Report on Shiseido’s activities for society and the environment
This 2003 Shiseido Sustainability Report is the first such report made by Shiseido. Sustainability means “the ability to continue”, and here specifically is given the meaning “balance maintained between economic growth, consideration for the environment, and contribution to society.”

This report has been produced as an important communication tool to inform the general public of Shiseido’s fundamental stance placing importance on human values and contribution to society as well as profitability since this company’s founding, and its activities toward those ends.

Further, we hope that through this report we can have all its readers join with us in considering Shiseido’s sustainability, what is important for society today, and what Shiseido can do to improve the sustainability of society.
Editors’ policy

- This report takes into consideration the Ministry of the Environment’s “Guidelines for Environmental Reports (2000 edition)” and the GRI* “Guidelines for Sustainability Reports (2002 edition)”. Topics not covered by these guidelines are introduced on a broad scale.
- In production of this report, attempts were made to make it easy to read and understand, keeping specialized terms to a minimum and using many illustrations and much data. Detailed data has been organized in the Collected Data and in our Web site.
- We would appreciate it if you fill out the questionnaire after reading this report, giving your frank views.

*GRI (Global Reporting Initiative): an international organization started in 1997 for the purpose of creating worldwide guidelines for sustainability reports covering not only the environment but also social service and the economy.
Society and Corporate Management in the Future

The 21st Century is an era in which richness of spirit and true human nature will be sought. Reflecting on the 20th Century in which we lost sight of respect for human beings and of the importance of the objects surrounding us, I feel that all people living in this world must restore the primary importance of spirituality in their lives. Further, is it not necessary that all children, women, and elderly and handicapped persons truly feel the joy of living and that we all build a society with dreams for the future?

I feel that businesses must positively strive to make such a society a reality. This involves a wide range of measures for the welfare of society, including carrying out complete compliance with regulations, taking measures to deal with environmental problems, making it possible for employees to both do their work and raise their children, while we pursue profitability. The management style of the 21st Century involves striking a proper balance among these requirements of society, and above that ensuring an equitable profit for the company.

This is the theme of business activity that all companies, large and small and of whatever business field, must adopt, because we all use the resources of this earth and utilize the accomplishments of this society. All business must bear their own unique responsibilities, must work together, and compensate for each others’ shortcomings, while pursuing balance between profitability and social service, between competition and cooperation, and between work and personal life. I firmly believe that these are the conditions that must be met for companies to have sustainability in this society.

Corporate social responsibility is presently being called for. Shiseido has in its 131 years of operation pursued a high level of culture, humanity, and social service as well as profitability. In 1997 we issued a declaration of the way in which we wish to be of service to those with a stake in our success, The Shiseido Way, a Corporate Activity Declaration, which also makes a wide appeal to the public. Also at that time, in order for the efforts of our company to be understood we prepared a sustainability report (social and environmental activity report).

We at Shiseido always conduct serious self-evaluation, searching for what we can do to be loved by our customers around the world and to justify our existence in this society. We are always spurred on by the desire expressed at our company’s founding that this company “serve our customers by giving them beauty and health, and so to serve society as a whole”, and continue to disclose our management actions to public scrutiny. Thus we earnestly wish for your continued support and advice in the future.

September 2003
Shiseido, Inc.
CEO and President

池田 博男
[Corporate Ideals] and [Criteria for Corporate Activity – THE SHISEIDO WAY –]

Corporate Mission

<table>
<thead>
<tr>
<th>Corporate Mission</th>
<th>Criteria for Corporate Activity</th>
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</thead>
<tbody>
<tr>
<td>We aim identify new, richer sources of value and use them to create beauty in the lives and culture of those we serve.</td>
<td>1. We seek to bring joy to our customers.</td>
</tr>
<tr>
<td></td>
<td>2. We are concerned with results, not procedures.</td>
</tr>
<tr>
<td></td>
<td>3. We share frankly with each other our real priorities.</td>
</tr>
<tr>
<td></td>
<td>4. We give free rein to our thoughts and boldly challenge conventional wisdom.</td>
</tr>
<tr>
<td></td>
<td>5. We act in the spirit of thankfulness.</td>
</tr>
</tbody>
</table>

THE SHISEIDO WAY

With our customers
Through the creation of true value and exceptional quality, we strive to help our customers realize their dreams of beauty, well-being and happiness.

With our business partners
Joining forces with partners who share our aims, we act in a spirit of sincere cooperation and mutual assistance.

With our shareholders
We aim to win the support of our shareholders by retaining earning for future investments and paying dividends which come from sound business results, and to uphold their trust through transparent management practice.

With our employees
The individuals who make up our workforce — in all their diversity and creativity — are our most valuable corporate asset. We strive to promote their professional development and to evaluate fairly. We recognize the importance of their personal satisfaction and well-being, and seek to grow together with them.

With our society
We respect and obey all laws in all region in which we do business. Safety and preservation of the natural environment are our highest priorities. In cooperation with local communities and in harmony with international society, we call on our culture resources in creating a global, beautiful, cultured lifestyle.

In 1921, the Shiseido Group adopted the Shiseido Five Guiding Principles, rules for employees summarizing the mental attitude to be taken as they carry out business. In the spirit of those principles, Business Philosophy was adopted in 1989 to clearly set forth the mission of the company and the code of company conduct, and our Corporate Behavior Declaration - The Shiseido Way was adopted in 1997 to put our business philosophy into concrete form.
In order to gain the trust of our stockholders
We have a management system fully capable to handle our business

We recognize that it is through the support and cooperation of our stockholders, gained because we conduct business with genuine value, that we can create new business to still further heighten the value of the Shiseido corporate brand. Thus, we are striving to improve investor relations with reform in corporate governance and emphasis on gaining trust.

Carrying out responsibilities to all stakeholders
Establishment of corporate governance

From fiscal 2001 onward, various reforms have been carried out including the reform of the meetings of the Board of Directors and introduction of a system of Executive Officers. The aim of these is to make the goal-setting process speedier and so heightening the adaptive capability of management and at the same time have a clear system for placing responsibility on the management staff.

In order to make the new policy making process still faster, the Board of Directors was shrunken almost in half from 13 to 7 members, and a new Regular Executive Officers Board was established giving each Officer greater powers, in fiscal 2002.

Shiseido has incorporated various other systems and procedures. Specifically, we have established an Advisory Board consisting of 6 executives of other companies and our CEO to achieve healthier and more transparent management practices, and have introduced a corporate policy governance system at the top management level that strengthens inter-company cooperation by cutting across organizational boundaries.

Each of these systems and procedures operates under significantly higher ethics corporate standards than those required by the law, and under the strong leadership of top management has been put into full practice. This will lead to the establishment of corporate governance which fulfills our responsibilities to all stakeholders.
IR (investor relations) activities placing importance on relations of trust with stockholders and other investors

In order for Shiseido to build and maintain solid trust in our company in securities markets through two-way communication with our stockholders and other investors who are important stakeholders in our prosperity, we are vigorously setting up new IR activities. Establishing IR activities is our responsibility as a company listed on the Tokyo Stock Exchange, and at the same time these activities help raise the value of our corporate brand.

Regarding information disclosure, we strive to make fair disclosure of reliable information on our company to those active in capital markets such as investors and securities analysts, to the mass media, and to all our stakeholders such as employees and business partners equally and in a timely fashion.

Outline of financial results

Consolidated sales broken down according to operation for the term ending March 2003

- Cosmetics 78%
- Toiletries 11%
- Others 11%

Consolidated sales broken down according to domestic/overseas for the term ending March 2003

- Domestic 75%
- Asia, Oceania 7%
- Europe 11%
- The Americas 7%

Consolidated business results

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Operating profit</th>
<th>Net profit (loss)</th>
<th>Total capital</th>
<th>Stockholders’ capital</th>
<th>Net profit (loss) per stock</th>
<th>Dividend paid per stock</th>
<th>R&amp;D expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/3</td>
<td>621,250</td>
<td>48,993</td>
<td>24,496</td>
<td>663,403</td>
<td>353,466</td>
<td>58.0</td>
<td>20.0</td>
<td>173</td>
</tr>
<tr>
<td>2002/3</td>
<td>589,962</td>
<td>25,572</td>
<td>(22,768)</td>
<td>664,041</td>
<td>345,667</td>
<td>(54.6)</td>
<td>16.0</td>
<td>170</td>
</tr>
<tr>
<td>2001/3</td>
<td>595,152</td>
<td>32,291</td>
<td>(45,092)</td>
<td>665,247</td>
<td>361,696</td>
<td>(106.8)</td>
<td>16.0</td>
<td>168</td>
</tr>
</tbody>
</table>

*Net profit (loss) for this term per stock is calculated based on the average price of the stock during the term.

Awarded the “Disclosure Award for Listed Companies”

Shiseido received the 3rd and 8th “Disclosure Award for Listed Companies” from the Tokyo Stock Exchange in 1998 and 2003 respectively.

We are planning further promotion of understanding of Shiseido’s business, achievement of appropriate stock prices, and improvements of management practices through our IR activities.
Corporate ethics

All employees conduct self-evaluation to maintain a high sense of morals – that is Shiseido’s policy

To make Corporate Ideals and the Declaration of Corporate Behavior – The Shiseido Way a reality, we have taken concrete measures for the reform of the behavior of each of our employees, organizing a corporate ethics committee and beginning corporate ethics activities in 1997. In all the companies of the Shiseido Group, we have established the Shiseido Code, corporate ethics and behavior standards which all employees must follow, and have promoted its actual practice. It is Shiseido’s policy that not only are the laws to be obeyed, but also that we impose strict rules upon ourselves in our conduct.

Promotion system and outline of activities

In all our Japanese business sites, The Code Leaders have been assigned to act as the vanguard of corporate ethics. These Code Leaders have been chosen among persons of various positions and ages and of both sexes. In each site more than two persons have been assigned. The Code Leaders of course faithfully obey the Shiseido Code, and together with others considers corporate ethics from various viewpoints, makes statements, and creates an atmosphere conducive to ethical behavior and in which it is easy to discuss all sorts of problems. Further, all employees are given an ethics card, and through the company home page and other means corporate ethics is thoroughly promoted.

Also, in foreign subsidiaries the Shiseido Code has been introduced and B.E.O. (business ethics officers) have been assigned.

In July 2003 marked the passage of six years since the Shiseido Code was established, and in order to adapt to changes in laws and the social environment it was completely amended.

Organization for promotion of corporate ethical behavior

Corporate ethics committee

Committee chairman
Corporate policy governor (company vice-president)
term of office 2 years, 19 members

Committee members

Corporate ethics office

The Code Leader

Term of office 2 years 580 code leaders
Ratio of males to females 1:1
Manager/non-managerial staff 6:4
(as of Aug. 2003)
(Business ethics officers appointed for foreign subsidiaries)

Frequency of meetings: Regular meeting once every two months, camp meeting twice a year carried out
Duties, purpose: Choose and study topics relating to business ethics, making checks within the company and taking measures to prevent future misbehavior.

Business ethics Corporate Effort Award – the best practice awarded by Business Ethics Research Center in 2002.

Shiseido Business Ethics White Papers, each reporting on business ethics activities within the company for a one year period.

1 Business ethics help line
Shiseido help line
Place for consultation outside the company
Place in the Business ethics committee home page for inquiries

2 Education in business ethics
All officers and employees take training courses in business ethics at least (once a year),
New code leaders take training courses (twice a year),
New sexual harassment consultation staff receive training courses (once a year),
Training in all types of compliance (with laws, regulations)

3 Heightened awareness of business ethics
Business ethics committee home page (Internet)
Publication of magazine “Code Letter” every other month
Meetings with code leaders (exchanges of opinion between business ethics committee members and code leaders)
Business ethics videotape library

4 Check system
Report by The Code Leader on activities (once a year)
Case reports by head office departments (every other month)
Publication of business ethics white papers (every year)
Audits of business ethics by legal advisors (once a year)
Chapter 1: With Our Customers
1. We will always try to see things from our customers’ perspective and do our best to research and develop, manufacture and sell products and services of excellence that can truly meet our customers’ needs.
2. We will supply quality information to our customers.
3. We will act in a way that satisfies our customers and wins their trust.
4. We will actively seek our customers’ opinions and comments and take them into consideration.
5. We will do our best to upgrade the brand value of the Shiseido Group.
   5-1 Trust Building
   5-2 Respect for Intellectual Property

Chapter 2: With Our Business Partners
1. We respect all our business partners who share our aims, and aspire for coexistence.
   1-1 Toward Coexistence
   1-2 Appropriate Relationships
   1-3 Appropriate Handling of Confidential Information
   1-4 Proper Marketing Attitude
2. We will always comply with the Anti-Trust Law and other relevant laws, and compete fairly.
   2-1 On Equal Terms
   2-2 Fairness
3. We will not give or take such gifts, nor entertain or be entertained in such a manner that may cause suspicion regarding our fairness.
   3-1 Moderation
   3-2 Relationship with Government Officials

Chapter 3: With Our Shareholders
1. We will make good use of the Shiseido Group’s assets to achieve good business results and yield profits.
   1-1 Growth and Accumulation of Results
   1-2 Preventing Corporate Crises
2. We will maintain transparency in our corporate management and carry out proper accounting practices.
3. We will place importance on dialogue with our shareholders and investors to gain the trust of the capital market.
4. We will properly treat unreleased important information (insiders information).

Chapter 4: With Our Employees
1. We will identify ourselves with each other and will respect each individual’s way of thinking and points of view so that everybody in the workplace may work to his or her fullest capability.
   1-1 Capitalizing on Individuality
   1-2 Respect for Human Rights
   1-3 Cooperation between Men and Women
1-4 Defending Privacy
2. We will conduct business with integrity and strive to create new values, and to put forth our best efforts to promote self-development.
   2-1 Ethics and Integrity
   2-2 Self-development
   2-3 On Competition
3. We will create a healthy and safe work environment and comply with labor standards.
   3-1 Striving for Dialogue with Co-workers
   3-2 Self-management
   3-3 Healthy Environment
4. We will manage information appropriately and will treat confidential information with greatest care.
   5. We will distinguish between private and business affairs to create a pleasant work environment.
   5-1 Ethical Behavior in Private Life
   5-2 Distinction between Private and Business Affairs
   5-3 Respect for Individual Beliefs

Chapter 5: With Our Society
1. We will respect and obey all laws and will respect local customs in all countries and regions.
   1-1 Compliance with Laws
   1-2 Resolute Stance against Anti-Social Individuals and Groups
2. We will preserve the global environment by obeying environmental laws and our own stringent environmental standards.
3. We will actively concern ourselves in society.
   3-1 Creating a Beautiful Cultured Lifestyle
   3-2 Collaborating with Local Communities

Chapter 6: System to Promote the Shiseido Code
1. The Shiseido Code
2. System to Promote
3. Violation of the Shiseido Code
4. Revision of the Shiseido Code
Shiseido stakeholders

Through interaction with many, new human ties are made and new products of value to society are found

As stated in the Declaration of Business Behavior – the Shiseido Way, Shiseido’s most important stakeholders are our customers, buyers, suppliers, stockholders, employees, and society as whole. Together with these stakeholders we search for new products and services of value and create a beautiful culture of everyday life – that is the chief role of Shiseido as a company in society.

Shiseido’s business philosophy is given concrete form in the Shiseido Way, and its embodiments in our business activities accumulate day by day. Continuing our activities toward these goals in any form possible, no matter how small, we work not only as one company, but also together with our stakeholders, expanding into all aspects of society. The ideas of Shiseido and of our stakeholders resonate with each other through the close network of communication we have established, and will lead to the creation of a society whose three basic elements, economy, social culture, and environment, have a symbiotic relationship making for sustainability. The influence of each of the activities of Shiseido and our stakeholders will be enlarged by feedback of voices between us, creating an ever larger circle of cooperation. Shiseido will continue these efforts until the earth and all those living on it are filled with health and express beauty in ever new ways.
Shiseido Social Service Report

Together with society
- Welfare, regional activities
- Support system for employees’ social service activities
- Mesna (support for the arts and culture) activities
- Successful aging activities
- Academic support activities

Together with our customers
- Communication with our customers
- Measures to gain “safety” and “security”

Together with our business partners

Together with our employees
- A fair workplace
- Respect for diversity
- Health maintenance, safety, and hygiene
- Fundamental personnel policy
- Personnel education programs
- Welfare programs
- Labor-management relations
How must social service activities be carried out? – Shiseido has given this hard thought

We gain better understanding of this by utilizing insight and technology

A company’s social service activities are an occasion for the company to fully utilize the unique qualities it has developed –its “genes” – these activities being none other than the company’s very spirit.

Moving toward Shiseido’s business goal to create beautiful life and culture, we proceed with our social service activities together with our business activities.

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1. The goals of social service activities

In order for us at Shiseido to create beautiful life and culture, we make full use of the insights and technology we have gained up to now to proceed with social service activities together with our business activities.

2. The range of social service activities

- Activities leading to the creation of beautiful life and culture
- Activities that make use of the strengths of Shiseido (know how, culture, personnel, etc.)
- Activities that deal with the needs and problems of society as a whole and of local regions;

3. Characteristics of social service activities

1. 1.3% of operating profits are allotted to social service activities as a whole, and of that 1/3 is allotted to the arts and culture.
2. Viewing participation in social service activities as a duty of employees, a “Social studies day” system has been instituted to support such participation.
3. Social service activities befitting a maker of consumable materials, including matching gifts of products.
4. Shiseido is a member of the Japan Federation of Economic Organizations 1% Club, and the Business Mesna Association, Inc.

Examples of our social service activities may be found on our Internet Web site. www.shiseido.co.jp/social
Living as a member of society, working with others in welfare and regional activities

Thankful for the multi-faceted support we receive from society, Shiseido makes use of the unique know-how, technology, and properties it has built up in the course of its business to promote continuing social service activities. Also, we cooperate closely with the society of each of the regions in which we operate, respecting the characteristics and individuality of these areas.

• Promoting good personal appearance in welfare facilities

In order to help the elderly and the handicapped, a subsidiary of ours expanded the personal appearance training course begun in 1949, into a company-wide activity in 1975. In fiscal 2002, 2,370 such courses were attended by 50,000 persons. Our rehabilitation treatment using make up and our ability to instill desire to resume independent lives has drawn attention from the medical world.

• Creation of a personal beauty home page for the visually impaired

In November 2002 the Shiseido Listeners’ Café was started in the Shiseido web site. Compatible with voice recognition software and with special consideration given to site layout and letter size, the user can find desired information simply.

• Personal beauty information service provided to the visually impaired

Shiseido has developed a variety of services for the visually impaired, including Braille, large-letter documents, and information presented by voice. Specifically, we produce product identification seals with both Braille and large letters, publish personal beauty textbooks, and produce and donate information audio tapes entitled “A Little Time for Being Beautiful”. Beauty information tapes are produced four times a year and are donated to 90 Braille libraries across Japan where they are used by 5,000 persons a year.

• Sponsoring charity concerts at the Shiseido Art House

At the Shiseido Art House at Kakegawa city in Shizuoka Prefecture, we have held charity concerts twice a year since 1992, for local residents who attend without charge. At the concert hall we ask for donations which go to a volunteers’ fund given to social welfare associations.

Braille personal beauty texts, beauty information tapes


Personal appearance training course at a facility for the elderly

Shiseido Listeners’ Café www.shiseido.co.jp/listener
Together with society

System for support of employees’ participation in social service activities

At Shiseido, the participation of employees in social service activities is supported in a systematic manner not just as a manifestation of philanthropy, but also because it leads employees to take a good look at the direction society is headed and engage in self-development through social interaction. Based on the conviction that the personal growth of each employee will lead to the further growth of the company, we support the social service activities of employees with systematic measures.

• **Social studies day**

A system begun in 1993, where for three days a year counted as work days, employees engage in various activities to contribute to society, different from the “vacation for volunteer activities” system. The wide range of activities carried out in social studies days include volunteer activities, learning techniques which will be of use in social service activities, and donor registration. In fiscal 2002, 18 persons made use of this system.

• **Product matching gifts**

Proportionate to the efforts exerted by employees in volunteer activities, the company has been donating shampoo and soap it manufactures to welfare facilities since 1998. Starting in 1999, these activities of current and former employees and their families also have been counted to determine the amount of the donation, and in fiscal 2002 products worth ¥1,110,000 have been given to 25 facilities.

• **Overseas volunteers**

In 1997 a system dispatching employees overseas to experience volunteer activities in other Asian countries was established, beginning with four persons in fiscal 2002. At the Duanpuratip (Reinvigorated school, a facility for nurturing, educating, and job-training slum children) Foundation employees helped children and improved facilities.

• **Social service activity award**

This award was established in 1992 to honor employees’ grassroots activities. Along with this award itself, Shiseido donates an amount of money equivalent to the number of persons awarded to social welfare associations in recognition of the awardees’ wishes and accomplishments. In fiscal 2002 award were given in connection with 9 activities, to 24 persons.

Making contributions to society in the U.S.

Shiseido affiliates in all regions of the world are growing roots in the local society and widely expanding social service activities. Here, activities in the U.S. are introduced.

Cooperation in Earth Day poster contest

At Shiseido’s East Windsor (U.S.) factory, we organized an Earth Day poster contest.

Earth Day poster contest award ceremony

Cleanup volunteering

The companies Shiseido America and Dublin initiated and executed a program to clean highways of New Jersey in May 2003.

Employees who participated in the May 2003 cleanup.
Mesna (support for art and culture) activities – support for creation of new expressive activities

Since the establishment of the Shiseido Gallery in 1919, we have continued to provide a place for young artists to present their works, and have supported art and culture in a wide variety of genres centering around contemporary art. We have decided to continue support on the level of 1% of operating profits, and put special importance on cooperation with the Business Mesna Association (registered non-profit organization).

Main activities sponsored by Shiseido

• Shiseido Gallery

Japan’s oldest art gallery, it now has a long history. In March 2001, its building, the oldest in the Ginza district, was renovated to have a space with a ceiling over 5 meters high. We operate with the goal of discovering the new artistic values for the future. In fiscal 2002 we held 7 exhibits.

www.shiseido.co.jp/gallery

• Art Documents Support Program by Shiseido (ADSP)

The Art Documents Support Program by Shiseido (ADSP) selects twice a year exhibits from among all those held in Japan, and produces catalogs for them with the goal of supporting artist from whom even greater accomplishments can be expected. This program makes use of the know how gained in operation of the Shiseido Gallery and the know how of the art book publisher Kyuryudo with which we have close connections. In fiscal 2002 we provided such support for 10 exhibits.

• Contemporary poetry “Hana Tsubaki” award

An award given to the outstanding poetry collection published during that fiscal year (the previous September 1 to this August 31.) This supports those engaged in creation of poetry, and also promotes poetry beyond specialized literary circles, as works with close personal appeal which can be shared by many. In fiscal 2002 the 20th award went to Takayuki Kiyooka for his collection “Isshun” (published by Shichosha).

• Shiseido Art House/ Business Materials Archive

Art House is an art museum where the art items which Shiseido has accumulated through its cultural patronage activities are exhibited to the public. The Business Materials Archive is an archive that introduces the history of business culture and business activities from one particular angle. Opening of both their renovated facilities was in June 2002, and in fiscal 2002 there were 27,000 visitors to both. In the future we will continue to promote activities with rich content, as a cultural facility with close ties to local society.

Catalogs produced by ADSP

• Cooperative activities over a wide range

The spirit of Shiseido’s support activities always is directed toward innovation. Our Gallery’s activities of more than 80 years is the starting point of this support, with a stance placing importance on support of creation of new art and culture regardless of country, overflowing with expression of the spirit of all those living at the same point in time.

Breakdown of fiscal 2002 support by genre total projects supported: 137

- Business expenses 6%
- Dance 8%
- Art 53%
- Music 15%
- Literature 1%
- Publishing 1%
- Traditional arts 1%
- Research, training 2%
- Movies, images 2%
- Theater, performance 3%
- General stage activity 4%
- Symposium 1%
- Architecture 1%
- Composite art 1%
- Others 1%
Successful aging activities – Putting on years beautifully

Shiseido defines successful aging as “living cheerfully in the way true to oneself, deepening personal appeal with increasing years”. We support the way of living characteristic for each generation. We take every opportunity to provide information on beauty and health to society.

• Successful aging forum

Held in 1989, and thereafter every other year, presenting information on the latest research and fundamental knowledge on the ways to put on years beautifully. For the themes of the past forums, consult the data collection (p.47).

• Successful aging seminar

Held upon request of regional companies or organizations, primarily by subsidiary company beauty consultants. There is direct interaction with customers, who get hints and valuable ideas on pleasant cosmetic life.

• Publishing activities

Through publications information is provided. In fiscal 2002, “SA Design of Aging” (Masakazu Nomura ed.) and “SA Realities of the Live-to-100 Age” (Masaaki Shiraishi ed.) were published.

• Distribution of information through the home page

In the Shiseido home page, there has been constructed a successful aging page where general information is presented.
Activities supporting the arts – support in related scientific fields

As a business related to human science, skin science, and the science of everyday life, we energetically support research at the frontiers of current knowledge.

**Sponsorship of symposiums and lectures from the planning stage**

We hold symposiums and seminars chiefly on themes related to skin. Through the presentation of the results of research at the frontiers of these fields, we promote the fruitfulness of future research. In March 2003 we held the 13th Symposium on Solar Ultraviolet Rays and Aging, and the 9th Citizens’ Seminar on the Sun and Health together with the Solar Ultraviolet Ray Protection Research Committee.

**Aid to research institutions**

Shiseido has since 1967 provided aid to research institutions and researchers.

**Development of cosmetic methods and products for those suffering from facial blotches**

Shiseido is pursuing development of cosmetic methods to eliminate blotches and dark discolorations by makeup, thus overcoming this handicap and enabling psychological recovery and return to normal life in society. This conceptual approach is drawing attention from medical circles. Persons who actually have used this method have related to us their impressions that “I was much comforted psychologically,” and “I am now able to have confidence in myself.”

Shiseido has developed a foundation which allows this cosmetic method to be easily carried out, and in 1995 began sale of Shiseido Perfect Cover. In the future Shiseido will continue to pursue research aiming to find varied uses for cosmetics.

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**Fiscal 2002 Aid**

<table>
<thead>
<tr>
<th>System name</th>
<th>Aid content</th>
<th>No. of cases/amount of aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shiseido skin aging research fund</td>
<td>Aid to skin aging research</td>
<td>5/5,000,000</td>
</tr>
<tr>
<td>Shiseido science and engineering research fund</td>
<td>Aid to science and engineering research</td>
<td>5/5,000,000</td>
</tr>
<tr>
<td>JSID’s International Fellowship SHISEIDO Award</td>
<td>Aid to fundamental research in skin science by Shiseido and Japan Research Skin Science Association</td>
<td>5/6,000,000</td>
</tr>
<tr>
<td>Japan Skin Science Association medical fundamental research funding</td>
<td>Aid to fundamental research in skin science by Shiseido and Japan Skin Science Association</td>
<td>12/6,000,000</td>
</tr>
</tbody>
</table>

*Since fiscal 2003 the Shiseido skin aging research fund and the Shiseido science and engineering research fund have been combined into a new Shiseido Science Research Fund.

www.shiseido.co.jp/doctor

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Shiseido awarded Grand Prize in the fiscal 2003 “Survey of corporate contributions to society” made by Asahi Shimbun Cultural Foundation

In the 13th Survey of Major Companies’ Contributions to Society, Shiseido was awarded the Grand Prize. Companies are awarded for the long term continuity, innovativeness, and uniqueness of their contributions to society in a comprehensive evaluation. The reasons given for Shiseido receiving this award was Shiseido’s promotion of activities contributing to society which have clear goals, ranges of operation, and objects to be acted upon. Our continuing allocation of 3% of operating profits to social service activities, including 1% to Mesna (support for art and culture), and the many tangible organizations and actions realized to carry out the provisions of the 1997 Corporate behavior declaration –the Shiseido Way, were highly evaluated.

Company president Morio Ikeda receiving award (photo by Asahi Shimbun)
Together with our customers

Placing importance on communication with our customers, we consider ways to instill trust and a sense of security.

We wish to be a company that satisfies our customers fully, fulfilling their deepest desires…

With this goal in mind, Shiseido has since its establishment put the customers first, striving to provide products and services that meet their needs and preferences. To do this, we must first of all listen to what they say, making strong efforts to hold activities that deepen communication between us.

In order for many customers to use our products faithfully with a sense of security, we put measures to ensure safety our first priority, always checking out every possibility with organized procedures.

Communication with our customers

The history of Shiseido’s customer center goes back to 1968 with the establishment of a Consumers Section. In 1996 we were the first in our business sector to introduce a toll-free number, and presently we receive inquiries from our customers through telephone calls, letters, and e-mail. In fiscal 2002 we received 136,000 communications of various types, including questions about the proper usage and choice of products, comments on products, requests for new or improved products, and questions about our advertisements.

Shiseido wishes to interact with customers not only through telephone calls and letters, but also at various locations where our employees and our customers can meet.

For communication with our customers, we provide a wide range of information, beginning with but not limited to information on the latest cosmetics and introduction of products. For overseas customers we have set up web sites in English, French, German, Italian, Spanish, Dutch, Portuguese, and Cantonese.

A new communications space for customers to interact with Shiseido, allowing customers to try our products freely and not doing any sales at all, and offering a wide range of consulting services using a wide range of the latest devices.
A system giving safety and reliability

The action of cosmetics upon the skin is gentle, but since they are used repeatedly over a long period of time, sufficient consideration must be made concerning their safety. Shiseido executes a system to ensure safety and reliability throughout the company, based on the four elements of product quality: safety, stability, ease of use, and efficacy.

1 Safety

Shiseido has adopted independent safety assurance standards which are stricter than those of any country in the world, and all our products always pass our standards. This verification of safety goes beyond the product itself, going back to the raw ingredients. Existing data, including huge amounts of safety information, are consulted, tests with cell cultures and artificial skin are made, and finally tests with humans are conducted. The actual conditions of use are considered in usage tests. Only those products passing all tests are put on the market.

2 Stability

During the long period from the time of shipping from the factory to the purchase by the customer to the time when the product is used up, there are several processes occurring in the product, and time elapses. In order that there is no sharp decrease in product quality with changes in surroundings or passage of time so that the customer can always use a product with stable quality, high-grade and high-purity raw materials are used, stabilizers that have no safety problems are added, and all other conceivable measures are taken to maintain stability.

Patch test
Each component of the composition is pasted on the skin, and progress of symptoms is observed.

Light stability test of cosmetics raw materials
The Vaseline Shiseido uses has fewer impurities than the usual Vaseline, and is stable under strong light for a long period, not changing in color.
Ease of use

An important factor in the satisfaction provided by cosmetics is the ease with which the product is used. In order to provide the feel to the skin and ease of use that our customers expect, we employ the latest technology, including that for emulsifiers.

Efficacy

Even if safety, stability, and ease of use are realized, if a product does not have the desired effect as a cosmetic, it is useless. Further, it is important that cosmetics have physical characteristics which provide a feeling of satisfaction and security as well as causing the desired effects. At Shiseido those effects are verified scientifically, based on reliable evaluation methods. We strive to provide products that have great overall effect, including beneficial psychological effects.

Other measures to ensure safety

• Safety assurance system

A safety assurance system has been established which coordinates main company staff, the R&D division, and the manufacturing division to quickly take measures to find the cause of any trouble that occurs concerning a product at a store or in a customer’s home.

• Safety assurance testing

Besides testing without animals and testing with humans, high level testing is done for those customers with sensitive skin, with the cooperation of doctors specializing in skin treatment and ophthalmologists.

• Strict selection of raw materials

Raw materials selected for use in products have little effect on the skin, providing no stimulus and being non-allergy. Materials with extremely high purity are carefully selected. Two products may have the same list of ingredients, but their quality may be entirely different if their ingredients are of different purity. Shiseido uses advanced purification technology to eliminate impurities and obtain high purity materials for use, striving to always provide safe products.

• Introduction of new uniforms

As we are taking steps to further improve safety throughout the company, the manufacturing division in particular is aiming for manufacturing processes that inspire even greater confidence than in the past. In April 2003 we introduced new uniforms for our factories. The new uniforms were carefully designed with consideration for the Good Manufacturing Practices (GMP) standards for cosmetic product manufacture and quality control, having greater functionality and wearability than the former uniforms.
Together with our business partners

We are considering good ways to deepen our partnership with stores where customers can get Shiseido products.

Since the first goal of Shiseido is the joy of our customers, our retailers and suppliers are important partners, working together to reach this goal. It is Shiseido’s policy to respect our business partners, faithfully obeying the laws that apply at the places where business with them is done. Progressing together to realize an ideal partnership which brings about mutual profits, we are planning various new measures.

Support from many angles for two-way communication with retailers

Shiseido slogan “Store base points” (Stores, which are the places where we meet our customers, are the starting points and the ending points of our sales activities) is one aspect of the sales operation reforms we are carrying out, and from this point of view we are supporting retailers from the sales and management angles.

Introduction of POS Partner 21 at store

At 16,000 domestic cosmetic speciality stores we have installed POS* cash registers, and through online connection it is possible to share the customer information gained at these stores. As a result, sales operation management based on feedback proposals from store base points, optimum supply of items based on demand, maintenance of optimum inventories, etc. is made possible, and benefits to both Shiseido and to retailers are generated.

Fundamental guidelines for purchasing activities

1. Together with our customers
   Operate from the view point of the customer, to realize optimum costs and outstanding quality

2. Together with our suppliers
   • A good partnership because we have a common mission
   • Fair purchasing dealings: opportunities to become a supplier are impartially given, and suppliers are selected fairly.
   • Toward global scale procuring: a global point of view
   • Execution of contracts: strict observance of contracts and rules, maintenance of secrets

3. Together with society
   Strict observance of relevant regulations, respect for different cultures and systems of values, consideration for safety and the global environment

Starting in April 2003, a hotline with cosmetic speciality stores, the “Shiseido Hotline,” has been in operation. Through postcards, FAX, or e-mail, views of retailers including requests or proposals regarding Shiseido’s product development, policies, or advertisements, and discussions concerning sales and store activities, can be made directly.

www.shiseido.co.jp/purchasing

*POS – point of sale.
The POS terminal at each store is connected to the host computer which manages sales records and inventories, etc. in real time in the sales real time information management system.

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The POS terminal at each store is connected to the host computer which manages sales records and inventories, etc. in real time in the sales real time information management system.
Together with our employees

To Shiseido, each individual employee is a very important asset
We search for ways to allow each one to achieve personal growth,
and to find satisfaction in their lives

To Shiseido, our employees, business partners, stockholders, and the society in which we operate are all important stakeholders. The basic guidelines for Shiseido’s personnel policy were set forth clearly within the 1997 Corporate behavior declaration – the Shiseido Way.

In order to make these basic guidelines a reality, we are constructing a healthy work environment where everyone can work with a good feeling and everyone brings out each other’s individuality, respecting human rights and utilizing each person’s abilities to the maximum. Further, with the goal of creating products with new values, we search out and train carefully personnel with varied original talents, evaluating their work fairly and supporting their self-expression.

A fair workplace

We strive to have workplaces with no discrimination, where no discrimination is allowed and human relations are positive and cheerful.

Gender-free

We have been promoting “gender-free” since January 2000. Gender free in Shiseido means a reform in consciousness and actions to create workplaces where everyone can promote their own individuality regardless of sex. We feel that if each individual employee can bring out his/her strengths, abilities, and individuality fully, they will work in good spirits and the company will be energized, able to serve customers and society with truly useful products and information.

To promote this we have set up behavior guidelines and are carrying them out in specific cases. As a result, in a survey of employee awareness, the percentage of persons thinking that the atmosphere in their workplace has become gender free was 26.5% in 2001, but 38.2% in 2002, a rise of ten points.

Raising consciousness of human rights

Shiseido feels that in order to be a company where there is no true discrimination, where no discrimination is allowed, all employees’ consciousness must be raised and work places filled with warm spirit must be nurtured. With these goals we plan out human rights consciousness raising activities.

One specific activity is the holding of human rights consciousness raising seminars for all offices, and including executives. These seminars are basically discussions among peers, and by listening to each other views it is intended that each person will become aware of his/her own problems.

In order to realize a company where men and women can equally contribute, in September 1, 2003 we opened a day care center within our offices, Kanga-room Shiodome to allow persons to work and raise children at the same time. It has been certified by the Shiodome area 21st Century Employment Association. A set number of openings are set aside for those from other companies, and through cooperation with other companies we plan to expand and improve our childrearing support activities.
Respect for diversity
We are engaged in the creation of workplaces where each employee can make use of his/her individual character.

Employment of the handicapped
We are fully aware that it is the responsibility of a company to society to create an environment where the handicapped can participate in society along with everyone else in a completely natural manner. Therefore, we are promoting employment of the handicapped. In 2000 we enlisted the help of IBM and together developed voice recognition PC software for the visually impaired in a joint project. Also, in the new offices of Shiseido at Shiodome completed in May 2003, there are restrooms for those in wheelchairs on the even floors, and on the first floor there is a guide in Braille and an interphone.

Health maintenance, safety, hygiene
We have established systems that monitor and support the health of employees’ minds and bodies.

Physical examinations
Once a year all employees are given physical examinations (those below 30 get a regular examination; those 30 and above get a lifestyle-related disease physical examination.) With the encouragement of managers and hygiene maintenance officers at each workplace, a high proportion of employees receive these examinations. Further, in cooperation with health insurance unions we encourage physical examinations once a year for spouses of employees who are dependents, providing financial support for this.

Mental health
We have prepared a book on mental health and have distributed it to all employees, promoting a system for care of the spirit based on each individual taking notice of danger signs in oneself and in those close by. Also, we have employed counselors and specialist doctors to provide consultation within the company, taking care to protect privacy.

Hygiene committee
In accordance with the Labor Safety and Hygiene Law, we hold meetings of the hygiene committee every month. This committee takes positive measures with both labor and management to improve the workplace environment, such as execution of workplace inspection and thorough enforcement of in-company smoking rules (separation of smokers from non-smokers).
Outline of personnel system

The personnel system may be broadly divided into four areas, the selective personnel training system, the qualifications system, the evaluation system, and the salary system.

### Basic concept
- Have a work environment where all employees can amply realize their abilities at an early stage
- Have a system providing appropriate employment, training, and treatment of personnel with varied individual characteristics
- Promotion and evaluation standards are made clear, easily understandable, and appropriate to actual situations
- A reward system that clearly distinguishes excellent ability and results
- An evaluation system with educational value, having good balance between ability, actions, and process

### System type
- **Selective personnel training system**
  - *Effect*: Full utilization of employees’ abilities in assignment of type of work and career course, without discrimination according to sex.
  - *Effect*: Improvement in ability of staff through employment of person with high compatibility for the work.

- **Qualifications system**
  - *Effect*: Clear standards for awarding promotions suited to increasing specialization and complexity of duties and a more level company organization, making promotions indisputably the result of excellent effort.
  - *Effect*: Realization of quick selection of those with high ability and also appropriate management of the promotion process.

- **Evaluation system**
  - *Effect*: Making evaluations convincing.
  - *Effect*: Appropriate evaluation of processes and actions based on discussions with those involved.
  - *Effect*: Reform of the breakdown of items in the total evaluation, appropriate to the actual work situation.

- **Salary system**
  - *Effect*: Thorough change to a system that recognizes results and making use of one’s abilities.

### Types of personnel systems

<table>
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<tr>
<th>System</th>
<th>Purpose, content, etc.</th>
</tr>
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<td>Career development related</td>
<td><strong>Job challenge system</strong> Personnel shift system based on desires of the employee, invigorating the organization by placing personnel who are appropriate for each workplace.</td>
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<tr>
<td></td>
<td><strong>In-company free agent system</strong> A system where employees are moved to the section/offices for which they state a preference, allowing them to do the work they want to do. Applications accepted once a year.</td>
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<tr>
<td></td>
<td><strong>Change in job type, career course</strong> Those fulfilling set applicant standards and certification requirements are enabled in this system to change posts according to the selective personnel training system.</td>
</tr>
<tr>
<td>Others</td>
<td><strong>Social studies day system</strong> A progressive social service activities system based on the concept of “dispatching staff to work for society”, for up to 3 days a year in principle, salary paid. (18 persons participating in fiscal 2002)</td>
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<td></td>
<td><strong>Maternity/paternity leave</strong> A system by which one may take as much leave as desired until one’s child is 3 years old. (577 persons participating in fiscal 2002)</td>
</tr>
<tr>
<td></td>
<td><strong>Child-rearing time</strong> A system by which one may shorten work by up to 2 hrs a day until one’s child enters elementary school. (386 persons participating in fiscal 2002)</td>
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<tr>
<td></td>
<td><strong>Home care leave</strong> A system by which leave for up to 1 year may be taken at one time, and for a total of 3 years, to care at home for a close family member. (10 persons participating in fiscal 2002)</td>
</tr>
<tr>
<td></td>
<td><strong>Home care time</strong> A system by which work may be shortened up to 2 hrs a day for up to 1 year at one time, and for a total of 3 years, to care at home for a close family member. (2 persons)</td>
</tr>
</tbody>
</table>

In addition to the above, there are other systems allowing employees to work with good spirits, such as presentation of self-declarations, half-day leave, accumulated leave, refresh vacations, flex-time, freedom to choose working hours, and activities considered as work.
Personnel training programs

Shiseido’s personnel training is intended to make full use of each employee’s individuality and attractive characteristics, allowing them to express themselves. Its basic goal is to support each employee’s efforts to realize the career they are aiming for, and for that there are a variety of programs.

The type of personnel Shiseido desires

A self-disciplining professional
The employee discovers themes for work in a specialized area him/herself, and then considers, judges, acts, and obtains results. In so doing, the employee gains high level techniques, specialized knowledge, and sensitivity to the customer’s preferences in such a way that they will never be lost (becomes a pro).

1. Basic study
   Education to provide knowledge and techniques needed for each step in the personal growth of each employee. Career seminars for new employees, management related seminars for managerial class employees, etc.

2. On the job training
   Course for learning and strengthening abilities needed for specialized areas. Our main company and affiliates have education organizations which carry out separate programs for each of the workplaces.

3. Selected seminars
   Besides courses and seminars where people gather inside the company, employees are sent to study at outside educational institutions overseas and domestically.

We support and provide opportunities for employees in their activities outside work hours to develop themselves. Open seminars are held which employees attend at their own expense and in their free time, support is given to employees who complete correspondence courses, and Web training is provided.

Employees are evaluated objectively by peers and juniors, and based on this managers create opportunities for these employees to improve their managerial abilities.

Maternity/paternity leave support program – wiwiw

Through the Internet wiwiw program we have developed and introduced throughout the Shiseido group, courses are given to those on maternity/paternity leave on child-rearing and on improvement of business skills for when they return to work. This program has the merit that not only those on maternal/paternal leave but also those of outstanding value to the company can be kept working for us for a long period of time, and we are selling this program adapted for other companies. Shiseido has from an early date taken positive steps to develop a satisfactory child-rearing leave system and to have equal participation by both sexes in company work. In the future we will further develop activities to support employees who are both working and raising children.
Fringe benefit systems

We have instituted systems that fully meet various needs of our employees.

To assist our employees in forming a long term portfolio for their property, we have introduced a Shiseido stock investment club, a property formation and savings system, a housing loan system, and an accumulating-type general welfare cooperative system.

In order to flexibly meet our employees’ diversifying and advancing needs, and to support their own chosen balance between career advancement and design of life with responsibility taken by employees themselves, we have instituted a “cafeteria” system. On this “menu” are 20 items including support for child-rearing, support for care of the elderly and handicapped, raising of self-consciousness, and support for social service activities.

Employees become members of a general fringe benefit providing oursourcer organization, and so are eligible to use services at 2,000 facilities, including domestic and foreign recreational facilities and hotels and sports clubs, for a discount.

Labor-management relations

We have built up a partnership relationship of mutual trust with our labor union, and have healthy labor-management relations.

*Outline of Shiseido’s labor union*

Shiseido’s labor union was established in February 1946, and presently there are 11,200 members (male 20%, female 80%). The company and this labor union have formed a contract, the preamble of which states that solid labor-management relations shall be maintained based on sincerity and trust. In this spirit we attempt to construct a relationship in which we are trusted as a partner. We have regular exchanges of information to maintain smooth communications, and hold labor-management meetings centered around themes such as management policies, salaries, awards, and fringe benefits, where in frank direct discussions we attempt to solve problems.

*Activities of the Shiseido labor union*

The Shiseido labor union carries out various communications activities within and outside the company, such as negotiations with the company to improve labor conditions and the working environment, advice to the union members, everyday life support through the union’s cooperative system, and distribution of information through its home page and magazine. The union conducts unique activities meeting the needs of its members, such as the program Unionland, supporting lifelong learning and exchanges between fellow members, and the Pokkapoka Troops creating opportunities for members to contribute to society.
### Shiseido environmental report

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Concern for the environment is now commonplace. Shiseido goes further and decides what must be done.

Direction of Shiseido’s Environmental Initiatives

For all humans, beauty is an ideal that is continually longed for. This desire is an important motivation for people to make their lives more prosperous. Shiseido considers its primary mission to be assisting in the creation of “beauty” through its products. The “beauty” Shiseido aims for is not merely the beauty on the surface of things, but also the beauty within a person’s being, comprising in large part health, happiness, and joy. If superficial beauty is attained for a period of time, but if in so doing the earth is polluted and damaged, these efforts will have effects which are the opposite of that intended.

For precisely this reason, Shiseido in its Corporate Behavior Declaration – the Shiseido Way - puts highest priority on safety and preservation of the global environment. We feel that without the beauty of the global environment, no true beauty can be attained at all. Shiseido makes its mission to society the creation of beautiful life and culture on a global level through safe and reliable products, and accordingly pursues environmental activities.

Shiseido’s Eco Policy

Shiseido considers that concern for the environment is one of its greatest responsibilities to society, and accordingly adopted management guidelines concerning the environment - the Shiseido Eco Policy - in January 1992.

In order for all of Shiseido’s corporate activities to serve to protect the environment,

1. Protect the ecosystem and use resources and energy wisely.
2. Promote new technological developments and applications that do not have negative effects on the environment.
3. Raise environmental protection awareness of every Shiseido member.
4. Foster interaction with community and society.

In order to execute this Eco Policy in all our business activities, each division has set up Eco Standards and works to thoroughly implement them.
Shiseido Global Eco Standards

At Shiseido, the tasks which must be achieved for the sake of the environment are divided into six phases, each organized into systems for effective execution: product development, R&D, production and purchasing, Physical Distribution, sales, and office. In order to execute the goals of Shiseido Eco Policy in these six phases, Shiseido Global Eco Standards have been established for each during the period from 1997 through 2001 to give concrete direction to efforts.

For each phase, basic guidelines outlining central tasks have been prepared the spirit of Eco Policy which outline basic strategy to accomplish these central tasks, concrete standards for designs and activities following that strategy, and operational standards for operating those designs and activities have been prepared. Care is taken that all these standards are adapted to changes in the natural and social environment, and conform to relevant laws.

<table>
<thead>
<tr>
<th>Shiseido Global Eco Standards</th>
<th>Product Development Eco Standards</th>
<th>R&amp;D Eco Standards</th>
<th>Production and Procurement Eco Standards</th>
<th>Physical Distribution Eco Standards</th>
<th>Sales Eco Standards</th>
<th>Office Eco Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic policy</td>
<td>Promotion of planning and design of products that are gentle beneficial to nature and to society, and have great positive effect on company performance.</td>
<td>Highest priority placed on given to influences on the global environment, promoting R&amp;D activities for reducing environmental burdens.</td>
<td>Promotion of efficient production while harmonizing, achieving balance between production and procurement costs with environmental costs.</td>
<td>Promotion of efficient distribution, maintaining balance between environmental protection costs and service costs.</td>
<td>Reduce amounts of unsold goods, which increase waste materials; promote efficient sales activities.</td>
<td>Promotion of energy saving, resource saving, and recycling at the office.</td>
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<tr>
<td>Activity standards</td>
<td>• Selection of raw materials giving consideration to depletion of resources</td>
<td>• Promotion of development and application of new technology protecting the environment</td>
<td>• Promotion of wide acceptance and improvement of environmental management systems</td>
<td>• Renovation of facilities to enable environmentally friendly operations at distribution centers</td>
<td>• Renovation of sales locations outlets to enable environmentally friendly operations</td>
<td>• Resource saving at the office</td>
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<td></td>
<td>• Design of products which are easily recyclable</td>
<td>• Promotion of activities for reducing environmental burdens</td>
<td>• Strengthening of joint environmental protection activities with business partners</td>
<td>• Reduction of packaging for transport of goods</td>
<td>• Reduction of waste products</td>
<td>• Promotion of recycling at the office</td>
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<td>• Restraints on over-packaging</td>
<td>• Thorough control of chemical substances</td>
<td>• Joint development with business partners for environmental protection</td>
<td>• Construction of transport systems with low burden on the environment</td>
<td>• Reduction of environmental burden due to promotion items</td>
<td>• Energy saving at the office</td>
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<td></td>
<td>• Non-production of waste materials harmful to the body and to the environment</td>
<td></td>
<td>• Promotion of “Green Purchasing”</td>
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<td></td>
<td></td>
<td></td>
<td>• Promotion of activities to lessen environmental burdens</td>
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Environmental goals and overview of fiscal 2002

In 1989 Shiseido took its first step in dealing with the global warming problem with its declaration that it would totally eliminate use of CFC’s. Since then, its domestic and foreign factories have obtained ISO 14001 certification, it has completely eliminated use of polyvinyl chlorides in containers and packaging, and it has taken other concrete steps to protect the environment. In April 2001 we started recycling of glass containers throughout the country, aiming to give used glass bottles a new life. In addition, we are placing emphasis great importance on communication with our customers and other stakeholders to gain understanding of our efforts.

In fiscal 2002 we made progress toward reaching the following two environmental goals, and pursued activities centering on strengthening and thoroughly executing environmental risk management.

**Environmental goals**

- **Achieve zero emissions at all domestic cosmetic products factories by fiscal 2003.**
- **Reduce carbon dioxide emissions at factories by 15% compared to the 1990 level by 2010.**

**Achievement of zero emissions**

At three of our factories, Shiseido Kakegawa Factory (Ltd.), Shiseido Itabashi Factory (Ltd.) and Shiseido View Tech (Ltd.), we have achieved zero emissions.

See p. 40 for details

**Reduction of carbon dioxide emissions**

The carbon dioxide emissions index was 138 in fiscal 2002 (1990 emissions =100), ten points worse than fiscal 2001.

See p. 41 for details

**Strengthening and thoroughly executing environmental risk control**

Illegal disposal of industrial wastes has become a major social problem. To deal with this, we have appointed Industrial Waste Managers at all our workplaces and are constructing a total management system.

See p.33 for details

Zero emissions at Ginza main offices and Shiodome offices achieved

In May 2003, with the shift of office functions to Shiodome, the office environment was reviewed and efforts measures for 100% recycling were instituted, and as a result we were able to quickly achieve zero emissions was quickly achieved.
Outline of burdens on the environment (in Japan)

In order to carry out environmental activities we investigate the present burdens on the environment.

Explanation of terms

Number of materials
Total number of materials used in a products, including container, case, and cap.

SOx
Sulfur oxides are generated by combustion of heavy oil and coal, and are colorless but have pungent odor and are well known for being the cause of acid rain.

NOx
Nitrogen oxides are generated by combustion of petroleum or heating gas, and are one cause of photochemical smog.

COD
Chemical Oxygen Demand. The amount of oxygen consumed by pollutant materials in water such as organic materials when they are oxidized by oxidizing agents. It is an indicator of the degree of pollution in oceans and fresh water bodies. The higher this numerical level, the greater the amount of pollutants in the water.

BOD
Biochemical Oxygen Demand. The amount of oxygen needed by microorganisms to break down by oxidation the pollutants (organic materials) in the water. Used as an indicator of pollution in rivers etc. The higher this numerical level, the greater the amount of pollutants in the water.
Environmental management

The Shiseido Group has organizations in each of its companies to set up environmental activities

Organizational system

Shiseido plans environmental measures chiefly through its Environmental Management Committee. Such activities are however at times necessitated by environmental risks and business ethics, and in these cases planning is done jointly with the company Environmental Risk Committee and Business Ethics Committee.

Environmental Management Committee

Complication of Environment Policies

Purpose: to promote environmental protection based on Product Development Eco Standard.

Product Development

(Eco-friendly product meeting)

Purpose: to promote R&D for reduction of environmental burdens.

R&D

(R&D Eco meeting)

Production and procurement

Cological production and procurement planning meeting

Purpose: to strengthen and improve environmental control at factories, and promotion of joint environmental activities with suppliers.

Physical Distribution

(Distribution Eco meeting)

Purpose: to promote efficient distribution that lessens environmental burdens

Sales

(Sales Eco meeting)

Purpose: to promote store-based environmental activities conducted jointly with customers; promote activities reducing environmental burdens at points of sale.

Recycling of used cosmetics containers

(Eco-cycle meeting)

Purpose: to plan and promote recycling of used cosmetic containers.

Environmental Management Committee (meets twice a year)

Purpose: Committee to consider, set directions for guidelines and action plans to deal with environmental problems throughout the Shiseido Group.

Chairperson: Shigeo Shimizu, Vice President

Vice

Chairperson: Michihiro Yamaguchi,

Managing Director of Division Managers

Members: Board of Directors,

Office: Division Managers (22 members)

Technical section, Technological Properties Division

Concrete action plans are formulated, progress of programs is checked, results are summarized, and problems are identified.
ISO14001 Certification Status

Shiseido started activities to gain ISO14001 certification in 1996, the year this standard was established, and starting with certification of FT Shiseido’s Kuki factory in October 1997 our domestic and foreign factories have successively received certification. As of February 2002, 7 domestic factories and 8 foreign factories have received certification. 11 of these factories have completed the third year renewal inspection, and are continuing efforts to improve their environmental management systems.

Environmental inspections

In addition to the internal inspection of factories (self-inspection) and outside inspections (third-party inspection) by outside inspection organizations which are among ISO14001 activities, inspection of each workplace by company specialists at the Safety Inspection Office of the main company’s Technology Division is held.

This safety inspection office has been established to maintain the independence of inspection operations from general business activities, and conducts general inspections not only of environmental impact but also product quality and labor safety and hygiene.

Environmental education and consciousness raising activities

In order for Shiseido to continue to make advances in protection of the environment, environmental education and consciousness raising activities are vital. In addition to environmental education at each factory and training of waste materials control managers (page 33) for each workplace, various training programs for employees such as courses for new employees, courses for managers, and seminars for customer relations staff are carried out. Also, all the Group’s employees are distributed the company periodical “Shintsubaki no Tomo (New Camellia Friend)” (monthly, circulation 25,000), in which special environmental related articles and news are frequently entered.

The environmental policies of these factories is are available at Shiseido’s home page.

www.shiseido.co.jp/eco

Inspecting at Shiseido’s Kakegawa factory

Company magazine “Shin-tsubaki no Tomo”
Risk management

Not only do we meet legal requirements,
We carry out risk management with even stricter standard

Dealing with the system of environmental laws and regulations

Laws and regulations dealing with the environment have recently become even more stringent. Led by our Headquarters’ Technical Department, we gather information on and analyze new environmental laws and regulations, and send relevant information to each division. Our manufacturing divisions plan faithfully conformance to laws through procedures based on the ISO14001 system. Below are measures we have taken to follow recently enacted or amended environmental laws and regulations.

**General waste management**

Domestically, the current difficult operating conditions of waste processing plants and the economic recession have led to illegal disposal of industrial wastes, a severe social problem.

To deal with these conditions, we have amended our previous waste management system which has centered on around our factories, constructing a total management system including our domestic sales affiliates and businesses with which we have connections. Concretely, in all our domestic workplaces we have installed a Waste Products Manager, established education programs for these managers teaching them about social trends regarding waste management and details of laws and regulations, and require presentation of waste management reports from each workplace, in order that appropriate waste management be carried out.

**Chemical substance management**

In following with the PRTR (chemical substance management promotion) Law promulgated in April 2001, we do not only make properly carry out the required proper administrative reporting as required, but also we are proceeding with thorough, self-initiated management of controls on use and disposal of chemical substances included in among our raw materials at factories and laboratories. We are pursuing strategies to improve substance management from the standpoint of labor worker safety and hygiene, including putting MSDS’s (material safety data sheets) prepared at each workplace into a database.

**PCB waste management**

PCB (poly-chlorinated biphenyl) was used widely in pressure-molded containers and condensers, but its harmful properties have been clearly verified and its manufacture, import, and use in new ways products have been prohibited. Further, the careful storage of PCB waste materials and administrative reporting of PCB waste materials disposal operations are now required under the Waste Disposal Law and the PCB Special Measures Law. Shiseido prepares its own waste management reports giving special importance to PCB, as well as executing the above careful storage and administrative reporting, and thoroughly manages safety management of all operations dealing with this substance.

**Compliance with the Container and Packaging Recycling Law**

Since fiscal 1997 when this law was promulgated, we have fulfilled our obligations to recycle goods by subcontracting with a designated corporation. We have long been reducing usage of containers and packaging, and are now accelerating these efforts as well as reducing the amount proportion of these containers and packaging that are disposed as waste. A concrete example of our efforts is given on p.36.

### Number of persons receiving training in waste management in fiscal 2002

<table>
<thead>
<tr>
<th>Workplace</th>
<th>No. of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factories (9 domestic), laboratories</td>
<td>11</td>
</tr>
<tr>
<td>Affiliates, subsidiaries (non-manufacturing)</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

### Changes in amount of waste from containers and packaging

![Graph showing changes in amount of waste from containers and packaging](graph.png)
Identifying marks on containers and packaging

For the Shiseido Group to comply as one unit, take uniform measures to comply with the April 2001 revisions of the Resources Effective Use Promotion Law, Shiseido has instituted use of paper and plastics identifying marks, has prepared manuals for the entire Shiseido Group, and has held explanatory meetings at all business divisions. Use of these identifying marks began in March 2001 with our food products, and usage was successively spread being progressively widened until at the end of 2002 we achieved complete compliance all products were thus labeled.

Dealing with emergency situations

In the environmental management system created by the Shiseido Group based on ISO14001, organizations and regulations to deal with emergency situations have been instituted, and practice drills are carried out. In particular, at our factories emergency drills are regularly carried out.

Practice drill at Shiseido, Maizuru Factory.
Starting before a product is born, we work to minimize its environmental impact

Environmental measures taken during product development

During product development the Product Development Division and R&D Division jointly pursue design of containers and packaging that have minimal impact on the environment. Our basic policy is to select raw materials that have low environmental impact, avoid excessively large packaging, avoid the generation of substances harmful to humans and the environment when containers are destroyed, and design containers that are easy to recycle.

Selection of raw materials that have minimal impact on the environment

- **Use of recycled materials, biodegradable resins**

  Shiseido makes great effort to use recycled materials and biodegradable resins in packaging etc. We have our own recycling system for glass containers, collecting them and changing them into new containers (pp.43-44). We use glass containers with a high cullet ratio. We also use recycled plastic resins, paper, and aluminum.

- **Use of non-wood paper**

  In order to preserve forests, we are making great efforts to use non-wood paper (paper made from fiber of plants other than trees, such as grasses). At the Camellia Club, faithful Shiseido cosmetics users are given as a token of gratitude a small box with relaxing fragrances, “Living with Incense,” whose paper, board is made with the perennial grass reed “ashi” that has been used since ancient times.

  “Tree-free tissue paper” uses a non-wood paper made from sugar cane after the juices have been pressed out, known as bagasse. Also, we make packages from kanaf.
Environmental activities in product’s life cycles

Avoidance of excessively large packaging and other reductions of materials

• Lipstick sample amount reduction

Starting with the launching of new colors of “Selfit” in February 2002, lipstick samples are manufactured with technology that does not use metal molds to shape resins but rather hardens them as they fall. In this way, the amount of resins used in lipstick samples has been reduced by 1.3 tons annually.

• Reduction of resin in containers

The resin cover sheet used in refills for “Proudia”, “Elixir”, and almost all other brands of foundations has been successfully reduced in thickness still more, from 0.4mm to 0.3mm. Thus, the weight of one refill has been reduced 18% from 1.98g to 1.62g, and thereby Shiseido’s annual consumption of resin has been reduced by 1.8 tons.

• Reduction of size of refill containers

In order to reduce the amount of waste due to containers we have for some time been selling product refills, chiefly for body care items, and going further we have reduced the thickness of the refill containers. The resin used in all the containers for “Umi no Megumi”, “Taiyo no Megumi”, and “Super Mild” has been reduced 7.6 to 10.8%.
The family of eco-package designs – the EcoTree

The various ways we protect the environment in through our packages, summarized this diagram. The trunk shows our broad environmental strategies; the roots and branches show the concrete measures we take.

- **Use of recyclable materials** (improvement of film laminated paper)
  - Actea heart

- **Recycled aluminum**
  - Pied Nus

- **Recycled polyethylene**
  - Elixir

- **Recycled glass**
  - Qiora

- **Weight reduction**
  - “S”

- **Same-material use**

- **Easy separation-by-material**

- **Change to recyclable materials**

- **Design adapted to recycling**

- **Use of poly vinyl chlorides completely terminated** (perm liquid container now made of paper)
  - Zotos

- **Use of poly vinyl chlorides**

- **Actea heart**

- **Dicila**

- **Known polyethylene**

- **Design for easy disassembling**

- **BÉNÉFIQUE**
  - No need to separate. Only one material used.
  - Causing no confusion. Clearly distinguished material.

- **Identifying marks**
  - Clé de peau BEAUTÉ

- **No-bother materials**
  - Easily burning, burnable.

- **Use of poly vinyl chlorides**
  - Completely terminated.
  - Perm liquid container now made of paper.

- **Contents resupplied**
  - Refill type products.

- **Replacing parts with interchangeable structure**

- **Keeping containers and refilling easy**

- **Development, use of materials**
  - that save natural resources.

- **Reduce containers by making their content more compact**

- **Reduction of parts**

- **Conservation of materials used**

- **Resource saving**

- **Easy disposal**

- **No need to separate**
  - Only one material used.

- **Non-toxic, harmless**
  - Change to safe materials.

- **No-bother materials**
  - Easily burning, burnable.

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  - Refill type products.

- **Replacing parts with interchangeable structure**

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  - that save natural resources.
Environmental activities in product’s life cycles

We pursue R&D that results in new technology to protect the environment

Environmental R&D activities

Efforts to protect the environment through R&D are led by our R&D Division, focusing on development of new environment-oriented technology and management of chemical substances (p. 33).

In order to promote reduction of environmental burdens, we prepared and published in June 2001 R&D Eco Standards, concrete standards for company activities. This pamphlet was distributed to all employees, and we all are planning the thorough execution of these standards.

Development of new environment-oriented technology

Shiseido seeks to develop products that not only have excellent function, but also have minimum impact on the environment, and to that end pursues research in materials with outstanding biodegradability. One example is our development of the cleansing ingredient AMT (acylmethyl taurine), which has excellent biodegradability and also gently washes away dirt from hair and skin, now used in our shampoos and facial cleansers. Progressing still further, we have succeeded in developing Taurine Soap, an ideal skin cleansing agent that protects the softness of the skin while having high cleansing function.

Research with alternatives to animal testing

Shiseido has long been working for the cause of animal protection, since 1981 actively pursing research into alternatives to animal testing. This research has already reached the stage where practical procedures are being applied, and tests of irritability to skin and eyes are now done by these procedures. We started research at an early date into allergy testing, where the prospects of finding alternatives to animals were considered very slight, and are steadily achieving results.

In order for these research results to be used not only by Shiseido, but also widely outside the company, we actively present them at academic conferences. Our research has been highly evaluated domestically and abroad, Shiseido receiving the Golden Presentation Award of the Japan Alternatives to Animal Testing Association nine times up through 2002, the most any domestic company has received.
By putting great importance on teamwork with our business partners, we go forward with wider, deeper measures to protect the environment.

Support for the environmental activities of our business partners

The independent efforts of Shiseido are of course important in our environmental strategy, but there are many problems that cannot be solved by us alone; the cooperation of the companies with whom we work is indispensable.

In order to work as one with all our business partners in pursuing environmental activities, we made a survey of all these companies with regard to the environment in February 2001 based on the Green Procurement Standards. Based on these results we decided through exchanges of views with these companies on problem points to tackle and support action programs, and are now carrying out this support. In fiscal 2002 we gave such aid to 63 companies. Further, we have decided on seven tasks necessary to achieve faithful compliance with the laws and good risk management, and through our concrete advice and support, all our business partners have accomplished these seven tasks.

System for support of buyers’ and suppliers’ environmental activities

7 necessary tasks

1. Set up environmental strategy clearly put in writing how laws are to be observed
2. Thorough control of PRTR substances
3. Adopt regulations for industrial waste management
4. Thorough management of industrial waste processor companies
5. Thorough execution of the Manifest
6. Thorough control of PCB's

Joint construction of a recycling system for paper waste products with Ueroku Printing (Ltd.)

Shiseido has constructed with one of its business partners, Ueroku Printing (Ltd.), a recycling system that remakes the excess paper that is generated when paper cases to contain cosmetics are manufactured that previously was discarded and which is because it was difficult to reduce to pulp again, into outer packages for transport use. Through this process, 200 tons annually of paper discarded products which had been burnt or buried are now recyclable. The Shiseido Osaka factory introduced this system in April 2003, and successive expansion of this system is planned until all of the 1,400 tons of outer packages used by Shiseido annually are made from recycled materials.

Flow chart of recycling system

Recycled outer container box, paper case, paper discarded products.
Shiseido has been continually improving since 1998 to achieve:
[Waste zero emissions], [Reduction of CO2 emissions]

**Strategies for waste product recycling**

Among our cosmetics factories, those at Kamakura, Osaka, and Maizuru achieved zero emissions in fiscal 2001, and those at Kakegawa and Itabashi and the plant of Shiseido Beautech achieved this in fiscal 2002. Thus, of the 7 factories targeted for zero emissions, 6 have achieved this. The remaining FT Shiseido factory at Kuki is scheduled to achieve this in the middle of 2003. Further, the recycling ratio of our 9 domestic factories including the above 7 is now 98%, 3 points higher than last year.

In the future we will apply the know-how accumulated at these factories to operations at our other domestic workplaces and at our foreign factories, further expanding zero emissions operations.

**Zero emissions at the Shiseido Kakegawa Factory**

Shiseido Kakegawa Factory achieved zero emissions of waste products in September 2002. A variety of products ranging from cosmetics to medicines are manufactured there, and many types of waste products also are generated. Thorough procedures to properly dispose of each of the 41 types of wastes generated are carried out, thus achieving zero emissions. The construction of a factory system that converts waste products into usable resources or reduces generation of wastes requires not only various recycling technologies but also the daily cumulative efforts of each employee. We will be continuing efforts to further control generation of waste products.

**Examples of conversion of waste products into usable resources**

- Paper, newspaper, cardboard, wood palette, etc.
- Cigarette butts, batteries, fluorescent lights, ceramics, concrete, etc.
- Uncontaminated discarded plastic, discarded alcohol, etc.
- Food wastes, discarded powder products, carbon wastes, sewage, etc.

- Raw material for paper
- Material for road foundations etc.
- Fuel
- Fertilizer
Environmental activities in product’s life cycles
Production

Efforts to conserve energy

Each of Shiseido’s factories makes energy conservation a major pillar of its environmental policy along with recycling, carrying out activities to achieve the energy conservation goals it has set for itself, including reduction of electricity consumption.

The carbon dioxide generated per unit of production by factories as the result of electricity and fuel consumption was 138 in 2002 (the 1990 level = 100), 10 points higher than the previous year.

To deal with this problem we are planning expanded introduction of the co-generation system* that has been installed in FT Shiseido’s Kuki factory to other factories. Also, with the beginning of enforcement of the Kyoto Protocol and the strengthening of energy conservation laws and regulations anticipated during this year, we are closely tracking new developments in energy conservation related technology which is anticipated to make rapid progress in the near future. We will be investing in facilities that have high function relative to costs.

*Co-generation system: A system obtaining plural forms of energy (electricity, heat) from a single energy source. Attracting attention for its energy efficiency.

Annual changes in CO2 emissions from factories (6 domestic factories)

Shiseido Kamakura Factory’s automatic light adjustment system

Shiseido Kamakura Factory has introduced an automatic light adjustment system to conserve energy. In this system, a sensor detects the intensity of sunlight entering through a window, and the brightness of light in the room is kept at a certain constant level, thus saving energy. By effectively using solar light, not only is the consumption of electricity during the day greatly reduced, but also the heat generated by lighting devices is restrained. This system can save 16,000 kWh (equivalent to annual electricity consumption of 3 average households.)
We carry out activities protecting the environment in a variety of ways, leading to overall lessening of burden on the environment.

**Physical distribution**

**Increasing efficiency of transport**

At FT Shiseido, information technology has been utilized to combine 5 distribution centers into 2, thus making transport of products speedier and more efficient. As a result, CO2 emissions were 60% less than last year.

**Sales**

Environmental efforts by our sales divisions are led by Shiseido Sales (Ltd.), the company that sells our cosmetics products. In fiscal 2002, efforts focused on promotion of resource conservation and energy conservation, and appropriate processing of waste products. In the future we will be improving management of the proportion of wastes discarded to wastes recycled, and working to promote recycling.

1. Promotion of resource conservation, energy conservation
   Shiseido Sales (Ltd.) reduced the number of paper photocopies made by 13%, and electricity consumption by 11% compared to last year.

2. Under the guidance of the Waste Processing Managers (p.33) management to faithfully achieve the goals of the Manifest regarding appropriate disposal of waste products, including inspection of the entrusted companies at operations sites, are is carried out.

**Efforts overseas**

The Shiseido Group’s environmental activities are expanding on a global scale.

**Environmental conferences held in Europe and the U.S.**

In order to accelerate the expansion of the Shiseido Group’s environmental activities on a global scale, environmental conferences were held in the U.S., Europe, and Asia in fiscal 2002, and at our overseas workplaces environmental activities were promoted. We held an environmental conference in the U.S. in December 2002, and one in Europe in July 2003.

---

**Organization to promote global environmental activities**

- Environmental Management Committee
- U.S environmental conference
- Europe environmental conference
- Asia environmental conference
Recycling resources without waste

We have realized an uninterrupted circulation system for used glass bottles

In April 2001 a system for recycling the glass containers of cosmetic products whose contents have been used up was created. Requesting that customers, stores, and glass bottle makers work with us in this recycling effort, we named this activity Recycle Together. There are now more than 10,000 stores cooperating in this recycling, and the number of customers who bring back used glass bottles is steadily increasing.

A cosmetics product of our company, purchased by you, one of our customers. When you have finished using it, please take it to the nearest store displaying this sticker indicating that it cooperates in recycling. Glass bottles that become trash if thrown away instead are reborn into new products if we Recycle Together. This recycling process begins with your understanding and cooperation.

This page introduces the flow of steps in the processing of glass bottles, plus the voices of those working at each step.

In order for everyone to understand our recycling system, we conduct various information spreading publicizing activities.

In our home page we give a list of stores that cooperate in recycling, so that customers may know the closest one to them.

www.shiseido.co.jp/eco/recycle

Leaflets are distributed at stores, giving details on the recycling method of used glass bottles.

The used glass bottles that our customers bring back are gathered in a box below the cash register counter. With this box right there, our customers feel that there is no bother in recycling, and it serves as PR for this activity. The truck that delivers products takes these bottles away. There is no wasted transport cost, and our customers feel better having the bottles reused than throwing them away. That's the way we at the store feel, too.

Chizuru Miki
Shiseido Brand Shop “Fit Cross” Sanshido
Environmental activities in product’s life cycles

New glass bottles are made by melting the old ones at high temperature, so there is complete safety from the hygiene standpoint. Glass does not deteriorate in appearance no matter how many times it is melted down, so it is very appropriate for recycling. Shiseido has a good system for recycling. Knowing that the glass I made is not going to be thrown away but rather will be used again gives me a good feeling.

Koa Glass (Ltd.) Ichikawa Factory, Manufacturing Section
Kazuhiro Mariko, Manager

At the cullet center, used glass bottles which are brought from all over the country are separated according to type, crushed into powder, washed, and made into cullet, which is transported to the glass bottle maker. These used bottles are collected thanks to the desire of many people to do good, so we try to make them into as fine quality cullet as we can. The number of people visiting our plant is increasing, including new Shiseido employees and Shiseido beauty consultants who have direct contact with stores and customers. We are happy to see even one more person come and observe our recycling work, in the hope that this will spread to other workplaces.

Shiseido Cullet Center (Ltd.) (in the Kakegawa factory) Mikio Uda

How cullet is made

Bottles are separated by hand according to type, such as colored bottles, those with plastic caps that must be removed, and those that cannot be recycled.

Selected glass bottles are crushed finely to serve as the raw material for remanufactured glass. This fragmented glass is called cullet.

Cullet is washed with a detergent developed independently by Shiseido that has excellent biodegradability, a small amount of which has excellent cleansing function.

Washed cullet is shipped to a glass bottle maker. This cullet is 100% recycled for into cosmetics containers used by us.
Environmental communication

We discuss Shiseido’s environmental activities with many people, and take action on the views people they express about them.

Shiseido actively releases its information on the environment not only within the company but also to its stakeholders.

**Environmental advertisements**

In order for many people to know about our environmental efforts, we place advertisements in newspapers and magazines from time to time.

*Don’t throw away that glass bottle* Received the 56th Dentsu Magazine Advertisement Award 2nd Division for outstanding advertisements

**Cooperation in environmental education**

Shiseido Kamakura Factory has cooperated with Kamakura Jogakuin High School since 1999 in developing environmental education, providing materials upon which environmental courses may be based. In fiscal 2002 we taught a course in factory wastes and energy conservation, and at the end of the course held a presentation of students’ research at the factory.

**Participation in symposiums and preparation of books and magazine articles**

In order to provide information on Shiseido’s strategies for environmental activities to interested persons outside the company, we actively hold lectures. Besides our sustainability report and home page, we enter articles in a wide range of magazines and books.

**Booths at exhibitions**

Shiseido has had booths at various exhibitions, introducing our environmental activities and at the same time giving us a chance to communicate with our stakeholders.

**Information provided through our home page**

In Shiseido’s home page “Shiseido Web Site,” environmental information is given. (in Japanese and in English)

**Publishing of environmental reports**

Starting with the data for Shiseido in fiscal 1996, we have published an environmental report every year, and release environmental information.

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<thead>
<tr>
<th>Fiscal year</th>
<th>Date published</th>
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<td>1997</td>
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<td>2002</td>
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No. of visitors to Shiseido Art House and special exhibits of archives in fiscal 2002

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<th>Shiseido Art House</th>
<th>Visitors that year</th>
<th>Visitors per day (avg.)</th>
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<tr>
<td>27,307</td>
<td>25,002</td>
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<tr>
<td>Special exhibits of Shiseido Archives</td>
<td>25,002</td>
<td>90</td>
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Exhibits held by Shiseido Art House and no. of visitors to each in fiscal 2002

<table>
<thead>
<tr>
<th>Period</th>
<th>Exhibit name</th>
<th>Type of art</th>
<th>Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/2/14 – 5/6</td>
<td>Glass Works by Toshichi Iwata and Hisatoshi Iwata</td>
<td>Glasswork</td>
<td>10,014</td>
</tr>
<tr>
<td>2002/6/6 – 9/16</td>
<td>Yoshimichi Fujimoto and Imamon Imazumi, the 13th Exhibition</td>
<td>Ceramics</td>
<td>8,412</td>
</tr>
<tr>
<td>2002/9/19 – 12/24</td>
<td>Contemporary Ceramics - Art and Beauty by Six Great Masters</td>
<td>Ceramics</td>
<td>7,810</td>
</tr>
<tr>
<td>2003/1/10 – 3/23</td>
<td>Prints and Drawings from The SHISEIDO Collection</td>
<td>Prints, watercolors, etc.</td>
<td>5,712</td>
</tr>
</tbody>
</table>

Outline of Successful Aging courses in fiscal 2002

Coordinator: Masaaki Shiraishi (head of International Productive Aging Research Institute)

<table>
<thead>
<tr>
<th>Date held</th>
<th>Title</th>
<th>Lecturer</th>
<th>No. of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/4/17</td>
<td>ART in You</td>
<td>Tatsuo Miyajima (artist) Jun Kato (art director)</td>
<td>88</td>
</tr>
<tr>
<td>5/22</td>
<td>Everything starts from everyday living habits</td>
<td>Takao Suzuki (vice-chief, Tokyo Prefectural General Aging Studies Institute)</td>
<td>87</td>
</tr>
<tr>
<td>6/13</td>
<td>A new theory of aging – how to prevent aging of the spirit</td>
<td>Nobuo Masataka (assistant professor, Kyoto University Primate Studies Center)</td>
<td>58</td>
</tr>
</tbody>
</table>

Coordinator: Yuko Tanaka (professor, Hosei University)

<table>
<thead>
<tr>
<th>Date held</th>
<th>Title</th>
<th>Lecturer</th>
<th>No. of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/7/16</td>
<td>On living and loving</td>
<td>Seigo Matsuoka (head, Editorial Engineering Laboratory)</td>
<td>73</td>
</tr>
<tr>
<td>8/21</td>
<td>My many lives listening to the shamisen</td>
<td>Fumi Nishihashi (teacher of jiuta and tomimoto)</td>
<td>61</td>
</tr>
<tr>
<td>9/25</td>
<td>Leaving something for the future – Thoughts on Japan’s performing arts</td>
<td>Ken Nishihashi (Bunraku puppet operator)</td>
<td>62</td>
</tr>
<tr>
<td>10/31</td>
<td>Living in the way of Osamu Kitayama, an Edo Period interpretation – poetry, Ukyo, and psychiatry</td>
<td>Osamu Kitayama (essayist)</td>
<td>68</td>
</tr>
<tr>
<td>11/13</td>
<td>Japanese read aloud by John and Yuko</td>
<td>John Solt (poet)</td>
<td>53</td>
</tr>
<tr>
<td>2003/2/6</td>
<td>Masahiro Shinoda - What happens while making a movie</td>
<td>Masahiro Shinoda (film director)</td>
<td>56</td>
</tr>
<tr>
<td>Date held</td>
<td>Title</td>
<td>Lecturer</td>
<td>No. of participants</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>2003/1/23</td>
<td>The Ginza I long for, as seen in movies</td>
<td>Saburo Kawamoto (critic)</td>
<td>60</td>
</tr>
<tr>
<td>2/19</td>
<td>The spirit and soul of the Shimbashi Geisha</td>
<td>???kimi Kikumonikawa?? (Shimbashi Geisha)</td>
<td>68</td>
</tr>
<tr>
<td>3/19</td>
<td>Beauty in being comfortable to wear</td>
<td>Tsuneo Yashiro (president, Yoshinoya Shoes (Ltd.))</td>
<td>63</td>
</tr>
</tbody>
</table>

## Outline of all past Successful Aging Forums

<table>
<thead>
<tr>
<th>Forum No.</th>
<th>Year</th>
<th>Title</th>
<th>Theme</th>
<th>No. of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>1989</td>
<td>Shiseido International Forum ’89 “Successful Aging”</td>
<td>Successful aging – searching for ways to prevent aging of skin due to UV rays</td>
<td>400</td>
</tr>
<tr>
<td>2nd</td>
<td>1991</td>
<td>Shiseido International Forum ’91 “The connection between spirit and mind”</td>
<td>The connection between spirit and mind, in psychiatric and neurological immunology and psychology</td>
<td>400</td>
</tr>
<tr>
<td>3rd</td>
<td>1993</td>
<td>Shiseido Science Forum ’93 Successful aging “Putting spirit into daily life – creativity and self-expression”</td>
<td>Putting spirit into daily life – creativity and self-expression, extending to brain science</td>
<td>500</td>
</tr>
<tr>
<td>4th</td>
<td>1995</td>
<td>Shiseido Forum ’95 Successful aging “Thinking about my own fragrance”</td>
<td>Thinking about my own fragrance, focusing on the sense of smell and aging</td>
<td>300</td>
</tr>
<tr>
<td>5th</td>
<td>1997</td>
<td>Shiseido Forum ’97 “The latest developments in successful aging”</td>
<td>The latest developments in successful aging, introducing the latest research in aging</td>
<td>450</td>
</tr>
<tr>
<td>6th</td>
<td>1999</td>
<td>Shiseido International Forum ’99 Successful aging “Rejuvenated sense of touch – the feel of living skin”</td>
<td>Rejuvenated sense of touch – the feel of living skin, elucidating the relation between sense of touch and aging</td>
<td>500</td>
</tr>
</tbody>
</table>

## Data on environmental activities

### Changes in carbon dioxide emissions (6 domestic factories)

<table>
<thead>
<tr>
<th>Shiseido (Ltd.) factories at Kamakura, Kakegawa, Itabashi, Osaka, and Maizuru, FT Shiseido (Ltd.) factory at Kuki</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon dioxide emission index per unit (% compared to 1990)</td>
</tr>
<tr>
<td>100               102               101               119               122               121               127               116               132               135               120               128               138</td>
</tr>
</tbody>
</table>

### Changes in the amount of waste products discarded and recycling rate (9 domestic workplaces)

<table>
<thead>
<tr>
<th>Shiseido (Ltd.) factories at Kamakura, Kakegawa, Itabashi, Osaka, and Maizuru, FT Shiseido (Ltd.) factory at Kuki, Shiseido Beautech (Ltd.), Mieux Products (Ltd.), Haramachi Paper (Ltd.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount recycled (tons)</td>
</tr>
<tr>
<td>1998                               1999                               2000                               2001                               2002</td>
</tr>
<tr>
<td>5,220                              6,019                              6,878                              7,275                              6,760</td>
</tr>
<tr>
<td>Amount of waste not recycled (tons)</td>
</tr>
<tr>
<td>2,122                              1,557                              727                                360                                173</td>
</tr>
<tr>
<td>Total (tons)</td>
</tr>
<tr>
<td>7,342                              7,576                              7,605                              7,635                              6,932</td>
</tr>
<tr>
<td>Recycling rate (%)</td>
</tr>
<tr>
<td>71                                 79                                 90                                 95                                 98</td>
</tr>
</tbody>
</table>
Substances designated as Class 1 under the PRTR Law, and whose annual production at one workplace is 1 ton or more (0.5 tons if a Specially Designated Class 1 Substance) are listed here.

Environmental accounting

Environmental protection costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment (¥10,000)</th>
<th>Cost (¥10,000)</th>
<th>Main measures, concrete content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cost within business area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Cost of preventing damage</td>
<td>22,206</td>
<td>19,000</td>
<td>Waste water treatment, prevention of atmospheric pollution, etc.</td>
</tr>
<tr>
<td>(2) Cost of protecting the global environment</td>
<td>4,150</td>
<td>1,149</td>
<td>Promotion of energy conservation etc.</td>
</tr>
<tr>
<td>(3) Resource recycling cost</td>
<td>964</td>
<td>84,423</td>
<td>Processing and recycling of discarded substances, reduction of materials, etc.</td>
</tr>
<tr>
<td>2. Inflow and outflow circulating costs</td>
<td>0</td>
<td>22,501</td>
<td>Financial burden of container package recycling, costs related to the cullet center, etc.</td>
</tr>
<tr>
<td>3. Cost of monitoring activities</td>
<td>0</td>
<td>35,012</td>
<td>Personnel expense (other than R&amp;D)</td>
</tr>
<tr>
<td>4. R&amp;D costs</td>
<td>0</td>
<td>11,186</td>
<td>R&amp;D etc. of products gentle to the environment (includes personnel costs)</td>
</tr>
<tr>
<td>5. Social service costs</td>
<td>0</td>
<td>10,200</td>
<td>Disclosure of environmental information (environmental report, environmental advertising), support for greification, support for outside organizations, etc.</td>
</tr>
<tr>
<td>6. Other costs</td>
<td>0</td>
<td>138</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>27,320</td>
<td>183,615</td>
<td></td>
</tr>
</tbody>
</table>

Economic effects of environmental protection strategies

<table>
<thead>
<tr>
<th>Category</th>
<th>Economic effect (¥10,000)</th>
<th>Materials reduction effect</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Energy saving</td>
<td>6,853</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
681(t-c): Carbon dioxide emissions ▲20,000(m3): Water | Savings in electricity, fuel, water |
| 2. Waste related | 1,692 | 
187(tons): Final waste amount 703(tons): Waste amount | Sales of items of value, reduction of wastes generated |
| 3. Resource saving | 2,315 | Resource saving | |
| 4. Other | 49,101 | Reduction of transport costs | |
| Total | 59,961 | | Financial and materials reduction effects are calculated based on fiscal 2001 results. |

About calculations for environmental accounting:

- Regarding the categorization and accounting methods for both Environmental protection costs, and Economic effects, please refer to the Japan Environmental Agency “Environmental Accounting Guidelines, 2002 ed.”
- Data was collected for domestic factories (9), overseas factories (10), domestic laboratories (Shin Yokohama, Kanazawa Hakkei), domestic distribution (cosmetics, FT), and headquarters (General Affairs Department, Technical Department.)
- Period covered: April 1, 2002 to March 31, 2003
1st Shiseido stakeholders’ meeting

At the FT Shiseido (Ltd.) Kuki Factory (Kuki city, Saitama Prefecture), the center of our toiletries production, this company’s first stakeholders’ meeting was held. We had a variety of persons attend, including persons responsible for the business environment and safety activities, representative of the press, and consumer advisors, and we received views from many different angles.

Date and Time held: June 25, 2003 13:30 to 17:00
Place: FT Shiseido (Ltd.) Kuki Factory (Kuki city, Saitama Prefecture)
Participants: Yoshiaki Arai
Corporate Environmental Affairs Division, Matsushita Electric Industrial (Ltd.)
Yoko Kano
Environmental Division, Tokyo Gas (Ltd.)
Eiko Kamoshida
Nippon Association of Consumer Specialists (NACS)
Eriko Saijo
House Foods (Ltd.) Somatech Center
Joe Batchelor
International Christian University exchange student
Hideo Hayashi
The Japan Industrial Journal, editor of monthly journal of global environment
Yuki Wakabayashi
Environmental writer

Content: 1 Introduction of Shiseido’s environmental activities
2 Outline explanation of environmental activities at the factory, tour of factory
3 Exchange of views regarding what is expected of Shiseido’s environmental activities

Positions of the above persons are as of June 25

Views of stakeholders

Corporate Environmental Affairs Division, Matsushita Electric Industrial (Ltd.)
Yoshiaki Arai

First, I greatly admire the Kuki factory for being the first Japan cosmetics factory to obtain ISO14001 certification. However, it is difficult for the whole of society to appreciate this leading role you have taken. Now, environmental measures are becoming an item of competition among companies. I feel that it is necessary for Shiseido to make its information disclosures still easier to understand, so that not only its ISO certification but also its total efforts to meet new challenges and the functions and compositions of its products are appreciated more. This should result in better business circulation for your company in my opinion. At Matsushita’s stakeholders meetings we receive many requests to speed up planning for production of products, our main business. We expect original measures from Shiseido that no other company can carry out. I particularly think our Global Eco Standards and your glass bottle recycling are great. It is important for everyone to consider together with your employees the essence, the actual results, and the future problems of your policies.

Environmental Division, Tokyo Gas (Ltd.)
Yoko Kano

I would like Shiseido to raise the consciousness of its customers with regard to the environment. For instance, you could use the Cosmetic Garden C in Harajuku where people can freely try out cosmetics, for such education. At Tokyo Gas, our Eco-cooking where proposals for eco-life are carried out has a high reputation. Cooking itself is enjoyed, the food is delicious, and there is a good chance for people to try things firsthand. In the same way, at the Cosmetic Garden C it would be good if you introduced ecological concepts through your presentation of new cosmetics. There are still few true green consumers, many being “just a little” green. Shiseido should target the latter and use its great influence with its customers. Also, with the introduction of co-generation of natural gas, you have reduced CO2 emissions at your factories, something that makes me as a Tokyo Gas employee very happy. Thank you.

Nippon Association of Consumer Specialists (NACS)
Eiko Kamoshida

Speaking as a representative of consumers, I myself have allergies and take care that the soap I use everyday is gentle to the skin. Unfortunately, I don’t understand well the differences between products. I would like you to provide the information that would enable me to understand clearly whether your soap is suited to me. Also would you make clear Shiseido’s role as a company and business policy with regard to the earth? It is important to give numbers on your activities, but I would like you to undertake more environmental activities in the future that deal with such problems as how to strike a balance with today’s circulation-type society, and how to best disclose information needed to find this balance. Also, you should get feedback not only from the outside but also from within your company, to help each employee keep their enthusiasm. Using the ISO14001 system I hope that you will not just require actions from your employees, but also will deepen their understanding of environmental problems, impressing upon them the importance of environmental protection so that they take action on their own initiative.
I think you should inform consumers better about your products, indicating what care has been taken for the environment in their production, and what influence they have on the health of the skin and hair. Just as with foods, the appeal of a shampoo or cosmetic depends greatly on the safety of their ingredients, whether or not both with and without allergies can use them without worry. For instance, you could explain that your product uses palm oil which is a natural substance found in the palm fruit, and explain the steps by which it changes form to become a product. Even if all ingredients are not listed, a list of main ingredients in order of amount would give the consumer a sense of safety. Further, if you gave information about the environmental and labor conditions at the farms where palm is grown, your environmental image would be much enhanced. I expect much of your powerful R&D organization for the products with reduced burden on environment and your new sales methods including sell-by-the-gram.

Hideo Hayashi

This was my first visit to a toiletries factory, and I think the processes should be made a little easier to understand for visitors. Educational devices like explanatory panels might help. Recently many companies are releasing site reports, and it would be good if Shiseido also prepared something, just a flyer would be fine, that explained the care you are taking in various areas. In this era where environmental measures make one company superior to another, the information Shiseido releases on its measures is quite limited. You should make maximum use of your environmental activities, publicizing them to make a good impression on your female customers and so take advantage of that person-to-person network. I think there is still more potential to use your publications like Hatsuubaki to heighten awareness. I hope that you make great contributions to spreading recycling, using your leadership in the cosmetics and toiletries markets.

Yuki Wakabayashi

Taking this tour, I was impressed by the complete separation of garbage done here at the Kuki factory. It’s wonderful that the food wastes contained in the garbage are composted and returned to the soil, used in the flower garden on your grounds. I also was impressed by your high awareness of environmental problems, at an early date reducing CFC’s and using waste paper to make name cards. Your early creation of a glass bottle recycling system is also to be commended. I hope you make efforts in foundation containers next. Please expand your recycling, at least to those products on which you can use existing technology. You should publicize your recycling system more, so that consumers don’t have to ask what to do after they buy a product. Presently, many explanations in environmental reports have specialized terms and are hard to understand; please make them easier to understand. Regarding animal testing, I hope you take leadership here, at least to get Japan’s pharmaceutical laws changed.

Joe Batchelor

I am studying international management in college. From my three years working in China, I realize the great differences between countries in awareness of environmental problems. Measures to protect the environment depend greatly on culture and customs. Shiseido has built a global management system, and its information spreading activities using this system are to be highly commended. I hope that in the future you do studies on such themes as gaps in environmental consciousness between domestic and foreign factory workers. At this Kuki factory I was most impressed by your co-generation. I would like you to give more details on how this organization leads to reductions in carbon dioxide. I hope that you continue to work to raise environmental consciousness, cut costs to allow more budgeting for environmental activities, develop operations that are still more widely global.

Edinburgh University, exchange student at International Christian University, Tokyo.

Factory chief Fujima

We will be acting positively on the advice we received, taking steps to improve activities at our factory as well.

House Foods (Ltd.) Somatech Center

Eriko Saijo

Holding a stakeholders’ meeting

This was a very meaningful meeting, receiving all kinds of advice from outside person regarding the environment to start with, and going on to other areas such as safety. We will be dividing future actions into those that we can accomplish soon, and those which will take long term effort. Beginning with those tasks we can carry out right away, we will do our best to accomplish them all.

Officer General Manager of Technical Department, Shiseido (Ltd.)

Nakamura Corporate

Tour of the factory and stakeholders’ actions

Start of the meeting – Outline explanation of Shiseido’s environmental activities by Omata Manager in the technical department

Introduction to unmanned vehicle carrying finished products, part of the factory systemization

The electricity used at one portion of the factory is generated by our environmental burden-reducing co-generation system.

We received all kinds of opinions from the participants, making this meeting one of great value to us.
The history of Shiseido’s social service and environmental activities

### Management

- 1872: Shiseido Drug Store established in Ginza, Tokyo
- 1888: Japan’s first toothpaste “Fukuhara Hanatsubaki Tooth Brushing Soap” goes on sale
- 1897: Moves into cosmetics market with “Oldalumin”
- 1915: Trademark registered
- 1921: Five Major Principles of Shiseido adopted
- 1923: Chain store system begun
- 1924: Change from joint capital corporation to stock holding corporation, adoption of sales companies system
- 1927: Five Major Principles of Shiseido adopted
- 1933: Shiseido Graph established
- 1937: Shiseido Hanatsubaki Club established, first issue of “Hanatsubaki”
- 1947: 1st exhibit of “Tsubaki Kai”
- 1949: Entered on the Tokyo Stock Exchange
- 1950: New Corporate Message and Behavior Standards the Shiseido Code adopted
- 1957: Change from joint capital corporation to stock holding corporation, adoption of sales companies system
- 1964: Support for the Tokyo Paralympics
- 1970: 100th anniversary
- 1972: 100th anniversary
- 1975: Successful Aging, Putting spirit into daily life, Shiseido Science Forum
- 1976: Successful Aging, the latest frontiers, Shiseido Science Symposium 1976
- 1977: “Paris by Six Designers”
- 1978: Shiseido Art House opened
- 1980: Shiseido International Conference – The skin and cosmetics science – held
- 1981: Business Philosophy adopted
- 1982: Co-production of Shiseido Musical – Les Miserables
- 1983: Established the “Hanatsubaki Award of Modern Poetry”
- 1984: Production and distribution of Beauty Care Manual in Braille (skincare version)
- 1985: Shiseido International Conference – Aging and the skin – held

### Social service activities

1900
- 1900: Co-production of Shiseido Musical – Les Miserables

1950
- 1950: Home care leave system begins

1980
- 1980: Shiseido International Conference – The skin and cosmetics science – held

1990
- 1990: Shiseido Science Forum 1990 – Successful Aging, Putting spirit into daily life, Creativity and self-expression – held

1995
- 1995: Aid given to victims of Kobe Earthquake

2000
- 2000: New corporate message “Work together – Art de Vivre” announced

### Environmental Activities

1990
- 1990: Established Environmental Policy Committee

1995
- 1995: Business Philosophy adopted

2000
- 2000: Expanded recycling of glass bottles used for cosmetic products all over Japan

2001
- 2001: Introduced co-generation system at Kuki Factory

2002
- 2002: Received the “The Global Environmental Award” (Minister of Education and Science)
Headquarters,
other offices assembled in Shiodome

In May 2003 Shiseido moved its headquarters functions to its Shiodome offices (in the Shiodome Tower), to create new values for the company, further improve productivity, and improve communication within the Shiseido Group.

The Shiodome offices are designed to be an intellectual production center creating new values for the company, having a business environment compatible with the latest information technology and full security measures, protecting the global environment with energy conservation, recycling of materials, long building life, and greennification system. In September 2003 men and women will be supported in their efforts to balance work and child rearing with establishment of an in-office day care center.

In this easy-to-work environment, the Shiodome office staff aims to serve customers through the creation of new values by the whole Shiseido Group.

Company outline

Commercial name Shiseido Company, Limited

Headquarters Tokyo-to Chuo-ku Ginza 7-5-5
(General reception)

Date of founding September 17, 1872

Capitalization ¥64,500,000,000
(as of March 31, 2003)

CEO and President Morio Ikeda

Sales
Consolidated ¥621,200,000,000
(as of March 31, 2003)
Independent ¥222,300,000,000
(as of March 31, 2003)

No. of employees 2,868
(Group employees 25,202)
(as of March 31, 2003)

No. of companies in Shiseido Group (affiliates, subsidiaries) 94 (42 domestic, 52 foreign)

note: In April 1, 2003 Osaka Shiseido (Ltd.) and Shiseido Chemical Engineering (Ltd.) were merged with Shiseido (Ltd.) and ceased to exist.

For inquiries contact the office publishing this document: Shiseido (Ltd.) Technical Department

The next issue is scheduled to be published Sept. 2004