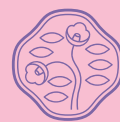


2003
SUSTAINABILITY REPORT
SHISEIDO



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.

SUSTAINABILITY

SHISEIDO

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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.

Range of this report

■ Time period

April 1, 2002 to March 31, 2003

(some parts deal with earlier activities or activities of the immediate future)

■ Company operations

Financial and social service data dealing directly with the Shiseido Group are described. Environmental activity data related to production and used here is that of Shiseido Inc.'s 5 factories and the 20 factories of 12 subsidiary companies. Environmental data for activities not related to production is that of Shiseido Ltd. and 91 subsidiary companies.

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 育男



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

Corporate Mission

Corporate Mission

We aim identify new, richer sources of value and use them to create beauty in the lives and cculture of those we serve.

Criteria for Corporate Activity

- 1.We seek to bring joy to our customers.
- 2.We are concernde with results, not procedures.
- 3.We share frankly with each other our real priorities.
- 4.We give free rein to our thoughts an boldly challenge conventional wisdom.
- 5.We act in the spirit of thankfulness.

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 dicersity 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.

Wiuth 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

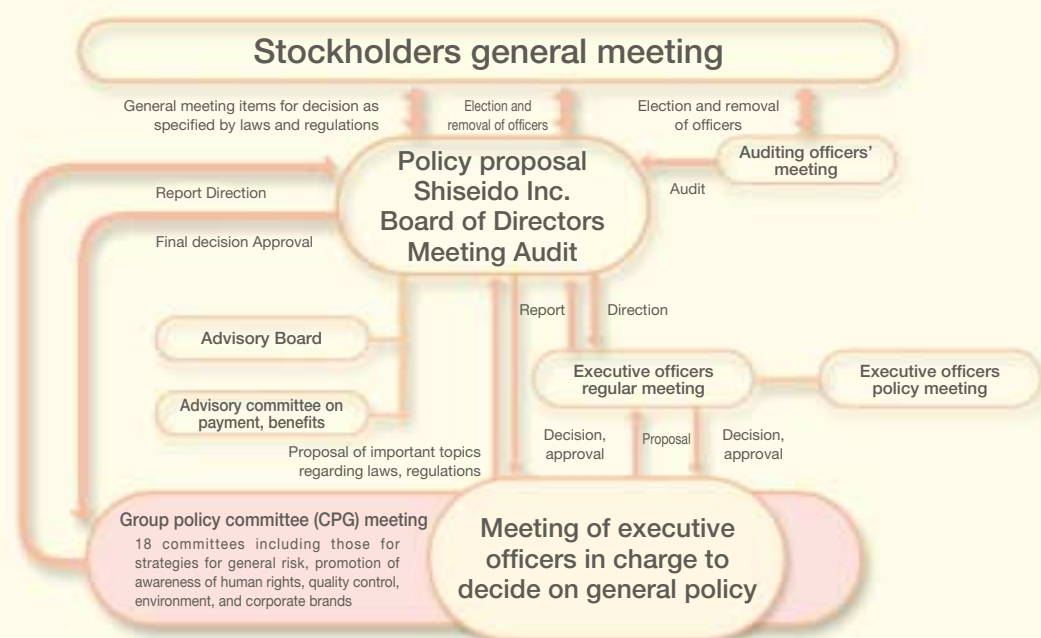
From fiscal 2001 onward, various reforms have been carried out including the reform of the meetings of the Board of Directors and introduction of a system of Executive Officers. The aim of these is to make the goal-setting process speedier and so heightening the adaptive capability of management and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



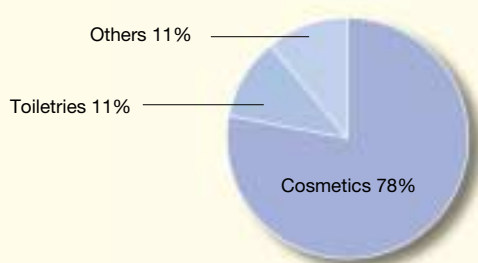
IR (investor relations) activities placing importance on relations of trust with stockholders and other investors

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.

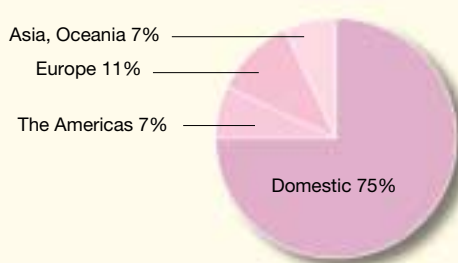
Regarding information disclosure, we strive to make fair disclosure of reliable information on our company to those active in capital markets such as investors and securities analysts, to the mass media, and to all our stakeholders such as employees and business partners equally and in a timely fashion.

Outline of financial results

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



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



Consolidated business results

	Sales (unit: ¥1,000,000)	Operating profit (unit: ¥1,000,000)	Net profit (loss) for this term (unit: ¥1,000,000)	Total capital (unit: ¥1,000,000)	Stockholders' capital (unit: ¥1,000,000)	Net profit (loss) per stock (unit: ¥)	Dividend paid per stock (unit: ¥)	R&D expenses (unit: ¥100,000,000)
2003/3	621,250	48,993	24,496	663,403	353,466	58.0	20.0	173
2002/3	589,962	25,572	(22,768)	664,041	345,667	(54.6)	16.0	170
2001/3	595,152	32,291	(45,092)	665,247	361,696	(106.8)	16.0	168

*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.



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.

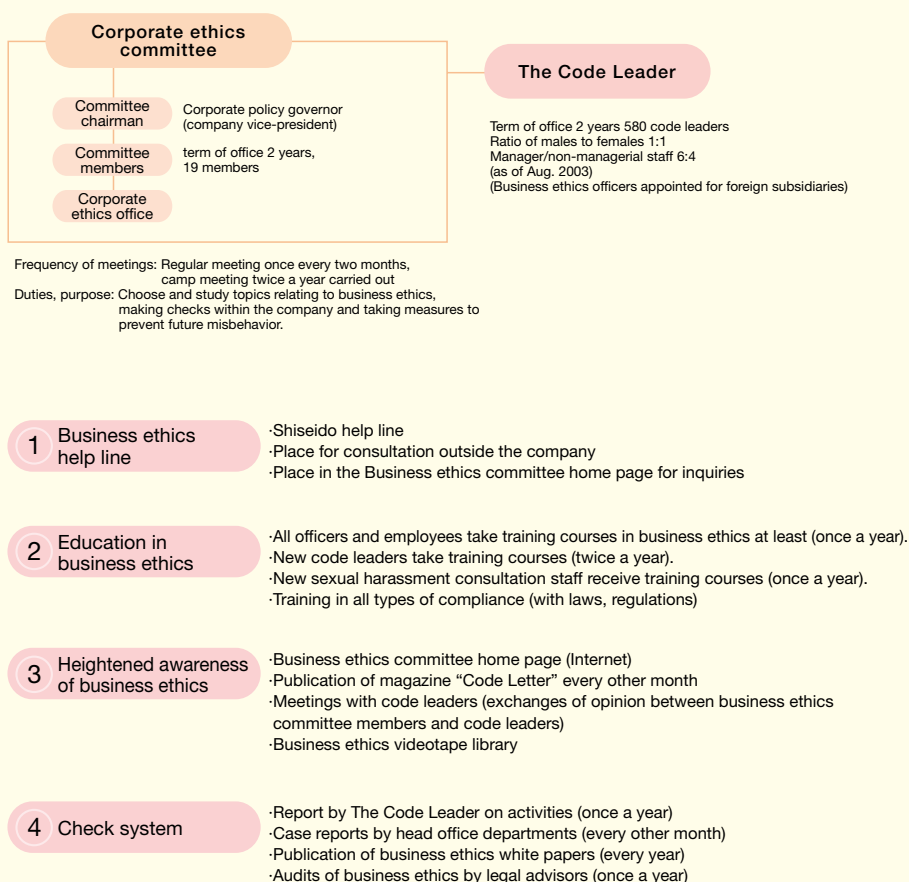
Organization for promotion of corporate ethical behavior



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.



THE SHISEIDO CODE

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

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

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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.

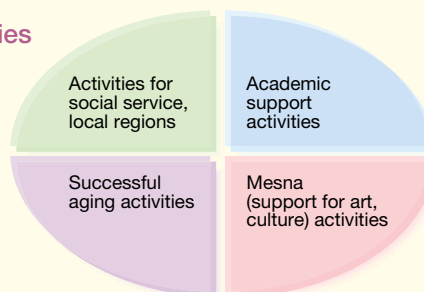
Moving toward Shiseido's business goal to create beautiful life and culture, we proceed with our social service activities together with our business activities.

1 The goals of social service activities

In order for we 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

- 1.3% 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.



Personal appearance training course at a facility for the elderly

•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.



Shiseido Listeners' Café

 www.shiseido.co.jp/listener

•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.



Braille personal beauty texts, beauty information tapes

•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.



Duo concert by Masumi Haraguchi and Keiji Shimizu - "The Splendor of German Romantic Music" June 2002, attended by 113 persons

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



An employee (right) serving as coach of a rugby team, this made possible by taking advantage of the social studies day system.

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.



Using the overseas volunteer system, an employee helps children at a Thai orphanage.

•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.



Catalogs produced by ADSP

•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.

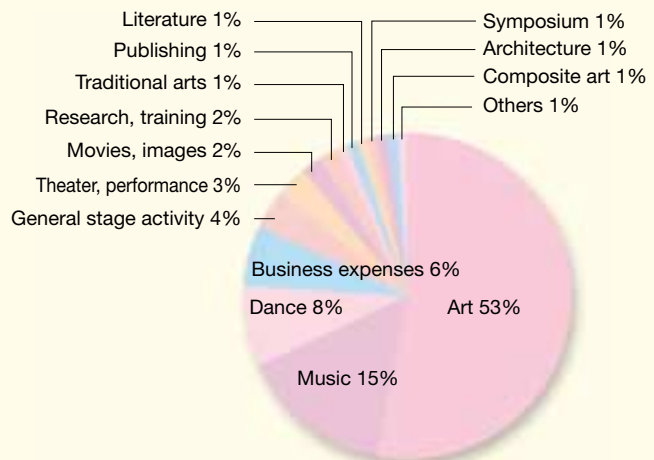


Catalogs produced by ADSP

•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



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).



Shiseido Forum 2001 for Successful Aging “Time refines the individual” (October 2001)

•Successful aging courses

Held once a month at the Tokyo Ginza Shiseido Building. Held with concept of personal interaction in mind guest speakers and participants have dialogues and exchanges during courses held. 12 courses were held in fiscal 2002, with a total of 797 participants. For the themes of past courses in fiscal 2002, consult the data collection (p.46-7).



•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.



SA (successful aging) book series

•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.



 www.shiseido.co.jp/successful

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.



Scene of citizens' seminar

•Aid to research institutions

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

Fiscal 2002 Aid

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

*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

•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.



Shiseido Perfect Cover



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 continuance, 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)

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.

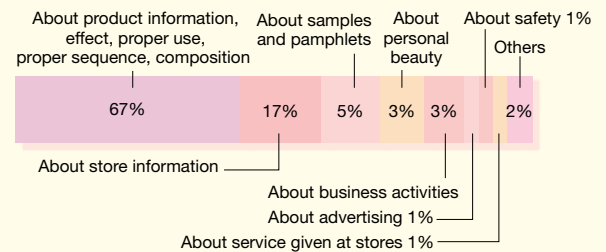
In order for many customers to use our products faithfully with a sense of security, we put measures to ensure safety our first priority, always checking out every possibility with organized procedures.

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.

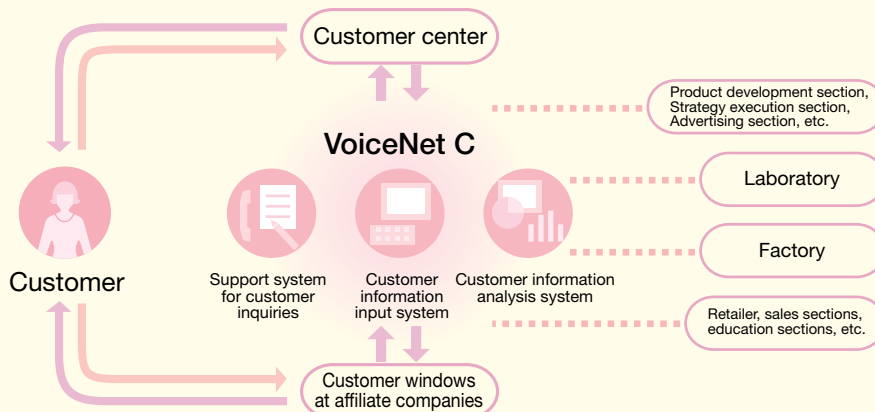
Shiseido wishes to interact with customers not only through telephone calls and letters, but also at various locations where our employees and our customers can meet.

Content of inquiries



 Customer inquiry desk
www.shiseido.co.jp/gallery

Flowchart of VoiceNet C system



Customer information system Voice Net C

Voice Net C is a system that allows effective use to be made of information on and from customers, throughout the company. Replies to inquiries and advice regarding problems of customers, and information on customers are collected and used as feedback indicating improvements to be made in the company.

Shiseido web site



 www.shiseido.co.jp

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.

Cosmetic Garden C



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 of 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.

4 elements of product quality



1 Safety

Shiseido has adopted independent safety assurance standards which always 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.



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

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.



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.

3 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.



Evaluation of cosmetic product ease of use

4 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.



Measurement of moisture content on skin before and after applying facial lotion

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.



Jojoba oil (an ingredient of cosmetics) used by Shiseido (right) and that used generally. The clear difference in color indicates difference in quality due to refining techniques.

•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.



New uniforms

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.



*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.

Establishment of a hotline for cosmetics speciality stores

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.

Promotion of open purchasing activities

Shiseido regards suppliers as partners together with which products with new value are created. In our home page, our basic strategy for purchasing, items purchased, the steps prior to completion of a transaction, operation points, etc. are introduced, and open purchasing is conducted.



www.shiseido.co.jp/purchasing

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

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.



Gender free books to raise employees' consciousness

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.



Day care center in the office Kanga-room Shiodome open

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.

Proportion of employees receiving physical examinations

	Regular examination	Lifestyle-related disease physical examination
Fiscal 2001	98.4%	98.9%
Fiscal 2002	98.7%	99.4%

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.



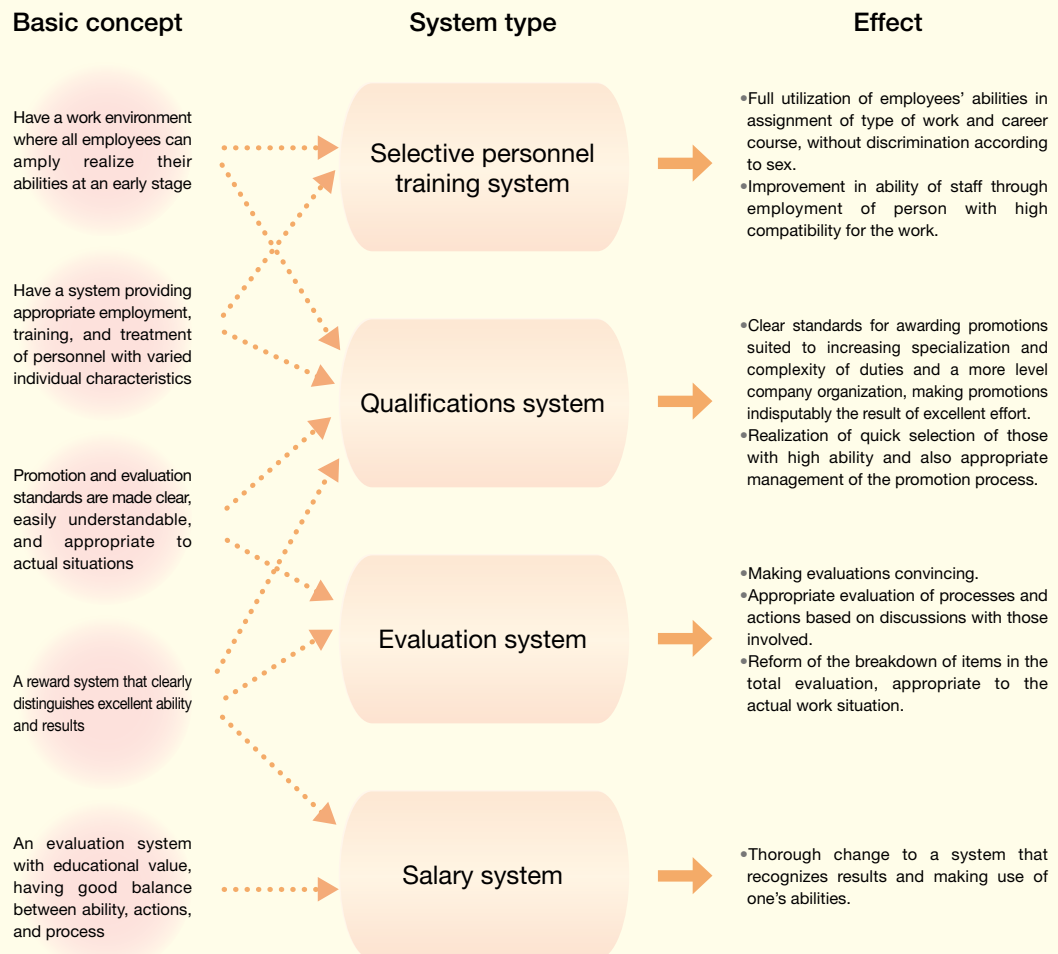
Mental health care book

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.



Types of personnel systems

System		Purpose, content, etc.
Career development related	Job challenge system	Personnel shift system based on desires of the employee, invigorating the organization by placing personnel who are appropriate for each workplace.
	In-company free agent system	A system where employees are moved to the section/office for which they state a preference, allowing them to do the work they want to do. Applications accepted once a year.
	Change in job type, career course	Those fulfilling set applicant standards and certification requirements are enabled in this system to change posts according to the selective personnel training system.
Others	Social studies day system	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 person participating in fiscal 2002)
	Maternity/paternity leave	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)
	Child-rearing time	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)
	Home care leave	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)
	Home care time	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

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).

In-company study

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.

Support for self-initiated consciousness raising

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.

Multi-angled evaluation system (program for discovery of self-image)

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.



Property portfolio formation system

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.



Select-your-plan "cafeteria"

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.



Bountiful fringe benefit facilities, services provided

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.



Text for new union members



The Pokkapoka Troops' Family Earth Environment Classroom
(photo by Yomiuri Shimbun)

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.

Act upon Shiseido's Eco Policy

Social environment	Raising corporate social responsibility (CSR) Depletion of natural resources Insufficiency of waste processing facilities Acceleration of recycling activities Importance of risk management	
Laws	Amended Waste Processing Law Container and Packaging Recycling Law Law for the Promotion of Effective Use of Resources Green Purchasing Law PRTR Law	Fundamental Law for Promotion of an Environmentally Oriented Society Environmental Economy Law (Germany) Super Fund Law (U.S.) Basel Treaty
Global environment	Global warming Destruction of the ozone layer Acid rain Ocean pollution	Atmospheric, soil pollution Reduction, degradation of forests Reduction of biodiversity Desertification

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.

Shiseido Global Eco Standards					
Product Development Eco Standards	R&D Eco Standards	Production and Procurement Eco Standards	Physical Distribution Eco Standards	Sales Eco Standards	Office Eco Standards
Promotion of planning and design of products that are gentle beneficial to nature and to society, and have great positive effect on company performance.	Highest priority placed on given to influences on the global environment, promoting R&D activities for reducing environmental burdens.	Promotion of efficient production while harmonizing, achieving balance between production /and procurement costs with and environmental costs.	Promotion of efficient distribution, maintaining balance between environmental protection costs and service costs.	Reduce amounts of unsold goods, which increase waste materials; promote efficient sales activities.	Promotion of energy saving, resource saving, and recycling at the office.
<ul style="list-style-type: none"> • Selection of raw materials giving consideration to depletion of resources • Design of products which are easily recyclable • Restraints on over-packaging • Non- production of waste materials harmful to the body and to the environment 	<ul style="list-style-type: none"> • Promotion of development and application of new technology protecting the environment • Promotion of activities for reducing environmental burdens • Thorough control of chemical substances 	<ul style="list-style-type: none"> • Promotion of wide acceptance and improvement of environmental management systems • Strengthening of joint environmental protection activities with business partners • Joint development with business partners for environmental protection • Promotion of "Green Purchasing" • Promotion of activities to lessen environmental burdens 	<ul style="list-style-type: none"> • Renovation of facilities to enable environmentally friendly operations at distribution centers • Reduction of packaging for transport of goods • Construction of transport systems with low burden on the environment 	<ul style="list-style-type: none"> • Renovate sales locations outlets to enable environmentally friendly operations • Reduction of waste products • Reduction of environmental burden due to promotion items 	<ul style="list-style-type: none"> • Resource saving at the office • Promotion of recycling at the office • Energy saving at the office

Basic policy

Activity standards

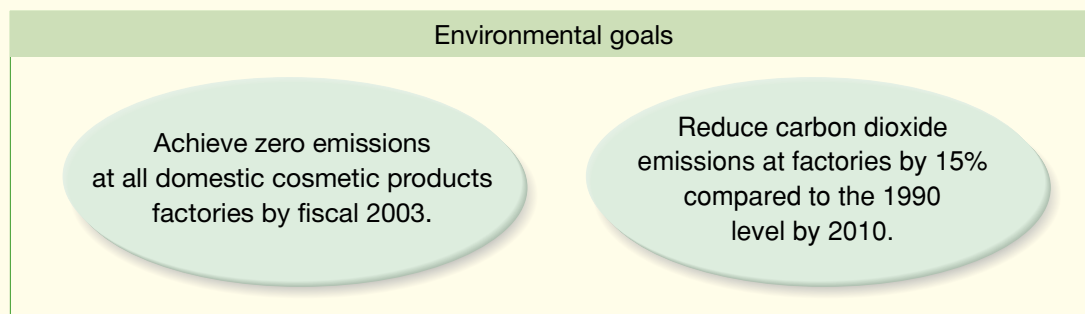
Environmental policy

Shiseido Reports on the environmental goals Shiseido is pursuing, and results of such efforts for fiscal 2002

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.



•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

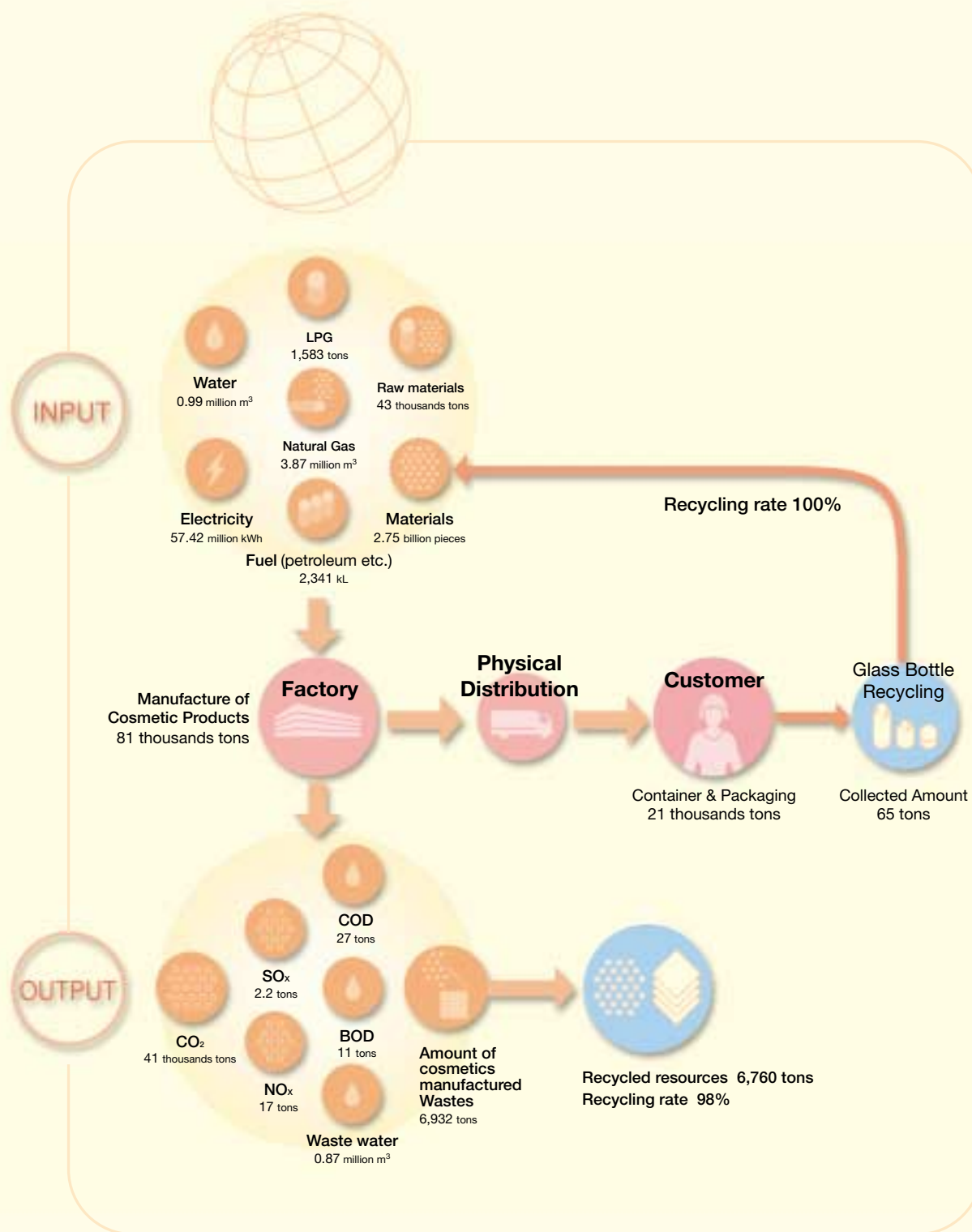
Illegal disposal of industrial wastes has become a major social problem. To deal with this, we have appointed Industrial Waste Managers at all our workplaces and are constructing a total management system

→ 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.

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.

SO_x

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.

NO_x

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

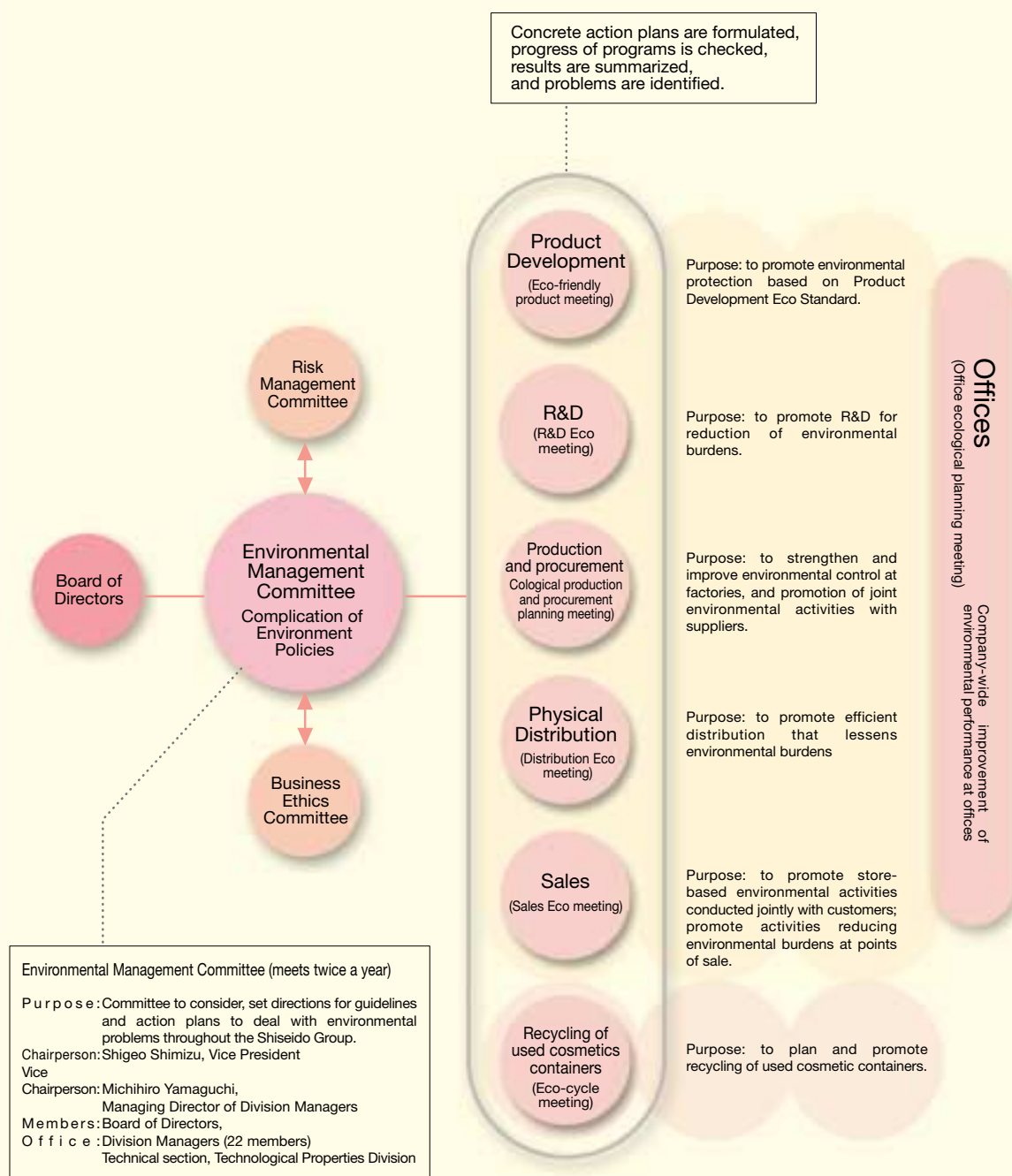
Biochemical Oxygen Demand. The amount of oxygen needed by microorganisms to break down by oxidation the pollutants (organic materials) in the water. Used as an indicator of pollution in rivers etc. The higher this numerical level, the greater the amount of pollutants in the water.

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

Organizational system

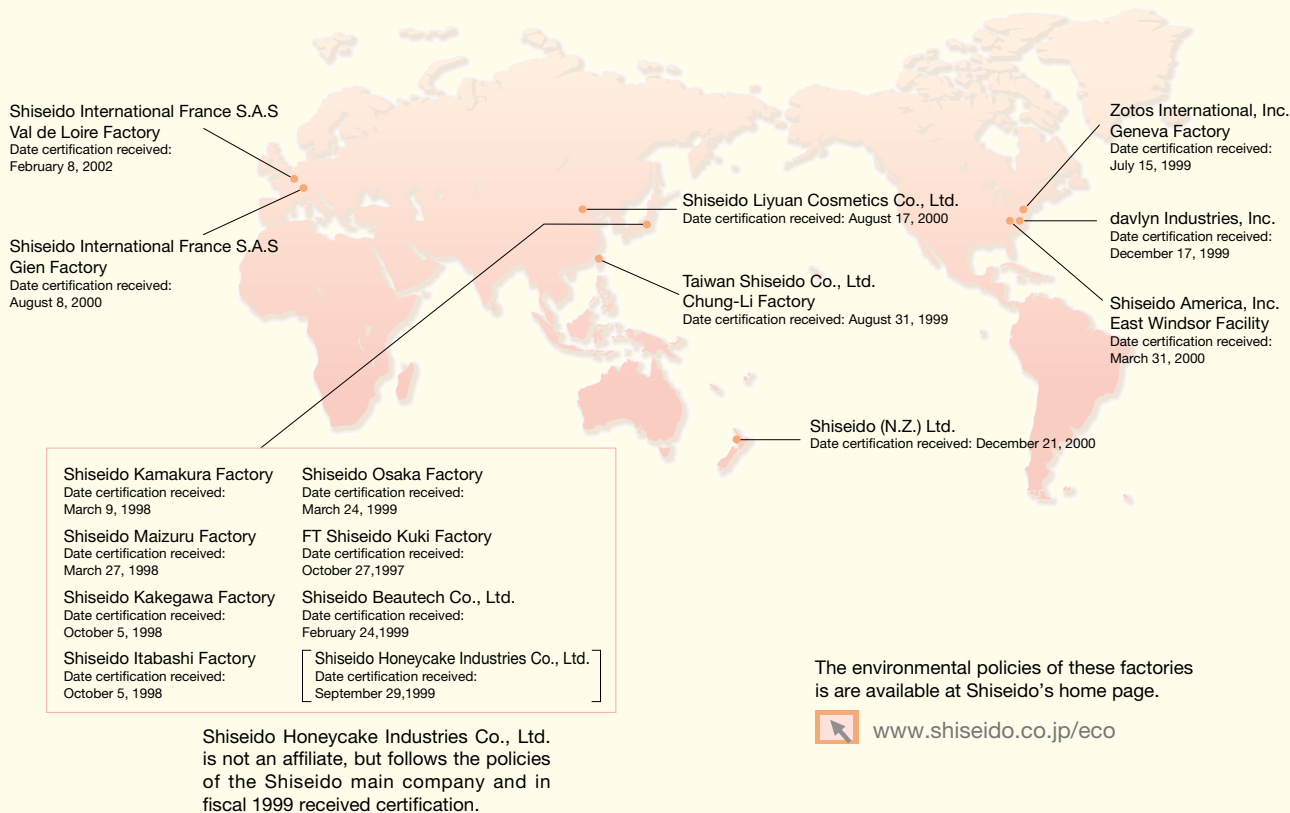
Shiseido plans environmental measures chiefly through its Environmental Management Committee.

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.



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.



Inspection at Shiseido's Kakegawa factory

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 "Shin-tsubaki no Tomo (New Camellia Friend)" (monthly, circulation 25,000), in which special environmental related articles and news are frequently entered.



Company magazine "Shin-tsubaki no Tomo"

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 on 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.

Number of persons receiving training in waste management in fiscal 2002

Workplace	No. of persons
Factories (9 domestic), laboratories	11
Affiliates, subsidiaries (non-manufacturing)	41
Total	52

•PCB waste management

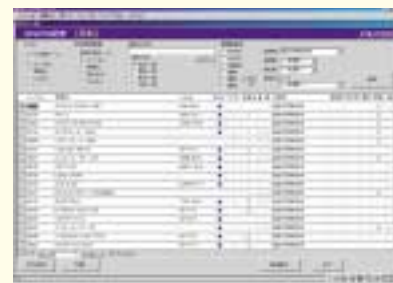
PCB (poly-chlorinated biphenyl) was used widely in pressure-molded containers and condensers, but its harmful properties have been clearly verified and its manufacture, import, and use in new ways products have been prohibited. Further, the careful storage of PCB waste materials and administrative reporting 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.



Place to the storage of PCB waste.

•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.

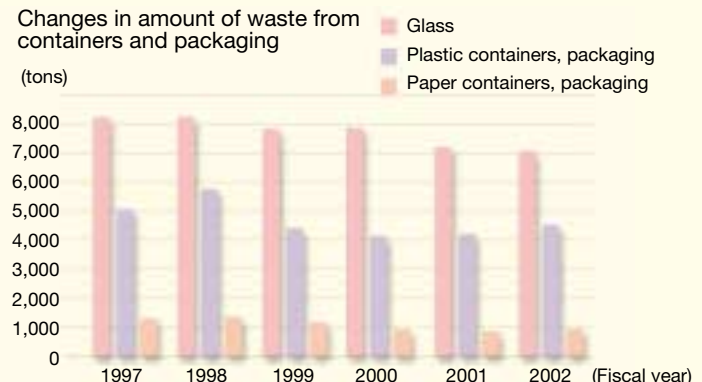
Shiseido Kakegawa Factory (Ltd.) database display

→ Fiscal 2002 PRTR data has been compiled;
see page 48

•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.

Changes in amount of waste from containers and packaging (tons)



•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.



Plastic mark

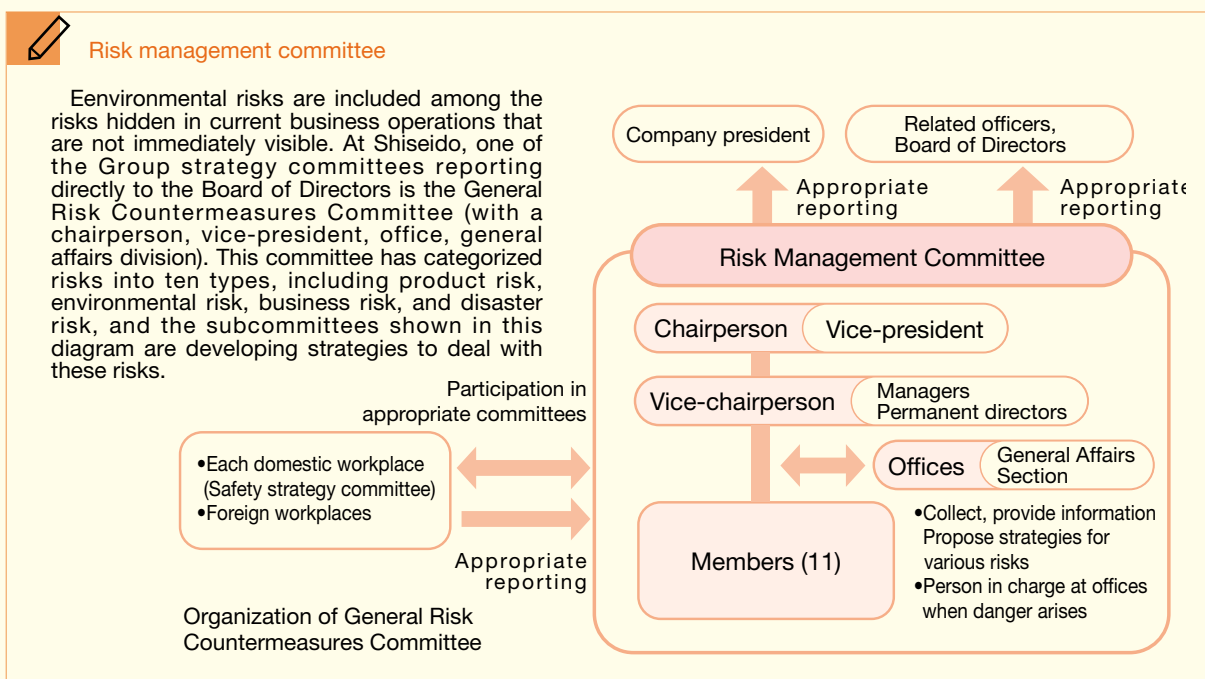
Paper mark

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.

▼ Recycled resins, biodegradable resins



Recycled paper ►



Recycled glass ▲

▼ Non-wood paper (reed)



▼ Non-wood paper (bagasse)



•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.

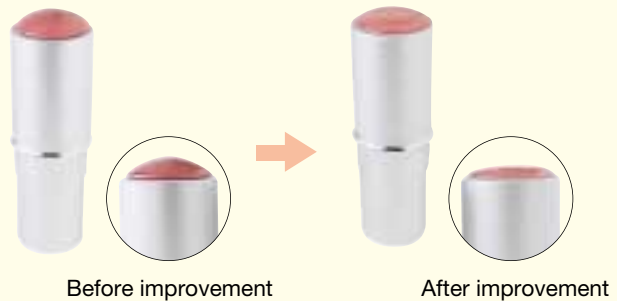
Non-wood paper (kanaf) ►



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.



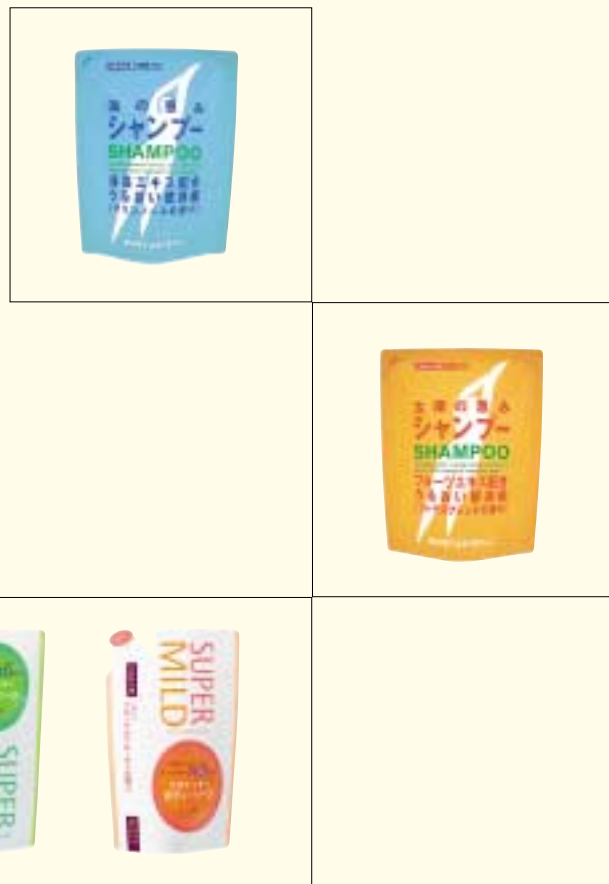
Reduced-weight resin cover (right)

•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.



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.



R&D Eco 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.



Super Mild Shampoo, containing the cleansing ingredient AMT



Research with alternatives to animal testing

Shiseido has long been working for the cause of animal protection, since 1981 actively pursuing 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.



Award received at the 16th Conference of the Japan Alternatives to Animal Testing Association (Dec. 2002)

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

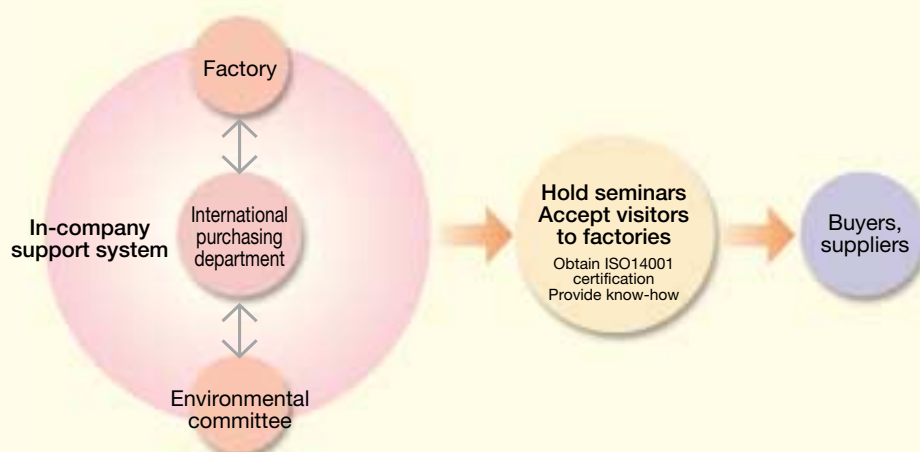
The independent efforts of Shiseido are of course important in our environmental strategy, but there are many problems that cannot be solved by us alone; the cooperation of the companies with whom we work is indispensable.

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.

7 necessary tasks

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

System for support of buyers' and suppliers' environmental activities



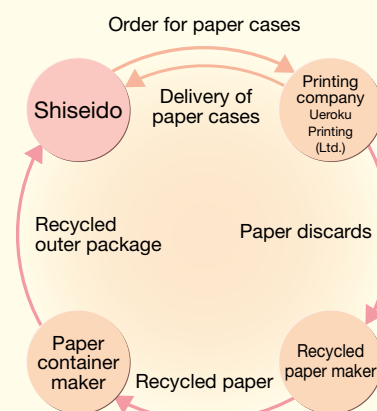
Joint construction of a recycling system for paper waste products with Ueroku Printing (Ltd.)

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.



Recycled outer container box, paper case, paper discarded products.

Flow chart of recycling system



Shiseido has been continually improving since 1998 to achieve:
[Waste zero emissions], [Reduction of CO2 emissions]

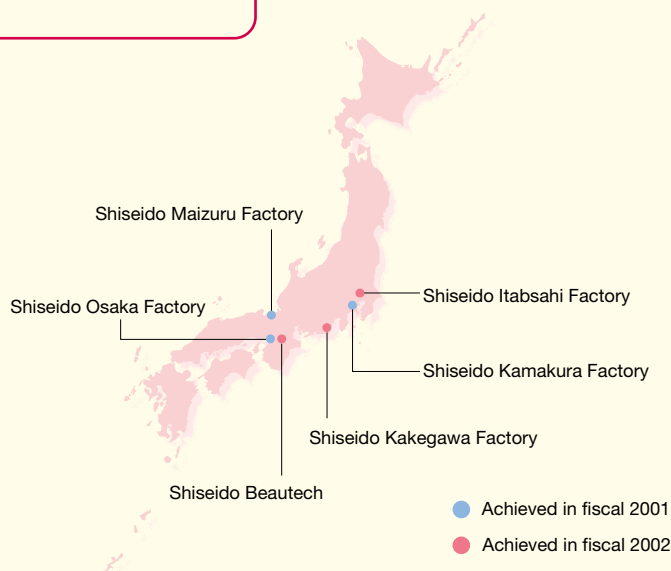
Strategies for waste product recycling



Achieve zero emissions of waste at all domestic cosmetics factories by fiscal 2003.

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:

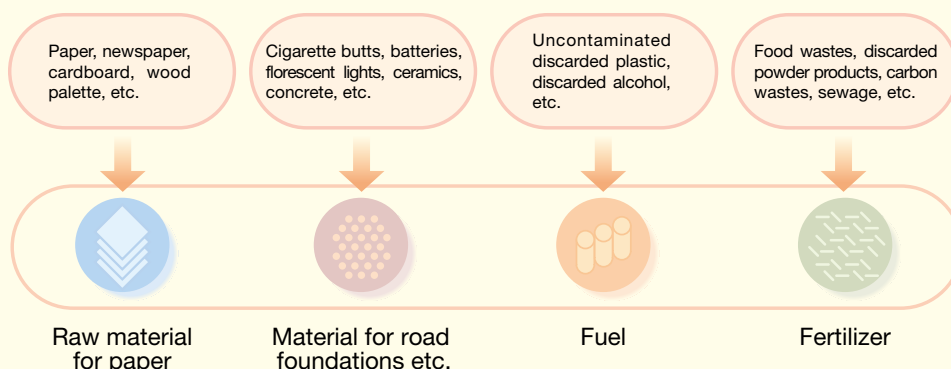
An operation whose waste products are all reused or reduced to raw materials again (material recycling, chemical recycling, thermal recycling). However, if all waste products are targeted in this way, there are cases where the environmental burden may instead be increased (for instance, where long distance transport of materials or excessive chemical processing is needed), so Shiseido defines zero emissions as 99.5% reuse of waste products.



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



Efforts to conserve energy



Environmental
goal

Reduce carbon dioxide emissions per unit of production from our factories by 15% relative to 1990 levels, by fiscal 2010.

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.

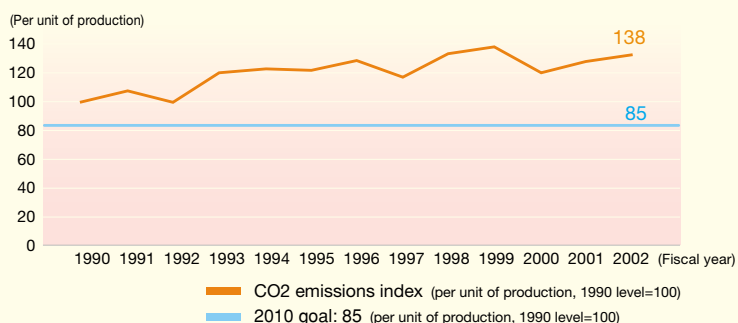
The carbon dioxide generated per unit of production by factories as the result of electricity and fuel consumption was 138 in 2002 (the 1990 level = 100), 10 points higher than the previous year.

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.)



Daytime light adjustment



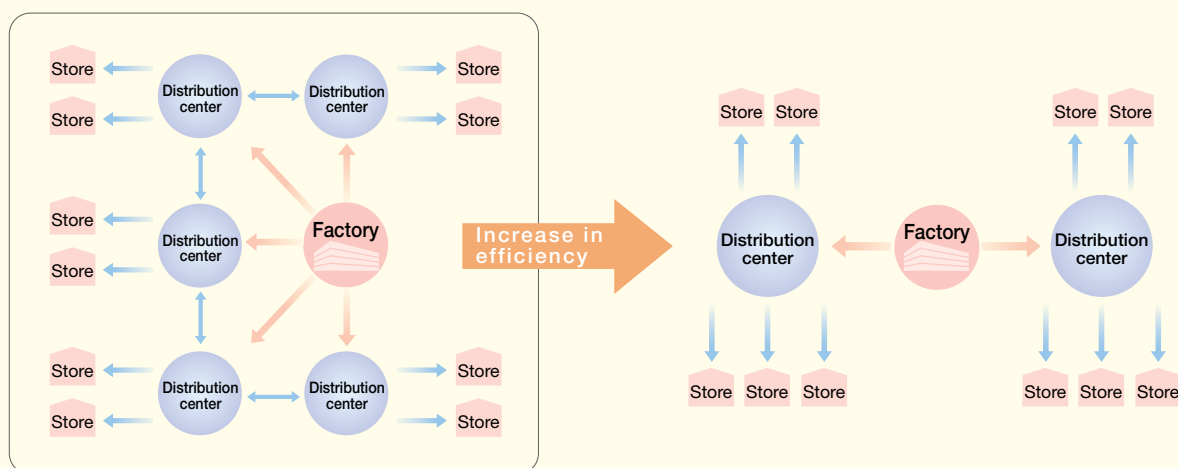
Daytime light adjustment

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 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.



Europe environmental conference



U.S. 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.



Remanufactured glass bottles
come to customers as products

Come to stores
as products



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



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"



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

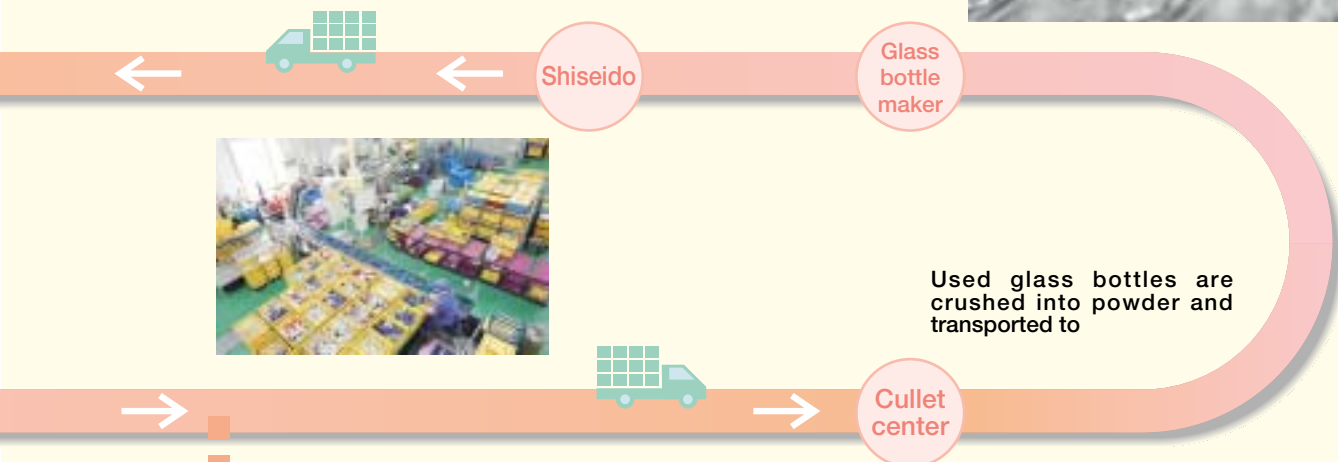
New glass bottles are made by melting the old ones at high temperature, so there is complete safety from the hygiene standpoint. Glass does not deteriorate in appearance no matter how many times it is melted down, so it is very appropriate for recycling. Shiseido has a good system for recycling. Knowing 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



Remanufactured glass bottles go to the cosmetics factory



Used glass bottles are crushed into powder and transported to

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

Cullet is fragmented glass made by crushing used glass bottles into powder, close in form to the raw material of glass. At Shiseido, this process is carried out at its Cullet Center within the Kakegawa Factory. About 3.2 tons of cullet are produced a day in this up-to-date, original-design factory.

Separation



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.

Crushing



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

Washing



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

Packing and shipping



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

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

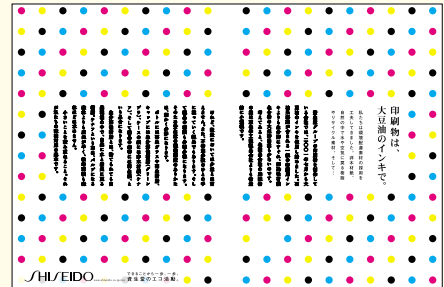
Shiseido actively releases its information on the environment not only within the company but also to its stakeholders.

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



"Use soy bean oil ink for printing materials"

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.



Explanation by the factory chief



Research presentation

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.



Lecture at a non-wood paper promotion meeting



2002 International Urban area Environmental Conference at Kumamoto

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.



Exhibit "Everyone's consumer life" (Hiroshima)



Dentsu eco-communication exhibit

Information provided through our home page

In Shiseido's home page "Shiseido Web Site," environmental information is given. (in Japanese and in English)



Shiseido's home page

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.

No. of report copies issued

Fiscal year	Date published	No. of copies
1997	January 1998	35,000
1998	October 1998	10,000
1999	October 1999	10,000
2000	October 2000	10,000
2001	September 2001	8,000
2002	August 2002	10,000

Data collection

Data on social activities

No. of visitors to Shiseido Art House and special exhibits of archives in fiscal 2002

	Visitors that year	Visitors per day (avg.)
Shiseido Art House	27,307	102
Special exhibits of Shiseido Archives	25,002	90

Exhibits held by Shiseido Art House and no. of visitors to each in fiscal 2002

Period	Exhibit name	Type of art	Visitors
2002/2/14 – 5/6	Glass Works by Toshichi Iwata and Hisatoshi Iwata	Glasswork	10,014
2002/6/6 – 9/16	Yoshimichi Fujimoto and Imaemon Imaizumi, the 13th Exhibition - Enameled Porcelain by Living National Treasures -	Ceramics	8,412
2002/9/19 – 12/24	Contemporary Ceramics - Art and Beauty by Six Great Masters	Ceramics	7,810
2003/1/10 – 3/23	Prints and Drawings from The SHISEIDO Collection	Prints, watercolors, etc.	5,712

Outline of Successful Aging courses in fiscal 2002

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

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

Coordinator: Yuko Tanaka (professor, Hosei University)

Date held	Title	Lecturer	No. of participants
2002/7/16	On living and loving	Seigo Matsuoka (head, Editorial Engineering Laboratory)	73
8/21	My many lives listening to the shamisen	Fuei Nishimatsu (teacher of jiuta and tomimoto)	61
9/25	Leaving something for the future – Thoughts on Japan's performing arts	Ken Nishihashi (Bunya traditional puppet operator)	62
10/31	Living in the way of Osamu Kitayama, an Edo Period interpretation – poetry, Ukiyoe, and psychiatry	Osamu Kitayama (essayist)	68
11/13	Japanese read aloud by John and Yuko	John Solt (poet)	53
2003/2/6	Masahiro Shinoda - What happens while making a movie	Masahiro Shinoda (film director)	56

Coordinator: Kiko Harada (National Science Museum)

Date held	Title	Lecturer	No. of participants
2003/1/23	The Ginza I long for, as seen in movies	Saburo Kawamoto (critic)	60
2/19	The spirit and soul of the Shimbashi Geisha	??kimi KikumoriKawa?? (Shimbashi Geisha)	68
3/19	Beauty in being comfortable to wear	Tsuneo Yashiro (president, Yoshinoya Shoes (Ltd.))	63

Outline of all past Successful Aging Forums

Forum No.	Year	Title	Theme	No. of participants
1st	1989	Shiseido International Forum '89 "Successful Aging"	Successful aging – searching for ways to prevent aging of skin due to UV rays	400
2nd	1991	Shiseido International Forum '91 Successful aging "The connection between spirit and mind"	The connection between spirit and mind, in psychiatric and neurological immunology and psychology	400
3rd	1993	Shiseido Science Forum '93 Successful aging "Putting spirit into daily life – creativity and self-expression"	Putting spirit into daily life – creativity and self-expression, extending to brain science	500
4th	1995	Shiseido Forum '95 Successful aging "Thinking about my own fragrance"	Thinking about my own fragrance, focusing on the sense of smell and aging	300
5th	1997	Shiseido Forum '97 "The latest developments in successful aging"	The latest developments in successful aging, introducing the latest research in aging	450
6th	1999	Shiseido International Forum '99 Successful aging "Rejuvenated sense of touch – the feel of living skin"	Rejuvenated sense of touch – the feel of living skin, elucidating the relation between sense of touch and aging	500
7th	2001	Shiseido Forum 2001 Successful aging "Time refines the person – views of aging in the 21st Century"	New views of aging in the 21st Century; seeing that "time refines the person" through observation of humans	450

Data on environmental activities

Changes in carbon dioxide emissions (6 domestic factories)

Shiseido (Ltd.) factories at Kamakura, Kakegawa, Itabashi, Osaka, and Maizuru, FT Shiseido (Ltd.) factory at Kuki

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Carbon dioxide emission index per unit (% compared to 1990)	100	107	102	119	122	121	127	116	132	135	120	128	138

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

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.)

	1998	1999	2000	2001	2002
Amount recycled (tons)	5,220	6,019	6,878	7,275	6,760
Amount of waste not recycled (tons)	2,122	1,557	727	360	173
Total (tons)	7,342	7,576	7,605	7,635	6,932
Recycling rate (%)	71	79	90	95	98

PRTR (9 Domestic factories and laboratories FY2002)

(unit: tons)

Legal No.	Chemical Name	Use	Amount shipped as commercial product	Release Amount			Transfer Amount		Others (chemical decomposition etc.)	Total (=amount handled annually)
				Into the air	Public waters	Soil	Sewage water	Waste disposal		
307	Poly(oxyethylene)=alkyl ether	raw material, detergent	10.5	0.0	0.0	0.0	1.2	3.3	0.1	15.1
16	2-amino ethanol	raw material	7.8	0.0	0.2	0.0	0.0	0.1	0.3	8.4
95	Chloroform	solvent	0.0	0.3	0.0	0.0	0.0	7.2	0.0	7.5
47	Ethylene diamine quaternary acetate	raw material	5.9	0.0	0.0	0.0	<0.1	<0.1	<0.1	5.9
42	Ethylene oxide	disinfectant	0.0	0.8	<0.1	0.0	0.0	0.0	4.4	5.2
1	Zinc water-soluble compounds	raw material	2.8	0.0	0.0	0.0	<0.1	<0.1	0.0	2.9
12	Acetonitrile	solvent	0.0	0.1	0.0	0.0	0.0	1.2	0.0	1.3
263	p-phenylene diamine	raw material	1.1	0.0	0.0	0.0	0.0	<0.1	0.1	1.2

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

Category	Investment (¥10,000)	Cost (¥10,000)	Main measures, concrete content
1. Cost within business area			
(1) Cost of preventing damage	22,206	19,000	Waste water treatment, prevention of atmospheric pollution, etc.
(2) Cost of protecting the global environment	4,150	1,149	Promotion of energy conservation etc.
(3) Resource recycling cost	964	84,423	Processing and recycling of discarded substances, reduction of materials, etc.
2. Inflow and outflow circulating costs	0	22,507	Financial burden of container package recycling, costs related to the cullet center, etc.
3. Cost of monitoring activities	0	35,012	Personnel expense (other than R&D) Environmental monitoring expenses (i.e. ISO-related)
4. R&D costs	0	11,186	R&D etc. of products gentle to the environment (includes personnel costs)
5. Social service costs	0	10,200	Disclosure of environmental information (environmental report, environmental advertising), support for greenification, support for outside organizations, etc.
6. Other costs	0	138	
Total	27,320	183,615	

Economic effects of environmental protection strategies

Category	Economic effect (¥10,000)	Materials reduction effect	Other
1. Energy saving	6,853	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

Positions of the above persons are as of June 25

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



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 Harajiku 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.



House Foods (Ltd.)
Somatech Center

Eriko Saijo

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 persons 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.



The Japan Industrial Journal,
editor of monthly journal of
global environment

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 Hanatsubaki to heighten awareness. I hope that you make great contributions to spreading recycling, using your leadership in the cosmetics and toiletries markets.



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

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, and develop operations that are still more widely global.



Environmental writer

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.

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.



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

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.



Factory chief Fujima

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

The history of Shiseido's social service and environmental activities

Management		Social service activities	Environmental Activities
1872 Shiseido Drug Store established in Ginza, Tokyo 1888 Japan's first toothpaste "Fukuhara Hygienic Tooth Brushing Soap" goes on sale 1897 Moves into cosmetics market with "Oidelumin"	1900	1919 Shiseido Gallery established 1924 First issue of "Shiseido Geppo" 1928 1st Shiseido Art Exhibition 1933 Shiseido Graph established 1937 Shiseido Hanatsubaki Club established, first issue of "Hanatsubaki" 1947 1st exhibit of Tsubaki Kai 1949 "Daily Beauty Care Seminar" for the aged and disabled	
1915 Trademark "Hanatsubaki" registered 1921 Five Major Principles of Shiseido adopted 1923 Chain store system begun 1927 Change from joint capital corporation to stock holding corporation, adoption of sales companies system	1950		
1949 Entered on the Tokyo Stock Exchange	1970	1964 Support for the Tokyo Paralympics	
1972 100th anniversary		1972 Establishment of the "Shiseido Social Welfare Foundation" Shiseido International Conference – Seminar on Light and the Skin – held 1977 "Paris by Six Designers" 1978 Shiseido Art House opened (Kakegawa city, Shizuoka Prefecture)	
	1980	1980 Shiseido International Conference –The skin and cosmetics science – held	
	1985	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 Shiseido Advertising Art Exhibit held in New York 1986 Production and distribution of Beauty Care Manual in Braille (makeup version) "Japan's Avant-Garde Art:1910-70" Exhibition (Paris)	
1989 Business Philosophy adopted	1990	1987 Preparation and distribution of tapes on personal beauty for use by the visually impaired Co-production of Shiseido Musical – Les Miserables 1989 Established the MGH/Harvard Cutaneous Biology Research Center amd began joint research work Shiseido International Forum '89 – Graceful Aging – held 1990 Established the Shiseido Corporate Culture Department beginning of continuous leave system, beginning of maternity/paternity leave system 1991 Hypoallergenic rice "Fine Rice" goes on sale Shiseido Research Fund for Skin Aging Shiseido International Forum '91 – Successful Aging, the ties between spirit and body – held System of shortened working hours for child rearing introduced 1992 Development of make up method to cover blotches and dark spots Launched the "Social Activities Award" for the staff Shiseido Art House charity concert held Shiseido 120th anniversary science symposium – Human health science and the Skin – held Opened the Shiseido Corporate Museum (Kakegawa, Shizuoka) 1993 Social studies day system begins Shiseido Science Forum '93 – Successful Aging, Putting spirit into daily life, Creativity and self-expression - held Home care leave system begins 1994 Cosmetic Garden C opens at Omote Sando 1995 Aid given to victims of Kobe Earthquake Shiseido Perfect Cover goes on sale Shiseido Forum '95 – Successful Aging, Thinking about my fragrance – held 1997 Support for Nagano Paralympics Launched the "Overseas Voluntary Activity Program" for the staff Shiseido Science Symposium '97 – Skin, the interface of the body, a new era of skin care – held Shiseido Forum '97 – Successful Aging, the latest frontiers – held Special cultural exhibit "PARIS-TOKYO-PARIS SHISEIDO 1897-1997 LA BEAUTE" held in Paris 1998 Introduction of "Matching gift of products" system The Shiseido Exposition (Tokyo): The Meme Exposition Generations of Art and Science 1999 Shiseido International Forum '99 –Rejuvenated sense of touch – held	1989 Announced elimination of chloroflourocarbons 1990 Eliminated chloroflourocarbons from all aerosol products 1991 Established Environmental Policy Committee 1992 Announced Shiseido Eco Policy 1993 Established Eco Guide for Product Development Guidelines 1994 Start of environmental audit system by Corporate Auditors 1996 Released environmental data for the first time 1997 Started ISO 14001 related activities (first in cosmetic industry in Japan) Established Global Eco Standards (in Product Development) 1998 Released "Shiseido 1997 Environmental Report" (January) Announced the "Four Promises to Society" with regard to the environment 1999 Recycled PET materials used in Beauty Consultant uniforms Held the Environmental Symposium 2000 Received the Award of Director General of Environmental Agency in the Ninth Grand Prize of the Global Environmental Award by the Japan Industrial Journal Domestic & Overseas Factories (15 Factories) received ISO14001 Certification 2001 Eliminated Polychlorinated biphenyl in containers and packaging Expanded recycling of glass bottles used for cosmetic products all over Japan Announced new Environmental objective "Zero emission at all domestic cosmetics factories by the fiscal year 2003" Introduced co-generation system at Kuki Factory 2002 Received the "The Global Environmental Award (Minister of Education and Science)"
2000 New corporate message "Work together – Art de Vivre" announced	2000	2000 Shiseido Science Symposium 2000 – Skin care millennium (Skin and genes; a connection is appearing)- held Exhibit "Face to Face – Shiseido and the Manufacture of Beauty 1900-2000" held at the Grey Art Gallery, New York University 2001 Shiseido Forum 2001 "Perfection of Age" held 2003 Received an award by the "Asahi Shimbun Foundation for "Survey on Corporate Contributions to Society"	
2003 Shiseido Corporate Ethics, Behavior Standards the Shiseido Code amended			

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 its energy conservation, recycling of materials, long building life, and greenification 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.



Shiseido shiodome offices (in the Shiodome Tower)

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

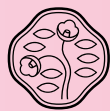
Sales Consolidated ¥621,200,000,000
(as of March 31, 2003)
Independent ¥222,300,000,000
(as of March 31, 2003)

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

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SHISEIDO