

Labor Practices

With Employees. Shiseido promotes the development of workplaces in which all employees can work with a sense of ease by placing importance on employee diversity.

Basic policy regarding personnel affairs

Shiseido Group denotes its policy under “With Employees” and “With Society and the Earth” in Our Way, which is established under “Our Mission, Values and Way,” and adopts the policy in all subsidiaries and business sites in Japan and overseas.

Based on these basic policies, Shiseido and domestic Group companies individually establish personnel affairs regulations, including employment regulations, in accordance with domestic laws and regulations. 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.

As part of initiatives to realize “VISION 2020”, Shiseido has established the working principle “BIG WIN 5”, through which we aim to change the actions of all Shiseido employees within and outside of Japan, as well as “Organization/Human Resources Principles” to set the ideal state of Shiseido organization and human resources since 2015. In the future, we will reform our human resource activities and create human resources that continuously take on challenges and human resources that create customer values, based on these principles. Through these initiatives, we will “strengthen the Company through human efforts and create an organization that overcomes competitors”.

〈Working principle “BIG WIN 5”〉



BIG WIN 5

- All for consumers
- Speak up, take action
- Deliver your commitment
- Inspire mutual growth
- Lead with integrity

〈Organization & HR Principles〉

Shiseido will enhance our organizational capability especially in key professional skills and competencies, to lead creation of consumer values by converging knowledge and skills both internal and external.

Shiseido will encourage proactive individual growth and development by exploiting one's full potential.

Shiseido will establish ambitious growth targets across all teams and will deliver its commitment.

Shiseido will inspire innovation through fusion and assimilation of diversity in cultures and values as a true global organization.

Shiseido will empower leaders who take actions and lead by example, and who encourage challenges of teams, by supporting them closely in order to respond to the change of the business environment.

Diversity & Inclusion

Support Measures for Women's Activities

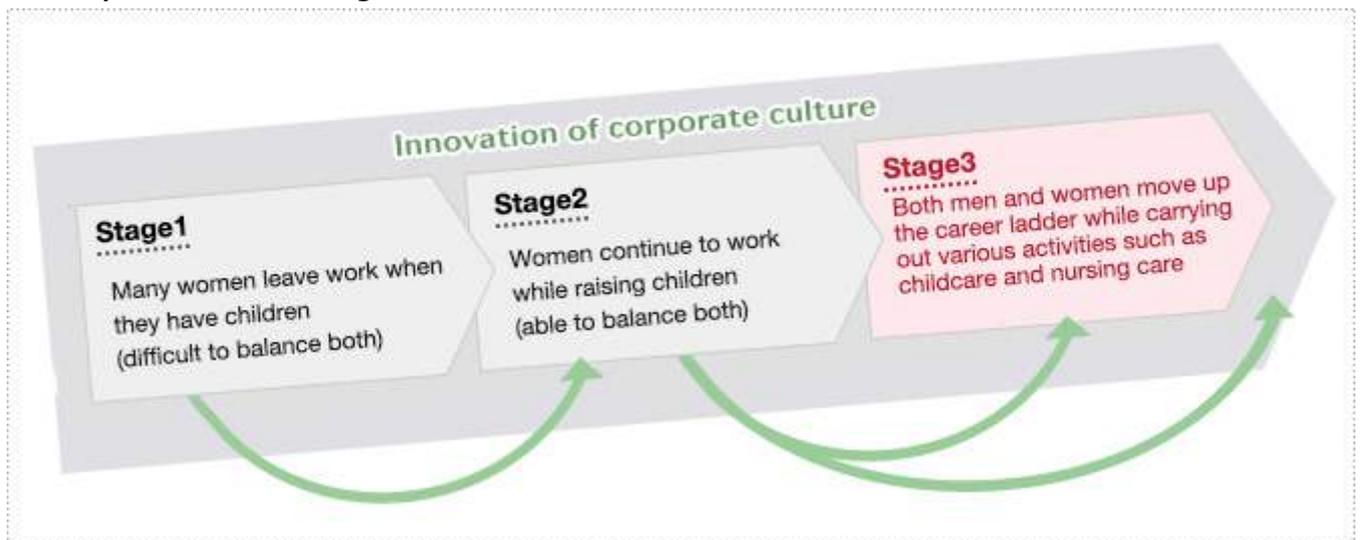
Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of "enhancing corporate trust of employees, who are major stakeholders in the company". At the same time, 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 has reached 27.0% as of January of 2016, 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: 64.5%

<Three Steps for Women Taking Active Roles>



We host forums as part of the initiatives to cultivate the culture in which diverse employees, including women, demonstrate their skills and take active roles.

During the Gender Equality Action Plan period, we held "Career Support Forum" with the themes of "reform into an efficient way of working" and "proactive career establishment of female employees", which received a great reaction from the participants, including female employees and leaders.

In November of 2015, we held a seminar with the themes of efficient workstyle and development of subordinates, targeting leaders. In December, we held "Career Navi Lunch" as a place to share role models within the Company. Through these initiatives, we continuously promote reform of employee awareness and establish good corporate culture.



Career Support Forum

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

Shiseido was selected "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". These continuous initiatives were evaluated as indicators of a leading company that focuses on creating an environment where both men and women would be able to play an active role and led to a double award in "overall ranking" and "diversity penetrance".

To achieve our mid- to long-term strategy "VISION 2020", we will work on developing a prototype of corporate infrastructure. Furthermore, to actualize our vision "a global winner as a global beauty company from Japan", we will focus on the management with emphasis on diversities. Shiseido will further evolve to "the best company that is a great place to work" for anyone.



Tops in Overall Ranking for Three Straight Years in "100 Best Companies Where Women Play Active Part"
A commendation ceremony(May 2016)

TOPICS: Shiseido receives the first “Advanced Corporation Awards for the Promotion of Women” hosted by the Cabinet Office

Shiseido received the “Minister of State for Special Missions Prize” in “Advanced Corporation Awards for the Promotion of Women”, which was newly established by the Gender Equality Bureau of the Cabinet Office in fiscal 2014.

This prize selects and awards companies which have demonstrated significant achievements in the policy to employ women in corporate officer/management positions, initiatives, achievement, and disclosure of such information in order to promote the establishment of working environments in which women can take active roles.

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, etc. by establishing internal systems, such as child care leaves/child care time system, prior to the law and establishing child care facilities within affiliates, etc. as part of the initiatives to support people to balance work and child care.

Also with female employee employment, the rate of female leaders (managerial position leaders with subordinates) within the domestic group has reached 26.8% as of April of 2014, thanks to the achievements from the “Gender Equality Action Plan”, etc. We are currently promoting further initiatives to achieve the goal of 30% in domestic female leader ratio within fiscal 2016 based on human resources development with the aim of enhancing the company contribution rate of both men and women by developing their careers.

Shiseido will continue proactively promoting initiatives to support women to take active roles in the future with the aim of realizing a society in which women shine.

Note: Domestic female leader ratio: 27.0% as of January, 2016



Commemorative photo at the awarding ceremony (front row, left: Corporate Executive Officer Sekine) (January, 2015)

Ratio of Female Managers

In terms of female manager employment, we have set a goal to achieve a 30% ratio of females in managerial positions as soon as possible. Accordingly, the Company is currently promoting “individual personnel development” to enable future female employee candidates to assume managerial positions through “steady achievement of results and learning the basics of management,” dealing with higher level of work duties (how to assign work), expanding professional area of focus (transfer), and other relevant initiatives.

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 Individuals With Disabilities

In January 2006, Shiseido's Hanatsubaki Factory Co., Ltd. was certified as a special subsidiary, which is staffed primarily by developmentally challenged individuals as part of an effort to create a workplace where all employees can actively work. Currently, 31 employees are taking active roles at the three locations in Tokyo and Osaka.

The rate of employment of developmentally challenged individuals among all employees in the overall domestic Shiseido Group for fiscal 2015 was 1.96%.

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.

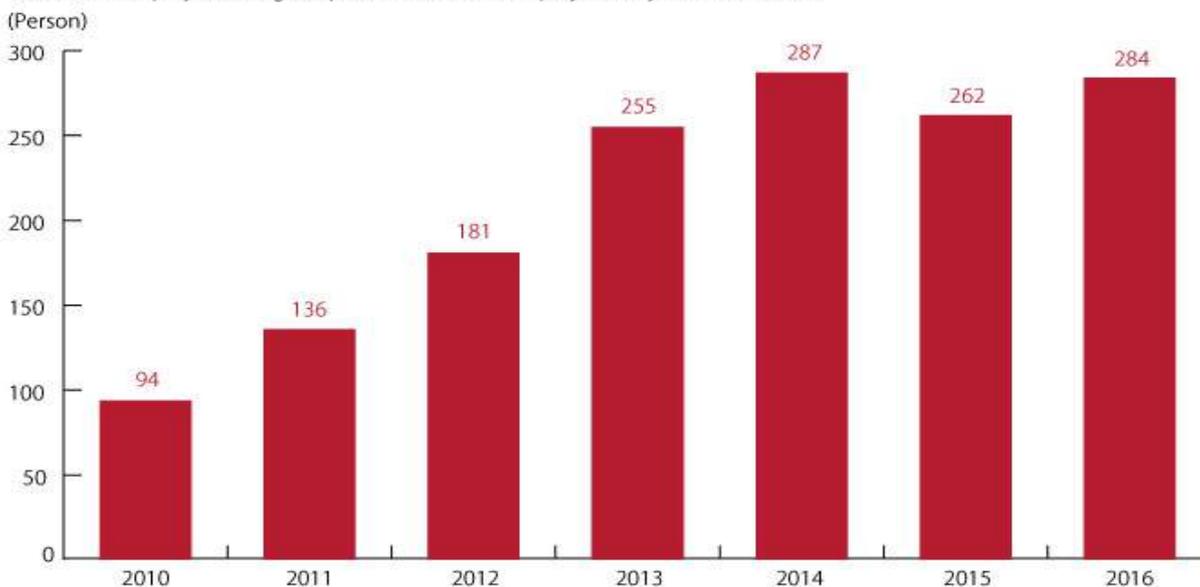
According to the revision of the law, we have been reemploying all employees who wish to work since FY2013*. By utilizing the post-retirement reemployment system, Shiseido pursues initiatives for middle-aged and older employees to hand down techniques and know-how to the next generation employees, particularly in research, development, production, sales, and other relevant fields.

Moreover, the "Senior Expert System" and "Senior Scientist System" are being adopted for personnel that possess high expertise. This helps channel the special abilities of these respective experts into the development of suitable treatments.

* However, we employed transitional measures according to the revision of the law in FY2013

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

Number of employees using the post-retirement reemployment system at Shiseido



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 verified the temporary employment contracts and details of work at all domestic business sites using a checklist to confirm the understanding of laws and regulations stipulated under the dispatch law together with personnel in charge of management.

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

Realize a Rewarding Workplace

Realize a rewarding workplace

As a means for all employees to realize work-life balance and increase productivity of each and every employee, Shiseido has been introducing various measures. We are also promoting activities to review how employees work and working to eliminate long working hours and to increase ways of working in order to realize a workplace in which each and every employee can feel rewarded.

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 activities to review how employees work 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 FY2013, Shiseido is making efforts to further reduce long working hours at each workplace with the aim of enhancing these activities.

3. Promotion of measures to switch off office lights and Go Home On Time Day

Since FY2009 lights at the head office were switched off at 10 p.m. This measure was extended to all domestic business sites*, including affiliated companies, since FY2010.

Furthermore, since FY2011 the HQ office has been making efforts to switch off lights at 20:00 and promote the Go Home On Time Day once a month.

* Excluding factories, stores, and storefronts that are implementing 24-hour operations or shift work.

Teleworking has been introduced in the headquarters, GIC, Shiseido Japan Co., Ltd. and some affiliates since January 2016. (Qualified workers and jobs differ by company.) As a measure of reviewing how to work, this system could be used by all employees, as well as those who are raising their children or 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, with regard to leaves and shortened work hours systems, 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 for employees to use the system for childcare for 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. As for overseas transfers, we 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.

Shiseido has been promoting original initiatives to develop an environment in which employees can work with a sense of assurance. 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 take time off from work for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of FY2015, the number of employees who used the childcare leave system/took time off for childcare is as follows: 1,354 employees (including 4 male employees) used the childcare leave (including Short-term paid parental leave), 1,990 employees (including 2 male employees) took time off to care for their children, 19 employees (including 1 male employee) took nursing care leave, and 10 employees (including 1 male employee) took time off for nursing care.

Note: Results for FY2015 are for 9 months between April and December.

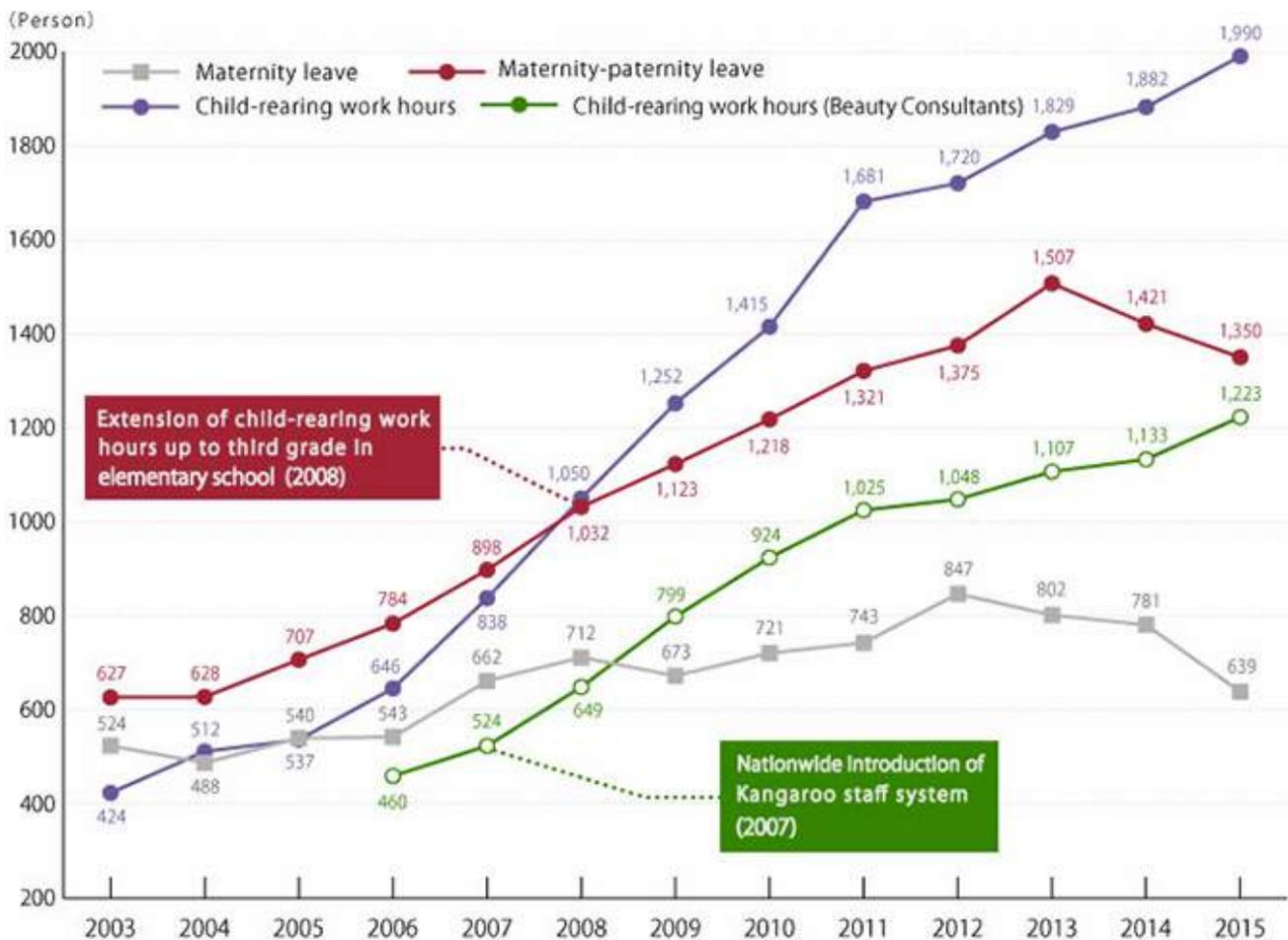
Moreover, as a part of activities aimed at becoming a company where both men and women can advance in their careers while raising children or nursing care for family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain 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 BCs faces. As a result of promoting these reforms, 98% of BCs taking childcare time 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 customer service activities so that the BCs could take time off 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% customer-oriented" philosophy. When the program was first introduced, approximately 600 Kangaroo Staff members provided support for about 500 BCs who took time off to care for their children. In recent years, the Kangaroo Staff program has expanded to more than 1,700 Kangaroo staff providing such support for more than 1,000 BCs taking time off to care for their children.

Number of employees who used child care system in the domestic Shiseido Group



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 23,272 as of January 1, 2016 (6,609 BCs).

Note4: Number of employees who used the childcare leave and took time off to care for their children 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 taking time off for childcare.
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 taking time off for childcare or nursing care.
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 Next-Generation Nursing Support Measures Promotion Law

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 activities as well as to support employees, who are involved with childcare, so that they can balance work and childcare.

In addition, Shiseido Company, Limited obtained the "Kurumin" next-generation authorization 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

Target: 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

Target: Domestic Shiseido Group

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

Numerical goal: 30% female leader ratio within the domestic Shiseido Group 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

Domestic Shiseido Group, which is the target of the action plan, includes Shiseido Company, Limited and Shiseido Japan Co., Ltd., Shiseido Parlour Co., Ltd., IPSA Co., Ltd., FT Shiseido Co., Ltd., and Japan Retail Innovation Co., Ltd.

Work Improvement Proposal System (Chie-Tsubaki Proposal System)

Shiseido believes it is the willingness of individual employees to meet challenges and take action that drives reform of the Company forward. We launched the Chie-Tsubaki Proposal System in June 2006 to enable all employees to participate in the reform process by submitting ideas on how operations can be improved.

The system provides a mechanism for evaluating proposals made by employees based on their creative problem-solving and improvement efforts. Especially proposals that receive a favorable evaluation are presented directly by the submitting employee to the Company's president and directors, who evaluate the proposal and recognize the employee's contribution.

We also award individuals/offices every year.

Proposals that can be implemented horizontally across the organization are applied companywide to help gain new customers and streamline operations.

Personnel affairs and fair evaluation

■ Promotion Structure of Fair Evaluation and Work Conditions

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 a personnel affairs policy 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 FY2015, we conducted the survey not only in Japan but also in part of 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." Such distinction of corporate culture endures today as the Company reflected in the "Shared Education" Declaration launched in 2006. The declaration seeks to cultivate people by linking workers' self-realization to the growth of the company.

To develop their capabilities, Shiseido not only encourages voluntary self-betterment in each segment, in which employees are active, but also supports human resources through various opportunities so that they can become professional.

The Beauty Field Career Development Plan Program established in 2009 is an example of a structure aimed at fostering professionals. Under this program, BCs, hair and makeup artists and salon stylists who are Shiseido employees in the beauty field, join the selective Shiseido Beauty Academy as a career path, then proceed to become advanced beauty professionals at the top of their respective fields in Shiseido Group after graduating from the academy.

In addition, we established the Marketing Academy in 2014 with the aim of improving the entire company's marketing capabilities. We promote multi-faceted programs within and outside of Japan, targeting young employees, managers, and all employees, etc.

■ Ecole Shiseido

In accordance with its "Shared Education" Declaration, Shiseido opened a corporate university called Ecole Shiseido in 2006 to implement the Company's human resources development policy and oversee companywide training. A variety of training initiatives are being offered, including professional training in a variety of fields, new employee and management training that cuts across fields, and training to develop the skills required in upper management positions. While the president serves as the chancellor of the university, corporate officers take the lead in developing a pool of interested and talented employees by serving as the deans of the faculties in the university that correspond to their own areas of responsibility.

The training programs conducted at Ecole Shiseido are summarized each fiscal year by the heads of respective faculties at the head meeting to discuss human resources development policy, development measures and more.

Shiseido is also developing and expanding e-Learning or correspondence courses to enhance each and every employee's skills. Available courses include programs to help improve action and capabilities, programs to develop specialized knowledge and skills required for respective fields, and programs for acquiring official certifications aimed at enhancing language ability and OA skills.

■ Human resources utilization and development on a global level

As a result of the shift to the matrix organization system, which consists of the horizontal axes of 5 brand businesses and vertical axes of 6 regional headquarters, human resources utilization and development 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.

Specifically, we have been promoting various initiatives, such as promotion of mobility between regions on a global level and implementation of the "Leadership Program" in each layer led by the top layer that includes young human resources.

Through these initiatives, we aim to develop human resources capabilities to use appropriate personnel in appropriate positions and to prepare for the future with global perspectives.

Safety and health of employees

■ Health Management Policy

Shiseido is pursuing companywide personal development as it strives to achieve its vision of filling the Company's organization with interesting and talented people. It is of paramount importance that each and every employee be able to work in a fresh and lively manner, healthy in body and spirit, and we believe that healthy living is the foundation of personal development. That is why 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 customers, Shiseido promotes healthy, sound management. This helps each and every employee to live "This moment. This life. Beautifully." by being 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 fulfill a professional role by fully exercising their abilities.
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 Structure of Safety and Health

To ensure that the basic health management policy functions effectively across the Shiseido Group, the Company holds a Local Hygiene Council seminar in each area to discuss companywide promotion of health programs and efforts suitable for results of the area. Participants include the human resource managers of domestic Shiseido Group companies, industrial physicians, occupational health nurses, regular nurses and other industrial health staff, labor union representatives, staff from the Head Office Human Resources Department and health insurance union representatives.

At the Group's domestic business offices, hygiene committees are being established to point out and improve hazardous areas by making tours of the offices in accordance with laws and regulations.

Global Innovation Center and factories are established with occupational safety and health policies and safety and health committees. Accordingly, respective entities regularly check offices, shared facilities and operation sites, pointing out hazardous areas or dangerous behaviors to make improvements to. At the same time, new facilities are being verified prior to their start of operation to ensure absence of dangers.

Measures are also being taken at the domestic factories to prevent the occurrence of major accidents by setting the goal of eliminating layoffs caused by disasters every year.

Safety and Health Education for Employees

Shiseido distributes a pamphlet entitled "Achieving Physical and Mental Health" to all employees as a means of promoting the health of each and every employee. 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 also 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 respond to employees' care in a wide scope and have established the counseling system that can offer support 24 hours a day, all year round.

■ Preventing lifestyle-related diseases

With the aim of achieving the regular health check rate of 100%, we have added optional items for the health insurance union in addition to the legally required items, which are implemented on the same day. The Company allows employees to individually select certain items besides statutory health check items, thereby raising employees' interest toward their health through regular health checks.

We promote activities to prevent lifestyle-related diseases through transmission of industrial health staff providing individual health instructions, etc. to employees based on the national regional assignment. Shiseido also distributes information on the company intranet and issues periodical materials to promote health education among all employees and promotes health education with wider targets through employee e-Learning, etc.

■ Providing mental healthcare

An in-house mental health counseling office is established. A counseling system that realizes cooperation with workplaces and healthcare is established mainly with specialized counselors and industrial physicians. 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 general 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 workplace returnees to return to the workplace more smoothly.

■ Discouraging tobacco use

Shiseido is implementing non-smoking in the company with the objective of improving employees' health, enhancing customer satisfaction and fulfilling social responsibility. Enlightenment activities included no-smoking days to foster understanding within the Company prior to implementation of the non-smoking rule.

■ Supporting women's health

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

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

■ Interview to prevent long-time work

To prevent health disorders due to long-time work, Shiseido business sites have established standards that exceed 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

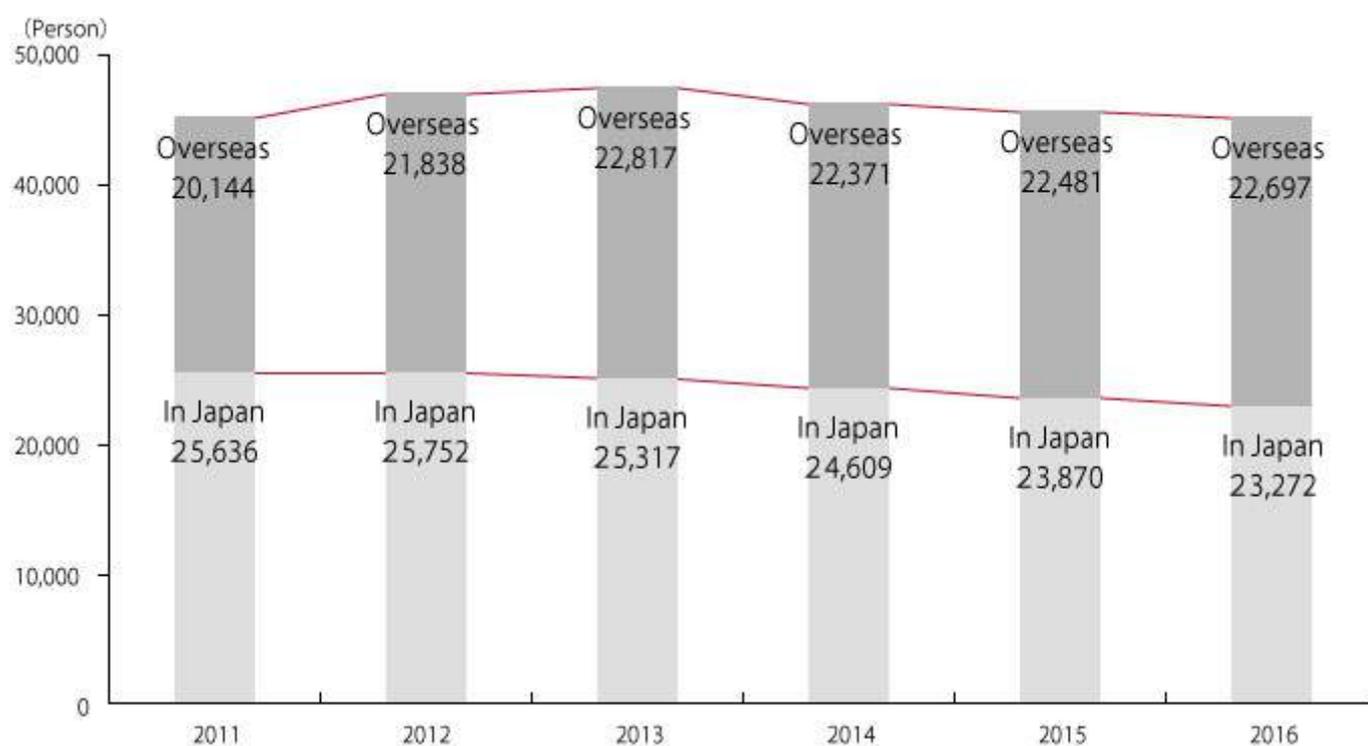
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

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, 2016, the number of employees throughout our Group companies totals approx. 46,000, which is approx. 400 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 the well-organized system based on abilities and results, which eliminated 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 also the system for increasing the satisfaction level of employees.

The basic salary ratios of employees in the domestic Shiseido Group in FY2016 by job category and gender are as follows: Management level: Male100 : Female98; General management: Male100 : Female100; and Beauty staff: Male100 : Female112 (As of January 1, 2016).

Employee benefits and welfare

Aiming for our employees and their families to achieve "the realization of prosperous and comfortably affluent life", we are putting the force on fulfillment of employee benefits and welfare as well as keeping our working conditions in good order so that they can be actively engaged in corporate and social activities.

Welfare facilities to support employees to advance their business career and design their own life style

Shiseido is supporting our 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 various welfare facilities.

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 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 facility 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 contributes to support employees' life planning management.

Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "allowance for employee retirement benefits" and "lump sum retirement pay".

Employees enjoy benefit after selecting a plan between defined contribution pension scheme and allowance for employee retirement benefits. With regards to defined contribution pension scheme, Shiseido helps support our employees to actively practice post retirement life design planning through asset management and investment information periodically provided by Shiseido.

Partially some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

Employment

In Shiseido Group Companies, 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 in each respective operating country.

In employing workers, upholding the Shiseido Group corporate philosophy of "Our Mission, Values and Way", we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system twice a year in spring and summer, 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 commission 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.

Shiseido Company, Limited and certain Group companies' (including overseas subsidiaries') employees are organized according to labor unions. In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Sales Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 10,400 Shiseido Group employees in Japan as of January 1, 2016).

In the union agreement document, Shiseido Company, Limited and Shiseido's labor union confirmed aims 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.

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.

