

Human Resources

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

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➤ **Utilization and Development of Human Resources**

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

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

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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

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, The Shiseido Philosophy (comprising OUR MISSION, OUR DNA, and OUR PRINCIPLES) is our guiding light. To create value globally, a company needs to develop its people as the most important management resource. Believing this, and based on our policy of PEOPLE FIRST, we will promote personnel development vigorously, to “increase individual competencies” and “fulfill individual potential” to increase organizational competencies, thereby “enhancing corporate strength.”

We should have effective leadership development programs to increase individual competences and appropriate performance management systems to fulfill individual potential. For this purpose, the global personnel department is leading a task force to develop a range of talent management and development programs and evaluation systems in line with THE SHISEIDO PHILOSOPHY.

We will introduce to our global operations the personnel affairs regulations established and revised so as to increase individual and organizational competencies and activities aimed at enhanced engagement and inclusive corporate culture. In doing this, we will respect specific needs of each regional headquarters, answering the call to “Think Global, Act Local.”

Diversity and Inclusion

Having created a slogan to “love the differences,” Shiseido endeavors to build a corporate culture that respects the diversity of its workforce, irrespective of gender, age, nationality and any other individual attribute, and encourages dynamic discussions aimed at creating new value. We pursue this endeavor as part of ongoing efforts to fulfill our corporate mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

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.

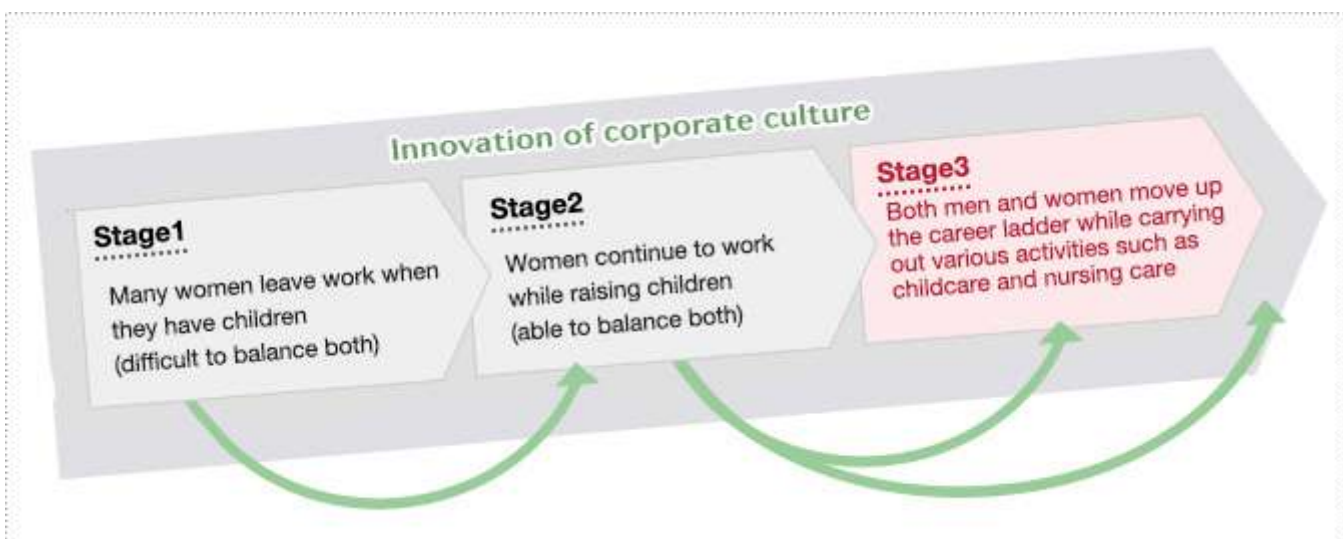
In fiscal 2005–2012, we formulated the “Gender Equality Action Plan” and promoted the “cultivation of the corporate culture”, in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on “strengthening the appointment and promotion of female managers and 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 have sizably increased career awareness among female employees. The ratio of female managers (Japan) has risen to 32.3% as of January 2019, a significant improvement from before the plan formulation. Also, upon reviewing how employees work, we carried out a number of measures, introducing teleworking programs, and company-wide Lights Out and Go Home On Time Day campaigns. These have achieved certain results, particularly in decreasing the number of long-shift workers and halving overtime work hours.

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 managers ratio in overseas offices: 66.3%

<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.

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.



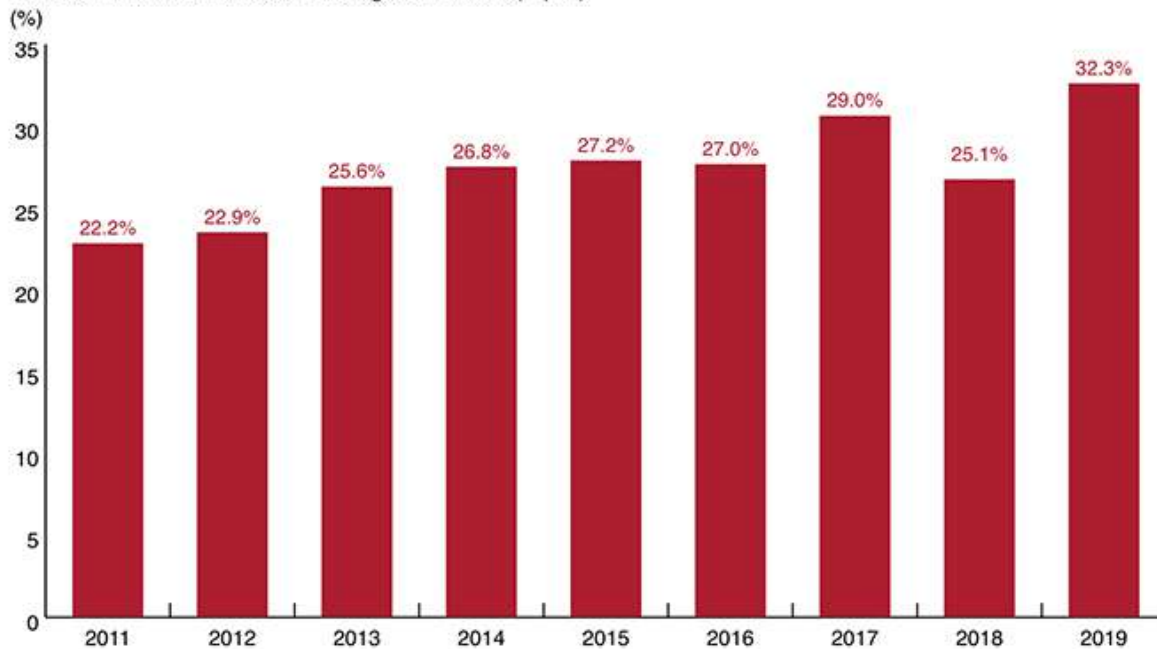
Commendation ceremony for “100 Best Companies Where Women Play Active Part” (May 2016)

Ratio of Female Managers

To facilitate the promotion of female managers, the Company has launched the “individual personnel development” program targeting candidate employees. Program participants are given opportunities particularly to engage in higher levels of work duties (work assignment) and expand areas of professional focus (workplace transfer), learning the basics of management while working to achieve solid results. As a result, the ratio of females to total managerial positions has reached 30% as of January 2019.

For further advancement, we promote leadership training, digital skills improvement and other programs to develop global business professional capabilities. In social contribution, we established KODOMOLOGY CO. LTD. in February 2017 to entrust the operation of in-house nurseries. Through this service, we will help many working parents achieve work-life balance, thereby helping realize a society where everyone can play an active role.

Transition in Ratio of Females in Managerial Positions(Japan)



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

Note: From 2017 onward, the calculation method has been changed to include data for group companies in Japan.

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 persons 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 310 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., 50 employees, primarily developmentally challenged individuals, are working at the four locations in Tokyo, Osaka and Kakegawa.

As of June 1, 2019, the number of employees with disabilities accounts for 3.25% in Shiseido Company, Limited and 2.21% in the Shiseido Group in Japan as a whole.

Employment of Non-Japanese Nationals

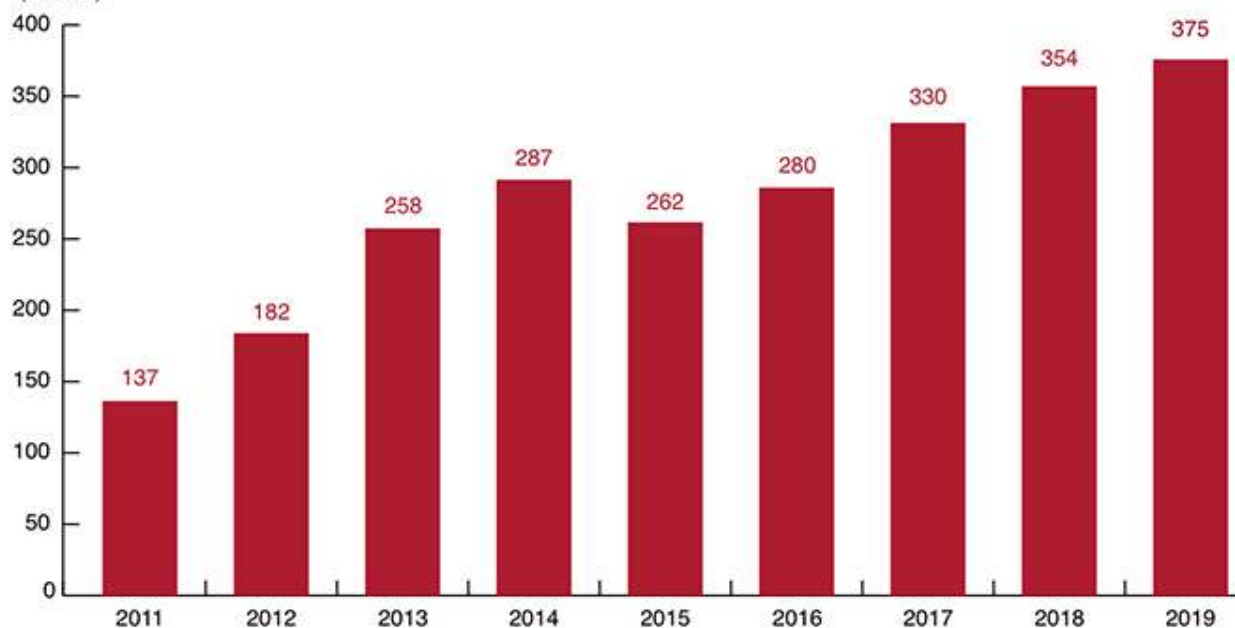
Shiseido has become more active in employing a diverse workforce, regardless of nationality, at the head office in Japan, in addition to overseas subsidiaries. Persons with wide-ranging backgrounds are now assigned to various sections and departments in the Company. For non-Japanese nationals hired by the head office, the Company conforms to Japan's immigration control systems, especially related to resident status requirements, and treats them appropriately based on relevant employment regulations.

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.

In FY2014, we launched the EL Partner System to reemploy those wishing to continue working, and in FY2018, we enhanced reemployment conditions for assuming more important responsibilities. Particularly in areas such as R&D, we re-hire "senior scientists" to hand down their highly specialized techniques and know-how to future generations.

Number of employees using the post-retirement reemployment system Shiseido
(Person)



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.

Starting from FY2018, in accordance with the law, for fixed-term employees of five years or more at the Company, we switch their employment contract to a permanent type upon request.

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 "Kangaroom 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 2018, 1,330 employees (including 30 male employees) used the childcare leave (including short-term paid parental leave), 2,162 employees (including 3 male employees) worked shorter hours to care for their children, 22 employees (including 2 male employees) took nursing care leave, and 32 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

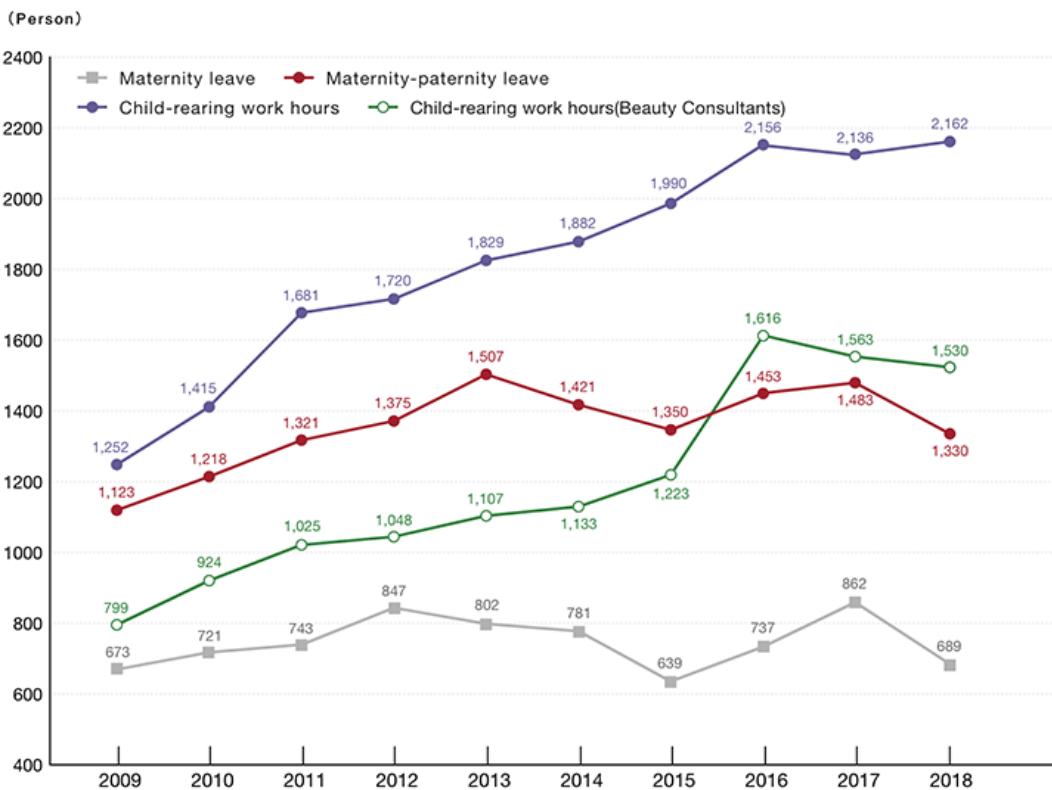
careers while raising children or nursing family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain the current situation and left in place the balance support systems introduced to date. Next, we conducted individual 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 2,014 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.
Kangaroom Kakegawa	2017	An in-house daycare center for Shiseido employees' children. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.

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.

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 continue focusing on developing personnel as the most important management resource, as we have over past years upholding our policy of PEOPLE FIRST, and now, specifically aiming to fulfill our mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

Toward this end, we are striving to "increase individual competencies" and "fulfill individual potential" to increase organizational competencies, thereby "enhancing corporate strength." And for this purpose, we are stepping up HR development efforts, defining core competencies in line with THE SHISEIDO PHILOSOPHY to provide a basis for capability-building programs and evaluation systems.

Performance Management

For fulfilling individual potential, we have established Performance Management systems based on core competencies defined in line with THE SHISEIDO PHILOSOPHY, looking to help all employees around the world achieve professional growth and produce expected results.

The basic concept of the systems is that each employee sets challenging goals, works to attain the goals using support from managers and capability-building programs, and achieve fast growth and produce high-level performances. Managers, a key player in the above process, undergo training in necessary management skills, such as for coaching and feedback-giving, and receive feedback from subordinates through 360-degree surveys. These plans aim to foster a culture that encourages reciprocal feedback activities for organizational development, in addition to improvement of management skills.

Global Talent Management

For increasing individual competencies, we have launched Global Talent Management programs, designed to accelerate the development of global business professionals through strategically planning a range of HR-related processes from recruiting, screening, training to assignment. Specifically, we identify superior talents having potential for global business activities, promote inter-regional HR mobility, and run level-based, targeted training programs at the Shiseido Leadership Academy. These efforts are directed at optimal personnel assignment and effective capability-building from global and long-term perspectives.

Particularly, the Shiseido Leadership Academy, committed to its mission to "inspire, ignite, and connect Shiseido leaders to lead BEAUTY INNOVATIONS FOR A BETTER WORLD." offers training programs to selected candidates for future global business leaders, with a focus on leadership qualities and management insights.

In addition, each regional headquarters develops their own leadership and business skill-building programs to address local needs and issues, in order to enhance respective talent pipelines.

Safety and Health of Employees

Health management initiatives

I believe that the genuine mission of Shiseido is to offer solutions to social problems and achieve a sustainable society, helping people find happiness through our mainstay beauty business.

To realize this mission, it is important for our employees to maintain inner and aesthetic beauty as well as solid motivation.

To that end, it is essential to support the health of employees and the health of their families. In collaboration with the Shiseido Health Insurance Society, we created a health declaration to clarify our promise to help our employees live beautifully.

Shiseido delivers beauty to consumers. In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, we will be fully committed to health management.



Representative Director,
President and CEO

Shiseido Health Declaration

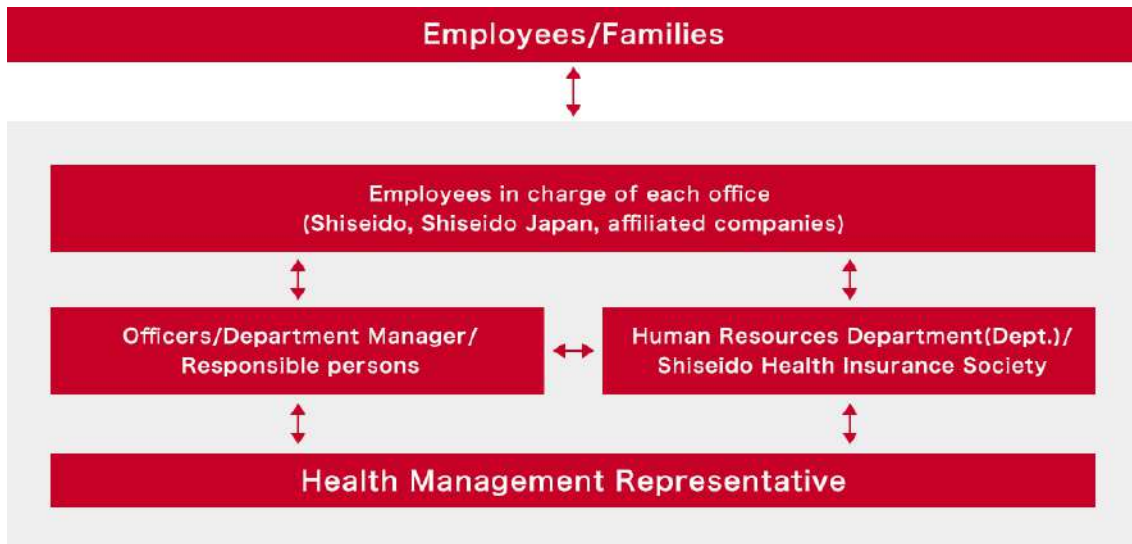
Shiseido aims to deliver “BEAUTY INNOVATIONS FOR A BETTER WORLD.” Therefore, based on our perception that beauty and health are the source of vitality, we will promote initiatives for employees and their families to live beautifully and healthily.

[Our principles]

- As members of a company delivering beauty, each and every employee shall have awareness and knowledge, and take action proactively to work healthily, physically and mentally.
- We will endeavor to provide opportunities for our employees to speak freely with each other about beautiful lifestyles and health for mutual growth.
- Shiseido will endeavor to create a safer and more comfortable work environment and will actively support the efforts of employees and their families in cooperation with the Shiseido Health Insurance Society.

Promotion system

For promotion, the director of the Human Resources Department will act as the Health Management Representative, and the Human Resources Department Wellness Support Group and Shiseido Health Insurance Society will collaborate to support each office (of the Shiseido Group in Japan) to take the initiative to maintain and promote employee health. In addition, the Health Management Representative will jointly discuss with each officer, department manager, and responsible person the support of employees' voluntary health initiatives.



Message from the Corporate Officer in Charge

Our principles in this health declaration begin with employee awareness and behavior. We believe that it is important that individual health be signaled in the communications of each of our employees. Meanwhile, as it is difficult for employees who have been assigned important tasks and deadlines to speak up, supervisors, department heads, and officers should play a supporting role in this regard. They need to create an atmosphere that allows everyone on the team to speak about anything casually, while paying attention to the complexion and health of each team member.

Because all employees work together to achieve the mission supported by the common values of The Shiseido Philosophy, we would like to nurture environments (of psychological safety) to the maximum, where employees can casually talk about physical and mental health. The role of the Human Resources Department Wellness Support Group and Shiseido Health Insurance Society is to respond quickly to and support signals received from employees and supervisors. These teams will work closely to resolve employee health issues and improve lifestyle customs and habits. Addressing health management on a serious level is the most important and effective foundation of PEOPLE FIRST.



[Jun Aoki, Health Management Representative]

Health issues and future Well-Being initiatives in the Shiseido Group in Japan

The Shiseido Group in Japan considers and will work to resolve the following issues.

1. Drive home basic occupational health activities
Maintain a 100% health checkup rate, drive home follow-up measures for health checkups/retests/treatment, ensure health guidance, and enhance mental health measures
2. Implementation of health-related initiatives
The Shiseido Group in Japan and Health Insurance Society will jointly develop and promote six medium- and long-term Well-Being initiatives to resolve various issues related to beautiful lifestyle, women's health, mental health, smoking, measures against cancer, and working environment.

Six measures	Issues	Initiatives	
		Shiseido Group in Japan	Shiseido Health Insurance Society
Beautiful lifestyle	Improvement of lifestyle	Holding exercise seminars/introducing apps* Thoroughly implementing health guidance Holding health fairs	Implementation of health support programs Partial subsidy for dental checkup fees Implementation of lifestyle improvement seminars
Women's health	Addressing female-specific health issues		Full subsidy for cervical cancer and breast cancer screenings Provision of health information for adults over 40 years old, "Otona no Hoken Dayori (Health News for Adults)" (FY2019)
Mental health	Acquiring stress tolerance Reduction of repeated long absence from work	Holding seminars for self-care and line-care practices (new employees, new managers, guidance training)	—
		Telephone consultation with Health Support Dial 24 (24 hours/day, 365 days/year), mental health consultation support	
Measures against smoking	Promotion and maintenance of cessation	Complete prevention of passive smoking in the workplace	Subsidy for cessation outpatient consultation fees (FY2019)
Measures against cancer	Early detection and balancing treatment and work	Introducing support measures for treatment/work balance*	Subsidy for cancer screenings (partially paid by employee) Encouragement to employees with suspicious test results to receive necessary care/retests
Workstyle reform and improvement of working environment	Encouraging frequent communication	Establishing measures for fostering communication between supervisors and subordinates in ABW (Activity Based Working) Revitalizing health committee based on work style reform	—

* Measures scheduled in and after FY2019

Key initiatives

In 2019, we will focus on measures against smoking and the creation of beautiful lifestyle as priority measures.

1.Measures against smoking	<ul style="list-style-type: none"> Reduction of the smoking rate and provision of cessation support Complete prevention of passive smoking in the workplace
2.Beautiful lifestyle	<ul style="list-style-type: none"> Improvement of the implementation rate of health guidance and specific health guidance Active usage of seminars and apps to improve employee lifestyle Thorough follow-up interviews after health checkup results (retests, etc.)

1.Initiatives for measures against smoking

Upon finding that the smoking rate at our company was slightly higher than the national average, we started providing a subsidy for smoking cessation treatment in 2010 and tentatively prohibited smoking in the building the following year. In addition, we worked on non-smoking rules for uniformed employees who interface with consumers in 2012. The smoking rate in 2018 was 22.2% (down 11.4 points compared to 2010), and the gap from the national average was halved (9.5 points → 4.3 points). In order to accelerate this trend going forward, we started non-smoking rules during working hours from May 2019 and strive to further advance measures against smoking. We also participate in the Cessation Promotion Company Consortium to express our determination and share information. Also, following the subsidy for smoking cessation treatment that started in 2010, the Health Insurance Society launched the “0-Yen Quit-Smoking Challenge Program” in 2019, which subsidizes all smoking cessation treatment costs to assist employees and dependents attempting to quit smoking.

0-Yen Quit-Smoking Challenge

In FY2019, 106 employees participated in the 0-Yen Quit-Smoking Challenge Program, exceeding the target of 100 employees, and participants are working toward cessation treatment.



<0-Yen Quit-Smoking Challenge Program application form>

■ Participation in cessation consortium

In April 2019, we participated in the “Cessation Promotion Company Consortium” and expressed our intention to actively work toward promotion of cessation.



<Cessation Promotion Company Consortium: Mr. Aoki, Health Management Representative, back row, fourth from right; Ms. Oishi, External Director, front row, third from right>

■ Target smoking rate

- 17.0% in 2020
- Increase in the number of employees who started outpatient smoking cessation treatment: More than 100 employees (7 employees in 2018)

2. Initiatives for health-conscious lifestyle

Our implementation rate of health support programs (specific health guidance) is particularly high at 55.4% compared to the national average (21.4%), and a certain level of effect is seen in BMI reduction rate among participants.

■ Implementation rate of health support programs

Reporting fiscal year to the government (Report the previous year's results in November of the following year)	Specific health guidance	Implementation target
	Implementation rate (%)	Government (Ministry of Health, Labour and Welfare) (%)
FY2015	50.6	60
FY2016	52.0	
FY2017	49.1	
FY2017	55.4	55

■ BMI reduction rate among program participants

BMI	Male		Female	
	Guidance participants	Guidance non-participants	Guidance participants	Guidance non-participants
After health guidance (2016)	25.66	26.23	27.59	27.78
After health guidance (2017)	25.50	26.26	27.47	27.75
Numerical improvement	▲0.16	0.03	▲0.12	▲0.03

■ Health fairs

Every year, we conduct health fairs tailored to the health issues of each of our facilities, and launch measurement events, health education sessions, and collaborative events with cafeterias.



<Health fair at Kuki Factory>



<Health fair at Shiodome Office>



<Health fair special menu by collaborating with cafeteria>

[Participating employee feedback]

"It is good to have events that raise health awareness."

"I've heard a lot about basal metabolism, but this is the first time that I learned my basal metabolism rate. It was a good learning opportunity."

■ Health seminar

Since FY2019, we have been holding seminars related to exercise and meals tailored to the health issues of each organization.



<Seminar participants>

■ Future lifestyle improvement objectives

Percentage of participants continuing workouts: 10% more after seminar

■ Safety and health promotion system

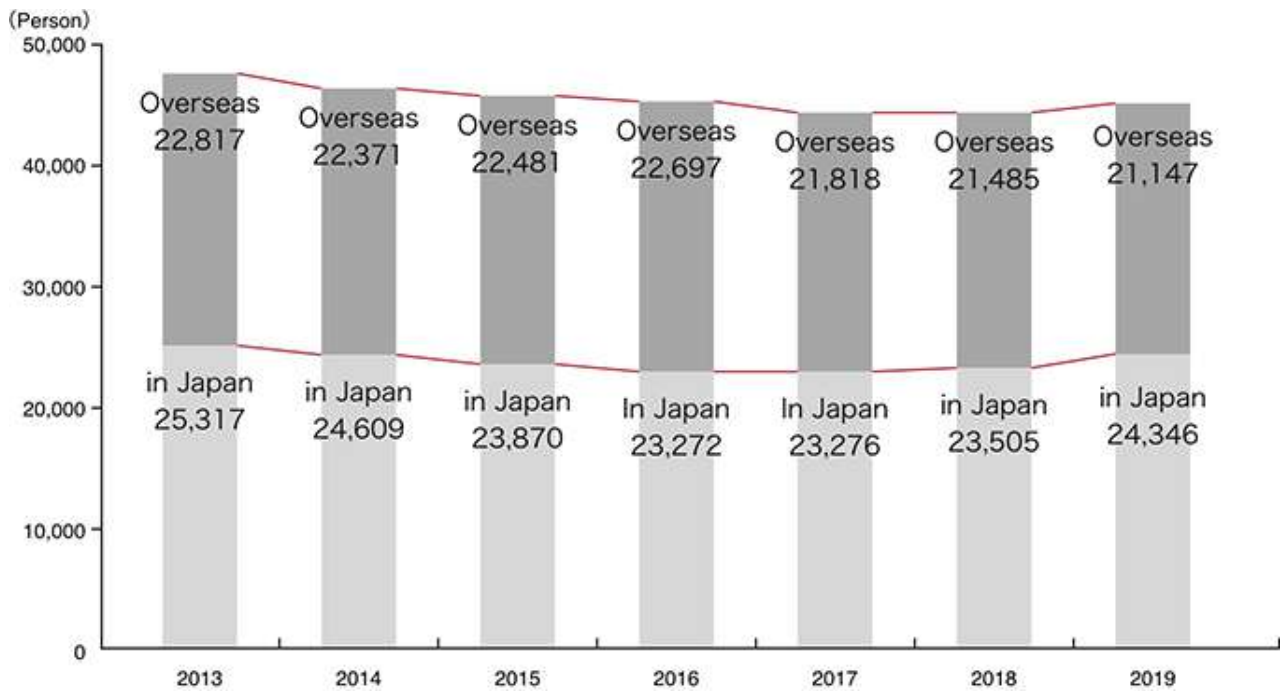
In accordance with laws and regulations, we have established an office hygiene committee at domestic facilities of the Shiseido Group and are striving to create a safe and comfortable work environment through surveys and deliberation. We have established an occupational safety and health policy at the Global Innovation Center and factories, and inaugurated a safety and health committee to improve and modify hazardous locations and dangerous acts. For domestic factories, our objective is zero accidents that require time off from work and strive to prevent the occurrence of serious accidents.

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, 2019, the number of employees throughout our Group companies totals 45,500, which is approx. 500 up over 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 105: Female 100; General management: Male 100: Female 100; and Beauty staff: Male 85: Female 100 (as of January 1, 2019).

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.

For details, please refer to Social Data.

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