites), affiliates' employees and limited-term contract employees.

Note3: The targeted number of people is 23,505 as of January 1, 2018 (7,858 BCs).

Note4: Number of employees who used the childcare leave and child-rearing work hours is a cumulative total.

Since we are forecasting an increase in the number of employees who will continue working while using child-rearing work hours and nursing care work hours, employees are expected to be more conscious about their work and try to acquire time management, risk management and communication skills to consistently achieve results within their limited time. At the same time, managers are expected to exercise their management capabilities to raise motivation while understanding each and every employee's situation.

Overview of Work/Childcare and Nursing Care Programs Previously Introduced by Shiseido

Support Program	Year Introduced	Details
Maternity/paternity leave	1990	A system by which employees may take leave after having a baby until the child is three years old for a total of up to five years (Employees may take leave a total of up to three times for the same child in the case of special circumstances. <Revised in 2009>)
Child-rearing work hours	1991	A system by which employees may shorten work hours by up to two hours a day if they have children in up to the third grade of elementary school.<Revised in 2008>
Nursing care leave	1993	A system by which employees can take up to one year off at a time per family member for a total of up to three years.
Nursing care work hours	1993	A system by which employees may shorten work hours by up to two hours a day for up to one year at a time per family member for a total of up to three years.
Cafeteria system for childcare support	1998	A system by which employees can receive a fixed annual subsidy to offset childcare fees for children in nursery school.
Childcare plan	1999	A plan implemented to improve communication structures that enable employees to confirm with their managers the process from pregnancy onward to return to the workplace.
Kangaroom Shiodome	2003	An in-house daycare center for Shiseido employees' children at the Shiodome Office. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.
Short-term paid parental leave	2005	A system by which employees may take leave up to two consecutive weeks until the child is three years old. This short-term paid parental leave system encourages male employees to take leave.
Nursing care leave system for children	2005	A system by which employees may take paid leave if they have children not yet enrolled in elementary school who require nursing care due to sickness or injury. Employees may take leave of up to five days per year for one child and up to ten days for two or more children per year. (Paid leave) Half-day leave is also permitted.<Revised in 2010>
Childcare support center	2006	Medical office staff at the head office provide support centering on health issues, including various concerns or questions related to pregnancy, birth and child-rearing.
Maternity wear	2006	A system in which maternity wear is provided for BCs.
Kangaroo Staff system	2007	A system by which alternative staff relieve BCs working child-rearing hours.
Guidelines governing transfers of employees with childcare and nursing care responsibilities	2008	A system of rules that prevents transfers of employees that would require them to move while working child-rearing or nursing hours.
Spousal accompaniment for childcare	2008	A system by which employees with childcare responsibilities (e.g., with children up to the third grade in elementary school) may request to accompany their spouse who is transferred within Japan.

Leave to accompany spouse when transferred overseas	2008	A system by which the company allows up to three years of leave so that employees can accompany spouses who are transferred overseas.
Encourage fathers whose infants are less than 8 weeks old to take paternity leave	2010	A system by which the company allows fathers who acquired paternity leave within 8 weeks after their spouses gave birth may take paternity leave again.
Cafeteria system for Child education support	2014	A system by which employees can receive support for outgoing expenses spent on child education, such as cramming schools, correspondence studies, enrichment classes, etc. for children.

General Business Owner Action Plans Complying with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace

Shiseido aims to establish a workplace in which each and every employee can work with a sense of reward and enhance their contribution toward the Company.

As part of the initiatives, we promote a number of measures to support female employees' further advancement as well as to support parenting employees in balancing work and childcare.

In addition, Shiseido Company, Limited obtained the "Kurumin" next-generation supporter mark in 2007 and 2013, and Shiseido Japan Co., Ltd. obtained the mark in 2007 based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



Phase 5 of the General Business Owner Action Plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Scope: Shiseido Company, Limited and Shiseido Japan Co., Ltd.

Period: April 1, 2016 – December 31, 2018 (2 years and 9 months)

No.	Goals	Time, Actions
1	Enhance individual human resource development in order to visualize and pool female leader candidates	<From 2016> Consider/implement development measures
2	Implement corrective measures to reduce overtime work	<From 2016> Consider/implement corrective measures
3	Consider and implement the introduction of the work-from-home system, etc. to promote efficient use of time	<From 2016> Prepare and consider promotion measures in preparation for the full-scale introduction

Phase 1 of the General Business Owner Action Plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace

Scope: Shiseido Group (Japan)

Period: April 1, 2016 – December 31, 2018 (2 years and 9 months)

Numerical goal: 30% female leader ratio within Shiseido Group (Japan) within FY2016

No.	Goals	Time, Actions
1	Enhance individual human resource development in order to visualize and pool female leader candidates	<From 2016> Consider/implement development measures
2	Implement corrective measures to reduce overtime work	<From 2016> Consider/implement corrective measures
3	Consider and implement the introduction of the work-from-home system, etc. to promote efficient use of time	<From 2016> Prepare and consider promotion measures in preparation for the full-scale introduction

The scope of domestic Shiseido Group includes Shiseido Company, Limited; Shiseido Japan Co., Ltd.; Shiseido Parlour Co., Ltd.; IPSA Co., Ltd.; FT Shiseido Co., Ltd.; and Japan Retail Innovation Co., Ltd.

Fair Evaluation of Employees

In order to be a stronger corporate group in Japan and overseas, Shiseido Group has established its global personnel affairs policy, thereby defining rules and guidelines regarding various aspects such as evaluations and work conditions as personnel affairs measures.

Rules refer to globally unified standards that should be followed throughout the Shiseido Group, and personnel affairs measures are developed according to this policy.

■ Rules for Evaluation and Work Conditions

- Implement system operation that will seek a degree of employee satisfaction while also ensuring fairness of work conditions internally and externally.
- Eliminate evaluations that are based on preconceived ideas or impressions and strive to carry out highly transparent evaluations based on objective facts.

Guidelines refer to various aspects that specifically define the operational standards of personnel affairs measures based on globally unified rules. Specific plans or operations of a system are promoted based on these guidelines in view of attributes of respective countries and regions or subsidiaries.

■ Guidelines for Evaluation and Work Conditions

- Implement evaluations based on target management.
- In addition to accomplishment and performance, promote a development-type ability evaluation with an emphasis on process (exert abilities).
- Provide evaluation feedback to employees and disclose relevant standards, including evaluation and promotion standards.
- Implement evaluation interview with employees at least once a year.

Based on the aforementioned Shiseido Global Personnel Affairs Policy, the Shiseido Group in Japan is also evaluating processes and actions along with achievement in an appropriate manner, thereby building a system with a high degree of fairness and satisfaction.

Moreover, as a means of enhancing fairness and satisfaction of evaluation, the Group is also improving and expanding opportunities for training and offering feedback to personnel in managerial positions. Specifically, we are enhancing the skills of assessors on various occasions by means such as management training and newly appointed assessor training. Furthermore, Shiseido holds HR briefing sessions twice a year for management-level personnel of the Shiseido Group in Japan, with the aim of deepening their understanding toward our human resources system and its operation.

Structure for Listening to Employee Opinions

The Shiseido Group Engagement Survey is conducted twice a year targeting all Group employees working at domestic business sites with the aim of "creating a dynamic organizational culture" in which each and every Shiseido Group employee is able to enthusiastically work in an open and transparent workplace and gain a sense of satisfaction toward their work.

Note: In 2017, we conducted the survey not only in Japan but also all overseas business sites. This survey was initiated as part of management reforms being promoted throughout the Shiseido Group. Shiseido must tackle a multitude of issues in order to promote such reforms, and employees are constantly expected to "change their awareness and actions." As these reforms proceed, various concerns may arise such as a gap between employees in terms of their awareness and efforts or motivation for undertaking such efforts may decline due to a sense of placing a heavier burden on employees. This in turn may reduce the speed of realizing Shiseido's vision. Consequently, the survey results are used so that the members of top management can take the initiative in listening to employees' opinions, clarifying current issues and utilizing the information to develop specific actions toward solving any concerns or problems.

Additionally, the results of the engagement survey are provided to employees via the persons in charge of respective workplaces. At the same time, all employees carry out initiatives in their respective workplaces to improve issues that have been identified in business operations and work environments.

Shiseido established the in-house Shiseido Consultation Office in 2000 and the telephone counseling service, which is outside the Company, in 2002, thereby addressing various matters such as inquiries and whistle blowing related to employment regulations and violations of laws and regulations from employees, limited-term contract employees and temporary employees.

Utilization and Development of Human Resources

Human Resources Development Policy

Shiseido has been earnest in its human resources development since it was founded. The Company, in fact, was once known in society as "Shoseido" which translates to "hall of scholars."

We will aim to be a company "filled with energy" and "that the younger generation adores," as stated in VISION 2020. To that end, under the slogan "People First," we will be developing many personnel who relates to both "innovations" and "value" and thus strengthen the Company through the power of people to be an organization that is a notch above competitors.

For that purpose, we have established the working principles, "TRUST 8" which are principles of actions to achieve VISION 2020, and "Organization and Human Resources Principles" that define the ideal organizations and personnel. These principles are our guidelines in human resources development and require employees to take on consumer-centered challenges, keep taking actions, motivate people, and lead others by setting examples worth following.

Performance Management

Aiming to link individual employee's growth to that of the company, and to produce great achievements as an organization, we have introduced the Performance Management since 2016.

Most ability development is achieved through job experience. Therefore, Shiseido conducts ability development at each job site as each person takes on the challenge of high goals, acquires new knowledge and skills, and uses them to develop their abilities, while managers support their growth through coaching and giving feedback.

We conduct continuous training concerning the Performance Management for managers who are the key to this process.

Moreover, we use the Action Survey "GIFT," which allows subordinates to give feedback on managers' day-to-day actions. Thus we aim to develop a corporate culture of growth by improving managers' performance management skills and mutual feedback.

Effective Use and Development of Human Resources on a Global Level

As a result of the shift to the matrix organization system, which cross-matches five brand businesses with six regional headquarters, effective use and development of human resources on a global level are becoming more and more important. Due to this, we have started promoting global talent management, in which we fully utilize people's capabilities through a series of processes, such as human resources employment, selection, development, and appointment. For example, we aim to develop human resources capabilities to use appropriate personnel in appropriate positions and to prepare for the future with global perspectives. To that end, we find excellent personnel on a global level, promote mobility between regions and enhance leadership at every layer from the young to the top through the Shiseido Leadership Academy, which provides assessments and collective training to managers selected from all over the world. We also offer the Future Leader Program for young employees in non-managerial positions, providing opportunities of voluntary participation in domestic/overseas MBA courses and overseas residential-type intensive English training (full time/short time), etc.

In addition, to accelerate these initiatives, we plan to start the English mandate mainly at our HQ in Japan from October 2018, placing emphasis on employees' communication skills in English.

Safety and Health of Employees

Health Management Policy

Shiseido has established its basic health management policy to protect the invaluable health of each and every employee and supports their physical and emotional wellness.

<Shiseido's Basic Health Management Policy>

As a company supporting "This moment. This life. Beautifully." for consumers, Shiseido promotes healthy, sound management by supporting each and every employee to live "This moment. This life. Beautifully." and be physically and emotionally well, in turn.

1. Employees will actively take various initiatives, such as improving lifestyles, to be healthy, and the Company will support employee health through the health business.
2. Shiseido will support employees through creating a safe and comfortable workplace environment so that each and every one can fully exercise their abilities and have a fulfilling life at work.
3. Shiseido will promote health management based on compliance with laws and regulations while thoroughly pursuing the appropriate use and management of personal information, including health information.

Promotion of Safety and Health

Complying with laws, the Company has set up hygiene committees in Shiseido Group offices in Japan and makes screening tours of the offices to create a safe and comfortable work environment. The Global Innovation Center and factories have established occupational safety and health policies, and safety and health committees that regularly check and point out hazardous areas or dangerous behaviors that require improvements. Measures are also being taken at the domestic factories to prevent the occurrence of major accidents, targeting zero lost-time incidents every year.

Safety and Health Education for Employees

Shiseido promotes the health of each and every employee according to its Basic Health Management Policy. The Company provides information under various themes centering on measures to prevent lifestyle-related diseases, which requires self control. Also, in addition to health counseling, we are implementing programs such as health-related seminars and conducting the following health education.

We have also established an external cooperative counseling office in order to provide employees' care in a wide scope 24 hours a day, all year round.

■ Preventing Lifestyle-related Diseases

We have added optional items to regular health checks in addition to the legally required items, thereby raising employees' interest toward their own health management.

We promote activities to prevent lifestyle-related diseases through individual health counseling, etc. to employees by industrial health staff based on the national regional assignment. Shiseido also distributes information on the intranet, issues periodical materials, and provides employee e-learning to promote health education among all employees.

■ Providing Mental Healthcare

An in-house mental health counseling office is established, with specialized counselors and industrial physicians allowing employees to receive counselling at their workplace. In addition, we have also established an external cooperative counseling office that can offer support 24 hours a day. Shiseido is conducting self-care training for employees and "line-care training"* for managers.

In addition, Shiseido has clarified the steps for returning to work for those who have taken long leaves and also established uniform standards (guidelines) for Shiseido Group in Japan to enable employees to return to the workplace more smoothly.

*Training on handling employees with physical or mental health issues

■ Discouraging Tobacco Use

Shiseido is implementing non-smoking in the company building with the objective of improving employees' health, enhancing consumer satisfaction and fulfilling social responsibility. Enlightenment activities including smoking cessation seminars are held within the company to promote understanding and support for non-smoking.

■ Supporting Women's Health

We conduct/promote female health checks with the health insurance union.

Shiseido is regularly implementing Health Seminar for Women at its domestic business sites where the majority of employees are women. The seminar aims to increase awareness for managing individual health by focusing on diseases that are specific to women according to life stages.

■ Counseling to Prevent Long-time Work

To prevent health disorders due to long-time work, Shiseido business sites have established an original standard following statutory standards and industrial physicians are conducting interviews among employees.

Industrial physicians provide appropriate advice and instructions to individuals and the Company with the aim of preventing health damage of employees.

■ Others and Overseas

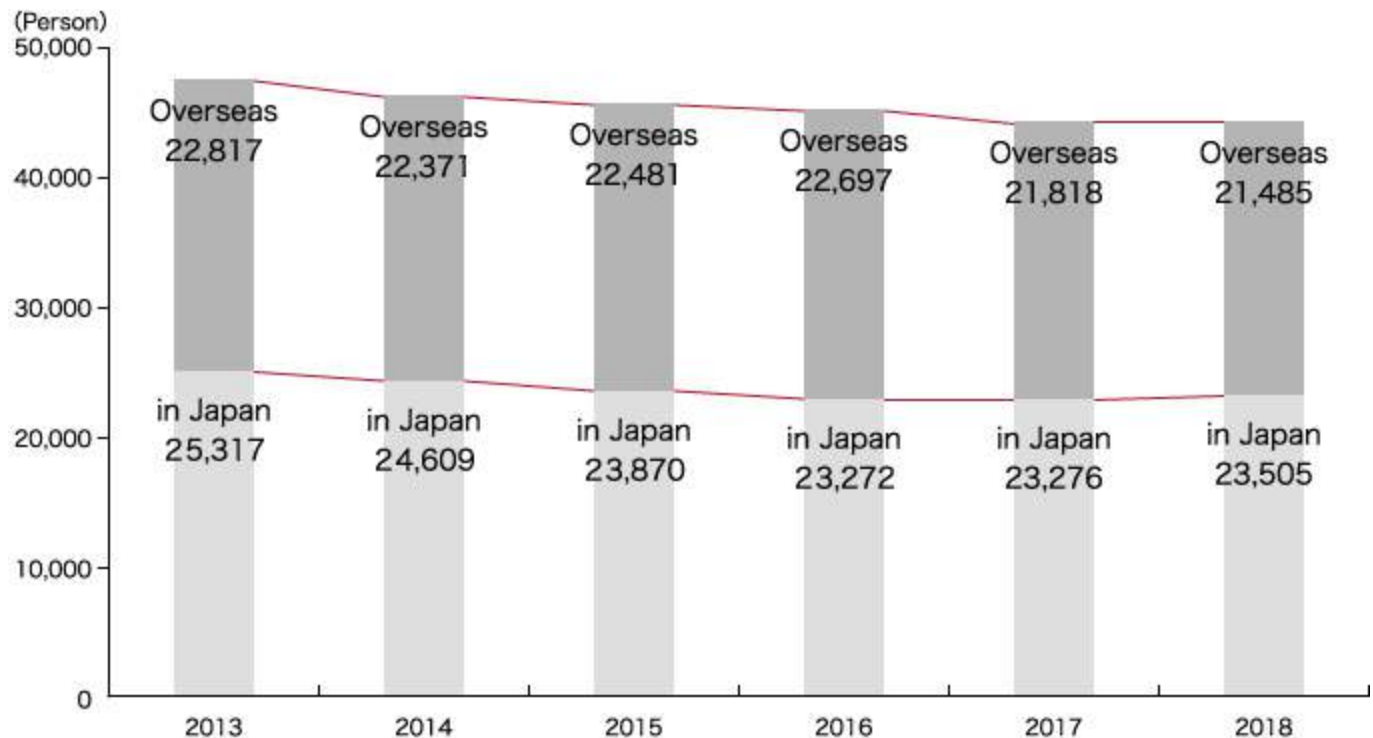
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

Employment and Labor

■ The Number of Employees

All the domestic and overseas Shiseido Group companies apply diversified employee working conditions in accordance with each business and each specific role expected of each employee, aiming to maintain and improve our competitive strength. As of January 1, 2018, the number of employees throughout our Group companies totals 44,990, which is approx. 100 less than the previous year.

The Number of Employees in Shiseido Group Companies



Note: Each figure up to 2015 is based on the data as of April 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year. Starting in 2016, the figure is based on the data as of January 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year.

Wage

The wage system of Shiseido is based on abilities and results, which eliminates some elements such as promotion by seniority and dependence on personal background. In addition, the system for evaluating abilities and results is fair and transparent based on the rules for handling evaluations and is aimed at increasing the satisfaction level of employees.

The basic salary ratios of employees in the domestic Shiseido Group in FY2017 by job category and gender are as follows: Management level: Male 106: Female 100; General management: Male 99: Female 100; and Beauty staff: Male 84: Female 100 (as of January 1, 2018).

Employee Benefits and Welfare

Aiming for our employees and their families to enjoy "prosperous and comfortably affluent life," we are focusing on employee benefits and welfare as well as improving our working conditions so that employees can actively engage in corporate and social activities.

Welfare System to Support Employees to Advance Their Business Career and Design Their Own Life Style

Shiseido is supporting employees to advance their business career and design their own life style based on their self-control and responsibility in their work and life, providing them with our diverse welfare system. We have introduced not only systems and measures that support employees to balance work and childcare/nursing care in order to realize work-life balance and various other measures, such as housing support including company housing and housing compensation, property accumulation savings, employee shareholding system, consolation payment system, etc., but also the "Cafeteria system (welfare plan by selection)". The company prepares menus responding to employees' lifestyles and needs, such as "promoting an active workplace", "self-enlightenment", "childcare/nursing care", and "health promotion", and employees can select necessary support as needed, according to their own points.

Life Planning Support for Employees by Corporate Pension Plan

Shiseido supports employees' life planning management. Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "prepaid retirement allowance" and "lump sum retirement pay". Employees enjoy benefit after selecting a plan between defined contribution pension scheme and prepaid retirement allowance. With regards to defined contribution pension scheme, Shiseido helps support employees to actively practice post-retirement life design planning through periodical provision of asset management and investment information. Some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

Employment

In Shiseido Group, both companies and employees are maximizing their efforts to maintain employment of workers, and our commitment to stabilize the employment certainly complies with laws and regulations in each respective region and country. In employing workers, upholding The Shiseido Group Standards of Business Conduct and Ethics, we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system, and as far as targeted candidates are concerned, it does not matter whether it would be a new graduate or previous graduate. Meanwhile, the Group companies also employ experienced candidates, targeting those who have already accumulated their professional career. Offering diversified job opportunities, with an objective of careful adjustment of employees' working conditions, Shiseido tries to organize employment systems.

Furthermore, in case that employees could be significantly affected due to relocation to a new branch or transfer to another office, our labor agreement stipulates that Shiseido should set up a committee consisting of management and labor union members to sincerely discuss and settle specific problems for immediate solution.

Good Relationship with Labor Union

Based on the concept that "good labor-management relations are fundamental to corporate management," the Shiseido Group actively promotes information sharing regarding general corporate activities and discussions with employees to resolve issues in a concerted manner.

Labor unions have been organized in Shiseido and certain Group companies (including overseas subsidiaries). In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Japan Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 12,000 Shiseido Group employees in Japan as of January 1, 2018).

In the union agreement document, Shiseido and Shiseido's labor union confirm to "recognize the social mission of Shiseido's business, strive to realize sound development of the Company and maintain and improve the economic and social status of employees, thereby sustaining labor-management relations based on goodwill and trust." On this basis, both parties aim to honor their mutual stance and hold management councils as well as labor-management discussions in consideration of various issues.

To be more precise, we actively hold labor-management discussions on the themes of "working conditions and benefit package for employees," "work style reform," and "reduction of long working hours" to ensure appropriate business operations.

In addition, each office discusses their own labor-management issues.

Overseas subsidiaries are also doing business while respecting labor laws and regulations of respective countries, and are thereby striving to build and maintain sound labor-management relationships through communication with management, labor unions and employees.



Labor-management discussion