

Shiseido CSR

[Shiseido's Corporate Social Responsibility]

Shiseido's message of "This moment. This life. Beautifully" reflects our goal of becoming a 100% customer-oriented company capable of responding to consumers' desire to live beautifully. Shiseido is dedicated to pursuing CSR activities that resonate with society at large through a variety of initiatives in the areas of "Cosmetics," "Women," and "Cultural Capital."

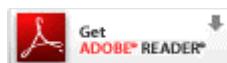
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TOP > Commitment by Management

Commitment by Management



**Towards living This moment.
This life. Beautifully.**

This year we celebrated the 135th anniversary of Shiseido's founding. The name "Shiseido" incorporates a commitment to creating new value and playing a useful role in society, and I believe that society has recognized our contributions time and again over our long history precisely because we have fulfilled the needs of customers who wish to "achieve lifelong beauty" in a sincere and straightforward manner.

We believe that up to this point Shiseido's corporate activities themselves have constituted the company's CSR activities, sharing as they do a common core. We also believe that a corporation's existence has no value unless it can act in a spirit of contributing to society by pursuing social, cultural, and human goals as a public institution.

As we broaden our field of view to incorporate a global perspective, it becomes apparent that people are prevented from enjoying beautiful and spiritually rich lives by numerous problems, among them disease, poverty, and environmental destruction on a global scale. As a corporation working to develop a global business-and as a corporate citizen seeking to achieve a sustainable society-Shiseido has a responsibility to address these problems in good faith. We joined the United Nations Global Compact in 2004 to help achieve these objectives, and we are proud to observe in our corporate activities the ten principles on which that program is founded, including human rights, labor, the environment, and anti-corruption.

In short, we believe that the core mission of the corporation is to move beyond the mere pursuit of management targets to ask how the company can serve society, and this question infuses our corporate mission. Today Shiseido is aggressively undertaking activities in the areas of "Cosmetics," "Women," and "Cultural Capital" as a means of implementing initiatives to not only fulfill the Company's social responsibility of fundamental CSR, but also of leveraging its distinctive characteristics through CSR that is unique to Shiseido.

In addition to continuing the central role of CSR in the Company's activities in fiscal 2007 based on this approach, we undertook a variety of measures designed to provide an environment that makes it easier for employees who play a very important role in Shiseido's CSR activities. To utilize their skills to the greatest effect, our initiatives include a "Kangaroo Staff system" that helps parents perform their jobs and care for their children, a Customer Satisfaction Assessment System that does away with quotas, a company university known as "Ecole Shiseido," and a Work Improvement Proposal Program. These initiatives are based on our belief that an environment that makes it easy for employees to do their jobs gives rise to good corporate activities and contributes to the creation of a better society. At the same time, we are committed to playing a leadership role in society by continuing to address the issues of Japan's declining birthrate and gender equality.

Today Shiseido offers up a corporate message of "This moment. This life. Beautifully." We have set forth the vision of becoming a 100% customer oriented company in every area of operations, including research and development, manufacturing, distribution, sales, and retail, so that all individuals can live beautifully, all the time. We believe that it is precisely the fulfillment of this commitment that will lead to deeper bonds with customers as well as society, helping to establish rock-solid trust.

We will continue to pursue the vision of Shiseido's founder. In every activity we undertake, from providing attractive products and services to our involvement in philanthropy, social and environmental initiatives, and responsible corporate governance, we are committed to playing a socially responsible role as a corporation by putting into practice the philosophy that lies behind "This moment. This life. Beautifully."

June, 2007
Shinzo Maeda
President & CEO
Shiseido Company, Limited

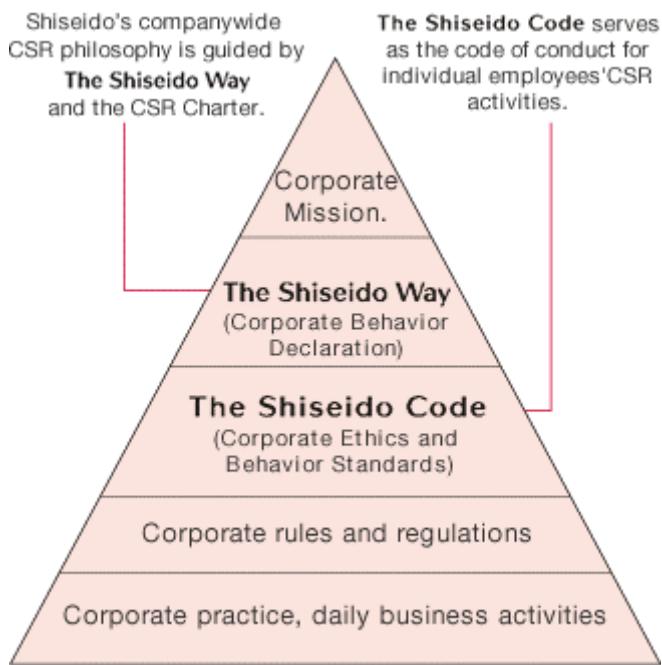
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TOP > [Overview of Shiseido's CSR]Shiseido's CSR Philosophy

Overview of Shiseido's CSR

Shiseido's CSR Philosophy



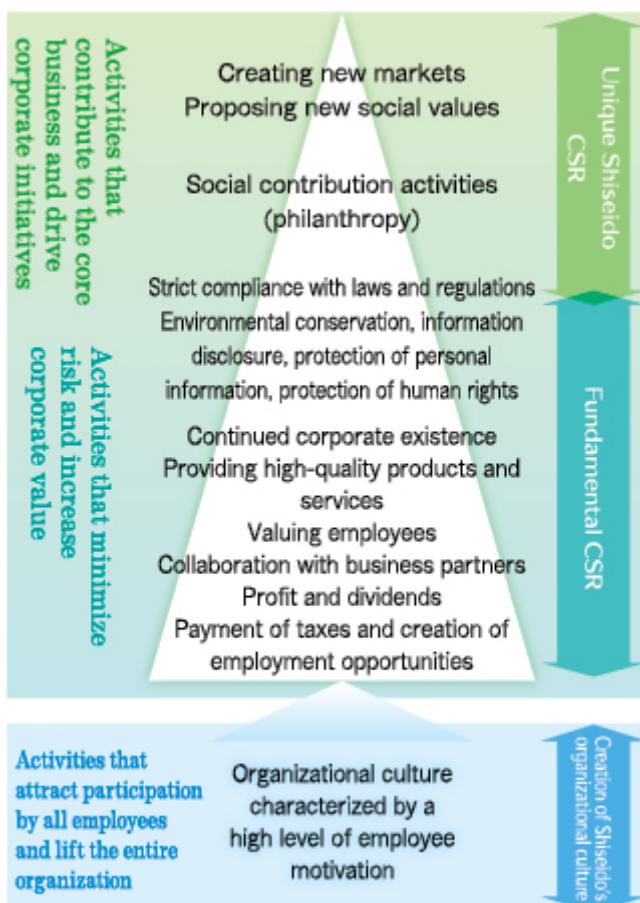
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TOP > [Overview of Shiseido's CSR]The CSR Domain and Associated Structures

The CSR Domain and Associated Structures

CSR Domain

Diagram of the CSR Domain Based on Shiseido's CSR Philosophy



Associated Structures

CSR Committee

Until now, a group of committees reporting directly to the Board of Directors has been responsible for investigating and advancing Shiseido's overall corporate activities from the standpoints of risk, corporate ethics, and social responsibility. Going forward, the functions that have until now been performed by the Corporate Ethics Committee, Risk Management Committee, Committee for Protection of Personal Information, and Technology and Quality Committee will be integrated into a single CSR Committee, which will provide a single venue for the approval of individual activities from multiple perspectives.

Positioned within the organization to report to and advise the Board of Directors, the CSR Committee will allow a cross-section of employees selected from throughout the Shiseido organization to consider initiatives from the dual perspectives of improving corporate quality and enhancing corporate value.

The CSR Committee will head a two-committee structure consisting of a Compliance Committee responsible for oversight of activities incumbent upon the Company such as legal compliance, risk management, corporate ethics, and quality and the environment, and a Corporate Value Creation Committee responsible for examining activities and corporate directions related to the enhancement of corporate value. Drawing on the leadership of these two committees to form the CSR Committee will further strengthen the Company's previous committee structure by providing a venue for significant discussions on topics such as the Company's overall direction and methods for increasing management quality based on progress in its two contributing committees.

Through these activities, Shiseido will seek to improve corporate quality and enhance corporate value by undertaking initiatives related to its corporate social responsibility.

<Committee Organization>



Compliance Committee

The Compliance Committee is tasked with carrying out Shiseido's corporate responsibility. It pursues corporate activities that will continue to earn the trust of society by moving beyond legal compliance and working to respond to the demands and expectations of the communities in which the Company is active. The committee is responsible for the following four roles.

Promoting observance of The Shiseido Code at all levels of the organization

The committee educates employees of the Shiseido Group and works to instill an awareness of corporate mission and corporate ethics so that each individual can better follow The Shiseido Code. Department and worksite Code Leaders take a lead role in advancing these activities. The committee also conducts position-specific training for corporate officers and other personnel as well as workplace-specific training for all employees.

Risk prevention, discovery, and correction

The committee is responsible for undertaking preventive action based on risk assessments. Should unacceptable behavior or an unforeseen development occur, it will seek to address the situation with speed and accuracy by means of an organizational structure that cuts across department lines.

Comprehensive monitoring

The committee maintains an accurate understanding of the internal and external conditions in which the Company operates, identifies issues and challenges, and gives direction to policy proposals.

Formulation and revision of The Shiseido Code and related rules

The Compliance Committee's PDCA Cycle



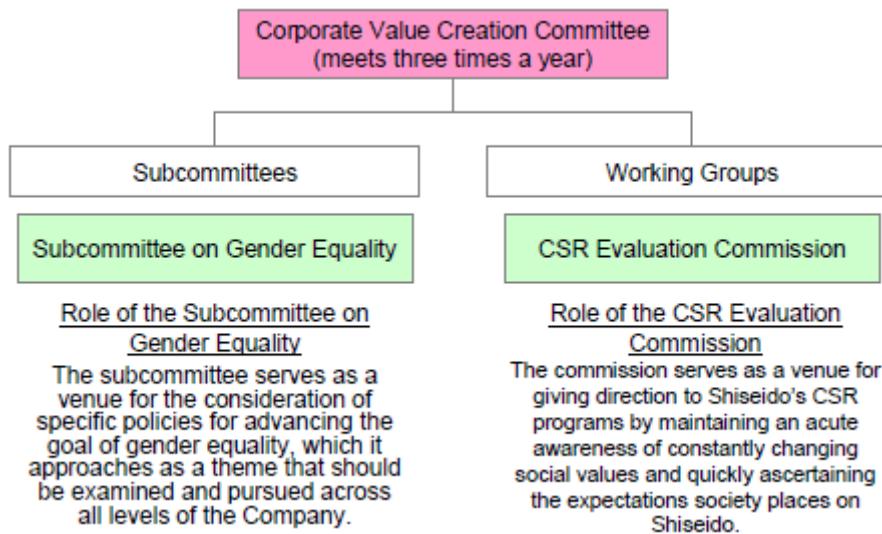
Corporate Value Creation Committee

The Corporate Value Creation Committee utilizes a membership that cuts across organizational lines to examine the future strategies and directions that will shape activities designed to promote the Shiseido brand from the standpoint of enhancing corporate value.

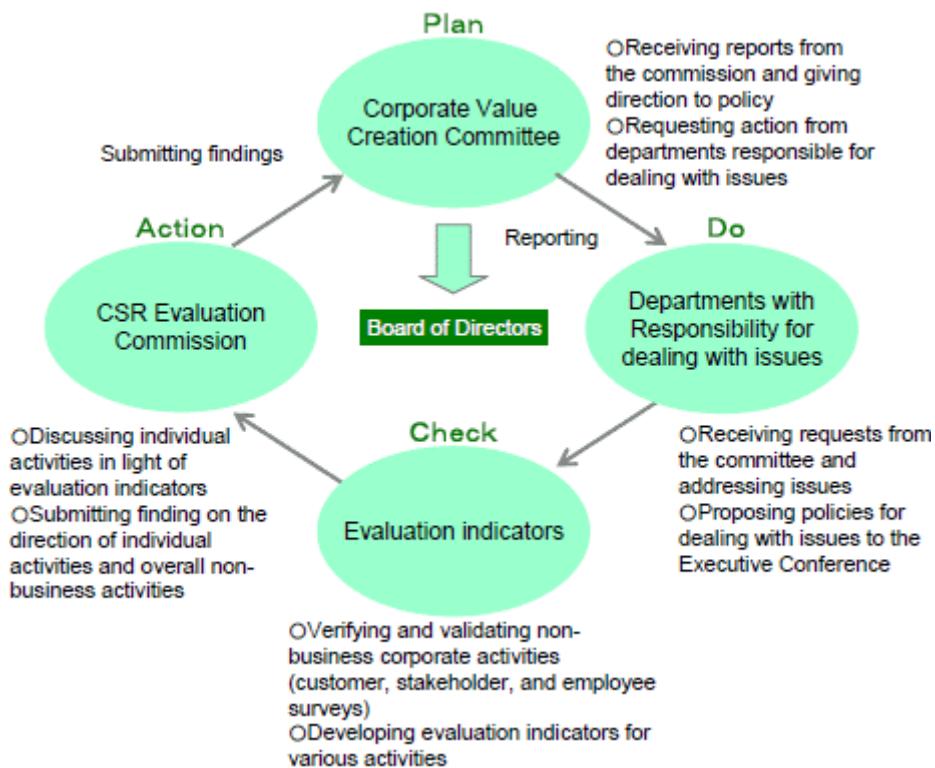
Its mandate includes examining activities and directions linked to the enhancement of corporate value by crafting Shiseido's unique CSR activities, sharpening their focus, and ensuring they resonate with all stakeholders.

Based on its identification of gender equality as a theme that needs to be examined throughout the Company, the Corporate Value Creation Committee has established a Subcommittee on Gender Equality and is examining specific policies for advancing the goal of gender equality.

<Committee Organization>



The Corporate Value Creation Committee's PDCA cycle



The Corporate Value Creation Committee's PDCA cycle

- (1) The Corporate Value Creation Committee examines proposals from its subordinate CSR Evaluation Commission* and gives direction to the Company's corporate value creation activities. (Plan).
- (2) The Corporate Value Creation Committee asks the departments responsible for implementing policy to take action based on the policy directions it has established. The responsible departments examine specific measures and propose them to the Executive Conference. (Do).
- (3) The CSR Evaluation Commission verifies and evaluates current corporate value creation activities based on the CSR activity indicators to assess whether they are helping to enhance the Company's value. (Check).
- (4) The CSR Evaluation Commission examines the direction of corporate value creation activities based on the CSR activity indicators and advises the Corporate Value Creation Committee on what form CSR activities should take. (Action).

*The CSR Evaluation Commission is a working group tasked with verifying and evaluating current CSR activities as well as verifying and researching the optimal form for future activities based on Shiseido's CSR activity indicators.

TOP > [Management structures]Corporate Data and Overview of Business

Management structures

Corporate Data and Overview of Business

Corporate Data

● Name	Shiseido Company, Limited
● Head Office	Ginza 7-5-5, Chuo-ku, Tokyo 104-0061
● Telephone	+81-3-3572-5111
● Established	1872
● Capital	\64.5 billion (as of March 31, 2007)
● President and CEO	Shinzo Maeda
● Net Sales	Consolidated: \694.6 billion (For the year ended March 31, 2007) Non-consolidated: \282.1 billion (For the year ended March 31, 2007)
● Number of Employees	3,344(Group 27,460) *Excluding temporary staff (as of March 31, 2007)
● Shiseido Group	97 companies (included in the consolidated report: 33 domestic, 59 overseas, 5 affiliated companies) (as of March 31, 2007) *Excluding Shiseido Company, Limited

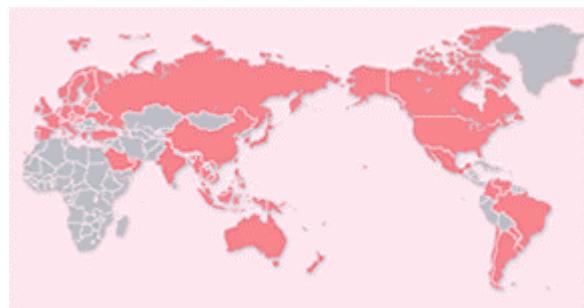
Overview of Business *as of March 31, 2007

● Domestic Cosmetics Business	Cosmetics Division Professional Division Healthcare Division and others
● Overseas Cosmetics Division	Cosmetics Division Professional Division
● Others	Frontier Science Business Boutique Business and others

*Please refer to the following website for details on each business
<http://www.shiseido.co.jp/>

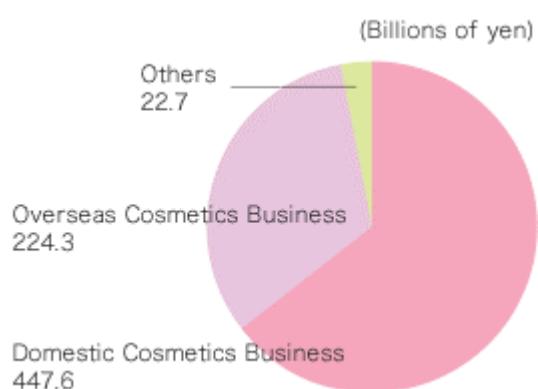
● Overseas Bases

Overseas business sites: 67 countries
Overseas manufacturing bases: 11 sites
(Taiwan, China, U.S., France, New Zealand, and others)
Overseas R&D bases: 8 sites
(China U.S., France, and others)



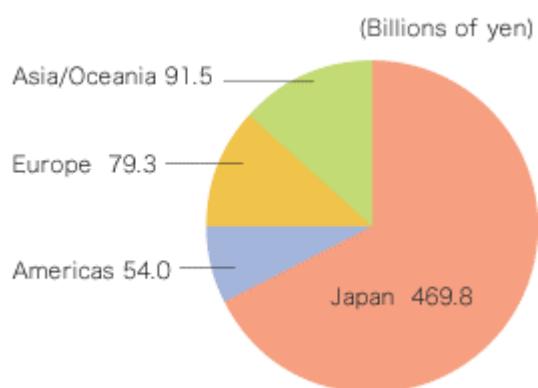
● Consolidated Net Sales by Business Segment

(For the year ended March 31, 2007)



● Consolidated Net Sales by Geographic Segment

(For the year ended March 31, 2007)



TOP > [Management structures]Corporate Ideals, The Shiseido Way and The Shiseido Code

Corporate Ideals, The Shiseido Way and The Shiseido Code

Corporate Ideals

Corporate Mission

We seek to identify new, richer sources of value and use them to create a beautiful lifestyle.

Criteria for Corporate Activity

1. We seek to bring satisfaction to our customers.
2. We seek positive results through creative means.
3. We encourage the open sharing of different points of view.
4. We encourage innovative thinking, and boldly pursue challenges.
5. We act with appreciation in all of our activities.

The Shiseido Way

With Our Customers

Through the creation of products possessing 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 goals, we act in a spirit of sincere cooperation and mutual assistance.

With Our Shareholders

We strive to win the support and trust of our shareholders through transparent management practices and sound business results achieved by high quality growth enabling the retention of earnings for future investments and payment of dividends.

With Our Employees

The diversity and creativity of our employees makes them our most valuable corporate asset. We strive to promote their professional development and we evaluate them fairly. We recognize the importance of our employees' personal satisfaction and well-being, and seek to grow together with them.

With Our Society

We respect and obey all laws in regions in which we do business. Safety and preservation of the natural environment are among our highest priorities. In cooperation with local communities and in harmony with international society, we employ our cultural resources in creating a beautiful lifestyle.

The Shiseido Code (Extract)

Chapter 1

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.

Chapter 2

1. We respect all our business partners who share our aims, and aspire for coexistence.
2. We will always comply with the Anti-Trust Law and other relevant laws, and compete fairly.
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.

Chapter 3

1. We will make good use of the Shiseido Group's assets to achieve good business results and yield profits.
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 (insider information).

Chapter 4

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.
2. We will conduct business with integrity and strive to create new values, and to put forth our best efforts to promote self-development.
3. We will create a healthy and safe work environment and comply with labor standards.
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.

Chapter 5

1. We will respect and obey all laws and will respect local customs in all countries and regions.
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.

TOP > [Management structures]Corporate Governance

Corporate Governance

Shiseido is taking proactive steps to bolster its corporate governance standards based on the recognition that the continued support of stakeholders who view it as a "company with value" leads to enhanced Shiseido corporate brand value.

Corporate Governance Basic Policy

Shiseido is working to enhance its corporate governance standards based on its awareness of the importance of maximizing corporate and shareholder value, fulfilling its social responsibilities, and of accomplishing sustainable growth and development, to ensure the continued support of all stakeholders-customers, business partners, shareholders, employees, and society-who view Shiseido as a "company with value."

Management and Execution Structure

Composed of nine members including two external directors, the Board of Directors is small and able to make decisions quickly. The Board of Directors meets at least once a month to discuss all significant matters. Attendance at the 17 Board of Directors meetings in the year ended March 2007 was nearly 100 percent.

Through the adoption of a corporate executive officer system, we are separating the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Corporate Executive Officer Committee, which acts as the final decision-making body regarding corporate officers' material issues, serves to transfer authority to corporate officers, thereby clarifying their responsibilities and accelerating operational execution. Shiseido's President & Chief Executive Officer, who also serves as the Chief Operating Officer, chairs this Committee. The term of office of directors and corporate officers is one year.

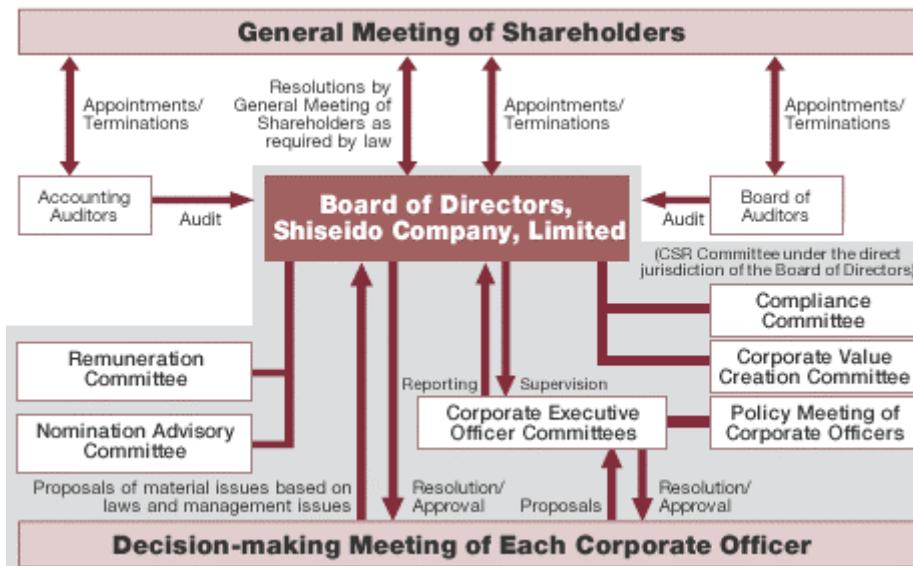
To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, Shiseido appointed two independent external directors from the year ended March 2007. Introducing external directors has stimulated discussion on significant management matters at Board of Directors meetings.

To promote transparency and objectivity in management, Shiseido established two committees to play an advisory role to the Board of Directors: the Remuneration Committee, charged with setting executive remuneration, and the Nomination Advisory Committee, which evaluates and nominates candidates for directors and corporate officers. Both committees are chaired by external directors to maintain objectivity.

In the year ended March 2006, the Remuneration Committee formulated a new system that reduces the proportion of fixed remuneration and increases the performance-linked portion. The committee makes decisions including those concerning performance-linked remuneration payments based on the achievement of performance targets and share price.

In addition to nominating candidates for executive positions, the Nomination Advisory Committee has built and is enforcing a fair and highly transparent framework designed to enhance the capabilities of top management and ensure that all executives deliver a consistently high level of results. Measures include the establishment of term limits for corporate officers and the formation of rules governing promotions, demotions and retirements. The term limit of corporate officers is four years in principle and six years maximum.

Shiseido management and business execution structure



Audit Structure

Shiseido's Board of Auditors consists of two standing corporate auditors and three independent external corporate auditors. Corporate auditors monitor the legality and adequacy of directors' performance by attending Board of Directors meetings and other important meetings.

Representative directors and corporate auditors meet regularly to exchange opinions on actions that will resolve corporate governance issues. Shiseido maintains a framework to ensure that corporate auditors discharge their duties effectively. For example, at the corporate auditors' request, it arranges liaison meetings with the accounting auditors and the Internal Auditing Department in addition to assigning full-time employees to assist in audits. Corporate auditor attendance was nearly 100 percent for the 15 Board of Auditors meetings and 17 Board of Directors meetings held in the year ended March 2007.

Internal audits of the entire Group are conducted to ensure that business is executed in an appropriate manner, and audit results are reported to the Board of Directors and Board of Auditors.

Remuneration of Directors, Corporate Officers, and Corporate Auditors

The unfunded retirement benefit plan for directors and corporate auditors was abolished in the year ended March 2005, and the current remuneration policy for directors, corporate officers and corporate auditors was introduced in April 2005. This system consists of a basic fixed portion and a performance-linked portion that fluctuates according to attainment of performance targets and stock price, both of which are nearly equal. The performance-linked portion consists of a bonus based on annual consolidated performance; medium-term incentive stock options based on targets of the Three-Year Plan started in 2005; and long-term incentive stock options, primarily aimed at fostering a shared awareness of profits with shareholders. These three types of remuneration have been designed to give directors and corporate officers a medium-to-long-term perspective, not just a single-year focus, and to motivate management to become more aware of Shiseido's performance and stock price.

External directors receive fixed basic remuneration only, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Due to the nature of auditing, corporate auditors receive fixed basic remuneration only, to eliminate linkage with performance.

Shiseido sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale. Basic remuneration is within the monthly remuneration limits decided by the General Meeting of Shareholders; performance-linked remuneration, including bonuses and stock options, is also set by resolution at the General Meeting of Shareholders each year.

Remuneration to Directors and Corporate Auditors (Year ended March 2007)
(Millions of yen)

	Basic	Bonuses	Stock options	Total
Directors (9)	208	126	16	351
External directors (2 of the 9)	19	—	—	19
Corporate auditors (5)	89	—	—	89
External auditors (3 of the 5)	36	—	—	36
Total	297	126	16	440

Notes

1. Basic remuneration for directors was within the limit of 130 million per month as per resolution of the 89th Ordinary General Meeting of Shareholders (June 29, 1989). Basic remuneration for corporate auditors was within the limit of 10 million per month as per resolution of the 105th Ordinary General Meeting of Shareholders (June 29, 2005).
2. The above-noted amount for directors' bonuses was based on a resolution of the 107th Ordinary General Meeting of Shareholders held on June 26, 2007.
3. In addition to the above amounts, directors and corporate auditors received the following remuneration during the year ended March 2007.
 - a. Directors' bonuses for the year ended March 2006 A total of 121 million was paid to seven directors. This payment was based on a resolution of the 106th Ordinary General Meeting of Shareholders held on June 29, 2006.

- b. Deferred retirement benefits \316 million was paid to two retiring directors, and \17 million was paid to one retiring corporate auditor. These payments were based on the abolishment of the retirement benefit system and the award of retirement benefits as per resolution of the 104th Ordinary General Meeting of Shareholders on June 29, 2004.

Remuneration of Accounting Auditors (Year ended March 2007)

(Millions of yen)

Item	Amount
Remuneration paid for services rendered as accounting auditors for the fiscal year under review	61
Total cash and other remuneration to be paid by the Company and its subsidiaries to their accounting auditors	92

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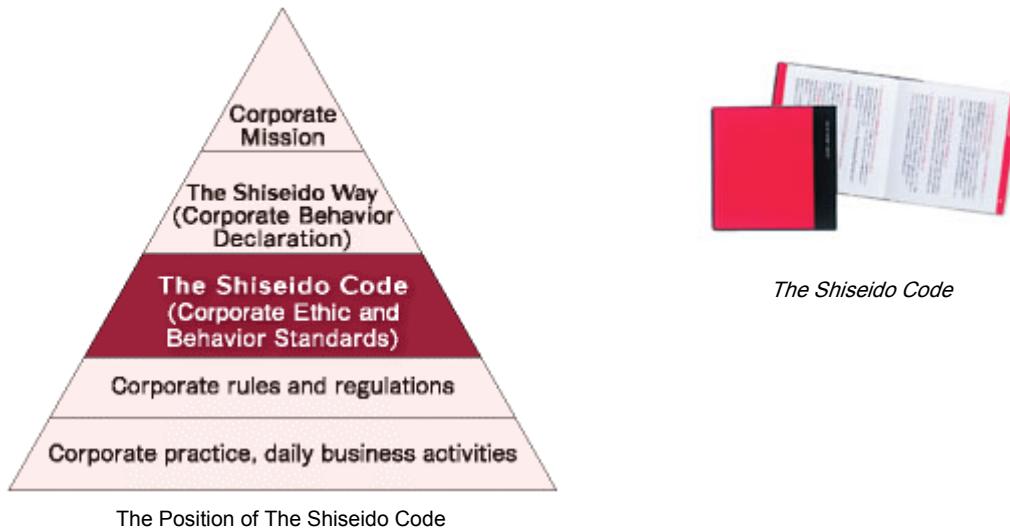
TOP > [Management structures]Corporate Ethics

Corporate Ethics

Shiseido's corporate ethics activities aim to establish the company as a distinctive presence, one that is of use to and needed by people worldwide, through strict compliance with laws and regulations and by raising the value of Shiseido Group brands.

The Shiseido Code : The basis for CSR Activities at Shiseido

The Shiseido Code is a set of specific corporate ethics and behavioral standards for realizing the Corporate Mission and The Shiseido Way (Corporate Behavior Declaration) and forms the basis of Shiseido's CSR activities. It provides behavioral guidelines that every employee in the Shiseido Group should follow in order to strengthen the relationship of trust binding stakeholders to the company. The content of *The Shiseido Code* is disclosed to the public via [the corporate website](#).



Corporate Ethics Activities Follow a PDCA Cycle

The Corporate Ethics Committee (currently the Compliance Committee), established in 1997, plays the central role in promoting Shiseido's corporate ethics activities, and is appointed by Code Leaders at each domestic site and by Business Ethics Officers (BEO's) at overseas sites to facilitate the implementation of *The Shiseido Code*.



PDCA cycle of Shiseido corporate ethics activities

Code Leader Activities

Shiseido has placed about 600 Code Leaders in positions in all domestic divisions and worksites. Selected according to individual worksite characteristics regardless of position, gender, and age, these individuals create action plans for their worksites and conduct educational and training activities following the PDCA Cycle. The Company seeks to share information and utilize it in the formulation of action plans for the upcoming year by introducing examples of successful activities and annual reports on each worksite's initiatives in the *Code Letter* magazine (published quarterly) and the *Shiseido Corporate Ethics White Paper*. The Company hosts informal gatherings where Ethics Committee (currently the Compliance Committee) members can meet with Code Leaders from around Japan as well as monthly Code Meetings where managers and Code Leaders from

individual worksites can meet to improve communication, identify workplace issues, and help create a better workplace.

Code Leader activities in fiscal 2006 revolved around the theme of "creating a company culture conducive to good internal communications." Code Leaders surveyed all employees at individual workplaces to identify strengths and weaknesses and then established activity themes accordingly.



Code Meeting in progress
(Held in December 2006)



Company poster introducing Code Leaders

Corporate Ethics Training

To ensure that *The Shiseido Code* is followed at all levels of the organization, Shiseido requires all employees and directors to undergo corporate ethics training at least once each year.

(1) Training for new Code Leaders (twice a year)

These overnight group training sessions combine lectures by Company and outside instructors with participatory programs.

(2) Position-specific training (once a year)

These programs target directors, the Head Office Chief Officer and General Manager, presidents of affiliated companies, managers of overseas worksites, individuals in charge of sales offices, and new employees. Content includes an introduction to internal Company conditions as well as lectures by outside corporate ethics specialists and executives from other companies.

(3) Workplace-specific training for all employees (once a year)

Code Leaders serve as instructors for these programs in their workplaces. The theme for 2006 was "creating a company culture conducive to good internal communications."

(4) Training based on business area

These programs cover legislation related to sales, product liability, pharmaceuticals, patents, etc.

Compliance with Japan's Whistleblower Protection Act and Corporate Ethics Help Line

In order to comply with the Whistleblower Protection Act passed in April 2006 and ensure that any illegal acts in the Company are resolved internally before they become serious, the Company is providing training for people in charge and distributing pamphlets to all employees as part of an effort to promote widespread knowledge of two entities for reporting ethics concerns: the in-house Shiseido Consultation Office and the Shiseido External Consultation Office, which is located at a law firm. The Company also created and publicized to employees a set of Shiseido Group Consultation Office Regulations setting forth an impartial means of investigating and resolving complaints and clearly prohibiting prejudicial treatment of whistleblowers (as well as individuals seeking advice).

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics, relating not only to The Shiseido Code but also to the Company's business and operations in general. The Office worked to quickly resolve 172 inquiries in fiscal 2006,

bringing the total since April 2000 to 732. The Company also revised its Ethics Card prior to the enactment of the Whistleblower Protection Act and distributed the new version to all employees, including temporary workers.



About the Shiseido Consultation Office

Identifying Issues and Taking Steps to Implement Improvements

Shiseido has conducted an annual Employee Awareness Survey since 1998 in which 10% of employees are randomly selected and asked to respond to questions designed to gauge their attitudes toward their jobs and the Company, as well as the extent to which The Shiseido Code is followed. Results of the survey are applied to the Company's activities.

The survey for the year ended March 2007 saw increasingly positive employee responses to questions related to the implementation of Shiseido's "With Our Customers" policy and the Company's management vision. In addition, observation of The Shiseido Code continues to steadily improve with each passing year. Looking to the future, Shiseido will work to energize the company culture to improve items related to workplace culture and how employees go about doing their jobs.

Reviewing Internal Rules Governing Gift Exchanges and Business Entertainment

In order to promote fair and transparent transactions with business partners such as suppliers and customers, The Shiseido Code allows gift exchange and business entertainment practices as required, so long as they fall within socially appropriate bounds. This approach was further clarified with the adoption in 1998 of a set of operational standards for individual departments and affiliates in the form of the "Internal Regulations for Gift Exchanges and Business Entertainment." The Company has since worked to implement those rules.

Responding to increased social awareness of the need for fair and transparent transactions in recent years, the Gift Exchange and Business Entertainment Subcommittee of the Corporate Ethics Committee (currently the Compliance Committee) capped a long investigation into the matter by resolving to review the Company's regulations to confirm their continued suitability, and to further strengthen associated management structures.

Initiatives Related to the United Nations Global Compact

Shiseido announced that it was joining the United Nations Global Compact in September 2004. That decision has seen the Company work to raise awareness by distributing the Shiseido newsletter to domestic and overseas employees and through training and educational activities. We also encourage understanding of the Compact by including related articles in a public relations magazine for customers. Other initiatives include the creation of the Shiseido Group Supplier Code of Conduct in March 2006, which incorporate the ten principles of the Global Compact as a means of soliciting understanding and cooperation on the part of suppliers. In addition, the CSR Report is available for public viewing and downloading on the United Nations Global Compact website.



United Nations Global Compact

Proposed by United Nations Secretary General Kofi Annan in 1999, this program defines ten principles in the four areas of human rights, labor, the environment, and anti-corruption.

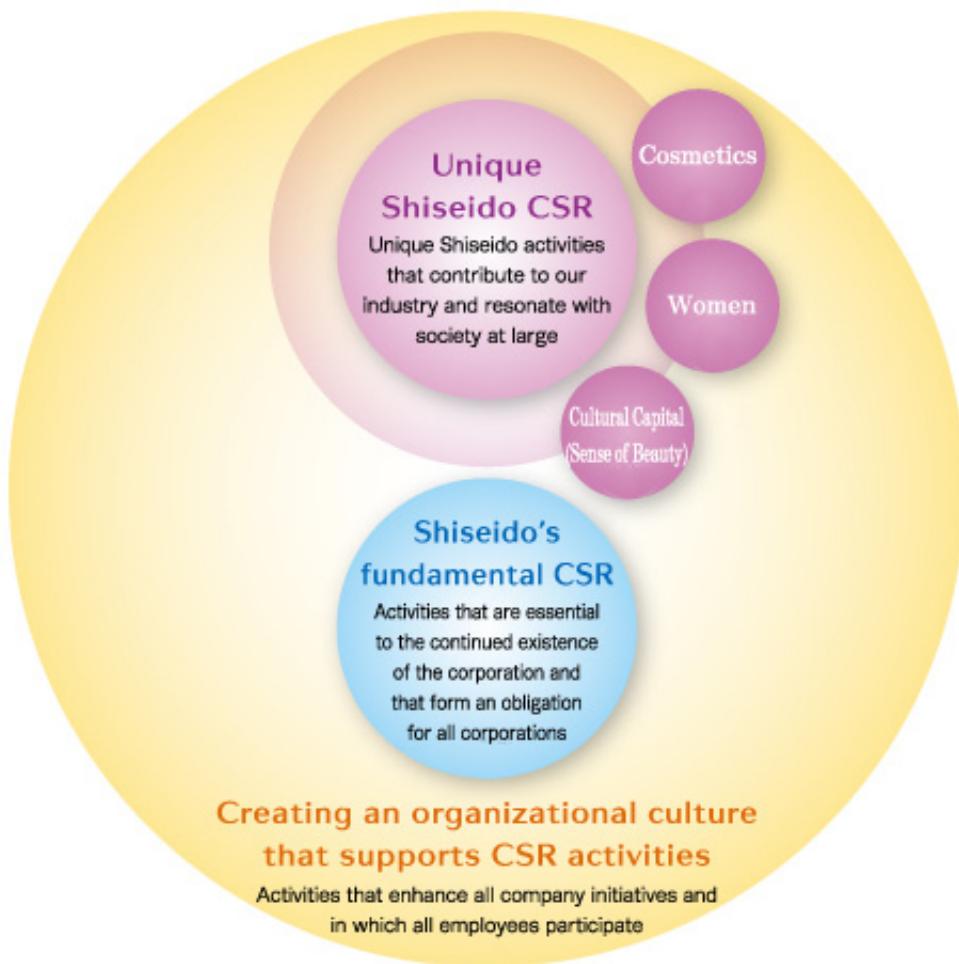
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TOP > [Highlights] Shiseido CSR

Highlights

Shiseido CSR

Shiseido's corporate message of "This moment. This life. Beautifully." reflects our goal of becoming a 100% customer-oriented company capable of responding to consumers' desire to live beautifully. Shiseido is dedicated to pursuing CSR activities that resonate with society at large through a variety of unique initiatives in the areas of "Cosmetics," "Women," and "Cultural Capital (Sense of Beauty)."



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TOP > [Highlights] Unique Shiseido CSR: Cosmetics

Unique Shiseido CSR: Cosmetics

Among the activities that best reflect Shiseido's unique character are initiatives in our core business of cosmetics. We are committed to enabling all customers to live "This moment. This life. Beautifully." by suggesting a diversity of ways to achieve beauty in response to the constantly changing times and societies in which our customers live.

Seeking to deliver heartwarming care

[http://www.shiseido.co.jp/slqc/index.htm \(Japanese only\)](http://www.shiseido.co.jp/slqc/index.htm)

Social Beauty Care Activities

Shiseido's social beauty care activities are geared to help beautify both the skin and hearts of customers who are deeply concerned about their skin, helping to improve their quality of life by providing optimal products and beauty techniques.

Until now, Shiseido has worked in partnership with medical institutions to provide makeup advice for customers with skin disorders or scarring (therapy makeup), while developing Perfect Cover Foundation, a product specifically designed to conceal birthmarks and other blemishes. In June 2006 we opened the SHISEIDO Social Beauty Care Center in our head office building in Tokyo's Ginza district to further broaden these activities. Five beauty therapists who have undergone a special program of on-the-job training and practical training at medical institutions help people with concerns about skin color due to birthmarks, vitiligo*, and other conditions by providing free-of-charge makeup advice and instruction in how to conceal blemishes with cosmetics. Available by appointment only, services are provided in a private setting so that customers can relax and learn with peace of mind. Individuals who have visited the Center describe how they have a new sense of confidence and hope and speak of how they look forward to enjoying cosmetics now that they know how to conceal blemishes in an attractive way.

Business partners and medical institutions around Japan who have been trained in the Center's techniques have been introducing their customers and patients to therapy makeup since October 2006.

(As of March 1, 2007, there were 323 organizations participating in this program.)

*Vitiligo is an acquired skin condition characterized by pigment loss causing white areas in the hands, feet, and other areas. Its cause is unknown.



The relaxed atmosphere of a private room at the SHISEIDO Social Beauty Care Center



Perfect Cover Foundation VV,
a new product developed by Shiseido

voice

Therapy Makeup Working in Partnership with Conventional Treatment

Dr. Shoji Watanabe
Head, Department of Plastic Surgery Tokyo Rosai Hospital



I used to suggest therapy makeup to patients as a last resort when it became clear that conventional treatment would not be effective; I saw the approach as the equivalent of giving up on medical treatment. However, I now see therapy makeup not as a sign of giving up but rather as a partner that increases the quality of treatment. I introduce patients to its techniques during their treatment, and most of them are receptive to learning more about it. I've been active in telling patients about it since the SHISEIDO Social Beauty Care Center opened. It would be a wonderful thing if the advice available at the center were accessible at every store in Japan.

Activities That Inspire Joy in Customers

Keiko Nishiyama
Owner, NISHIKI (Yamanashi Prefecture)



When you meet a customer through the therapy makeup program who is deeply concerned about their skin, you can sense their heartfelt joy. A customer with an angioma on her face to whom I introduced Perfect Cover Foundation told me with tears of joy in her eyes, "I love how easy it is to conceal my birthmark. Until now I've always envied people that could freshen their makeup at work or while they're out and about. I couldn't do that before, but now I can. It's like a dream come true." When a customer discovers that she has become more beautiful, her joy is contagious, and you can't help but smile along with her. I'm looking forward to valuing each and every customer that visits my store and working hard to bring them this joy.

Bringing All Customers a Richer and More Enjoyable Makeup Experience

Shiseido Beauty Seminars

The desire to enjoy lifelong health and beauty is a timeless one. Reflecting our desire to help customers get even a step closer to their dream of beauty, Shiseido has held about 4,500 Beauty Seminars throughout Japan with participation by some 110,000 customers. Launched in 1949, these seminars provide a firsthand opportunity for Beauty Consultants (BCs) at workplaces around the country to teach participants how to apply cosmetics properly while offering ideas about how the use of makeup can be a richer, more enjoyable experience.

Shiseido is also proactive in offering a program of Beauty Seminars for developmentally-challenged individuals and senior citizens. The benefits of cosmetics have also received attention in the medical community in the form of "makeup therapy," a process whereby cosmetics play a useful role in creating a positive outlook in patients, motivating them to complete their physical therapy, and enriching their interactions with society.

Shiseido Beauty Volunteer Program

Demand for our Beauty Seminars for developmentally-challenged individuals and senior citizens increases with every passing year. The Shiseido Beauty Volunteer program was introduced in 2000 to address this need by encouraging BCs who have retired from Shiseido to volunteer their time. Drawn by the ability to make use of their skills after they retire, today about 200 volunteers are actively involved in conducting seminars at facilities for developmentally-challenged individuals and senior citizens.

Initiatives at the Fukuoka Branch

One workplace where the Beauty Volunteers are making a difference is the Fukuoka Branch of the Kyusyu Regional Branch Office of Shiseido Sales Co., Ltd.

Fukuoka Branch staff regularly visit area facilities to conduct about 100 Beauty Seminars a year, and Beauty Volunteers play lead roles in 90 of these seminars.

Beauty Volunteer Keiko Oka is responsible for Beauty Seminars at Sunshine Plaza, a nursing home and social welfare facility in Fukuoka City where she helps participants experience the pleasure of cosmetics. Accompanied by BCs from the Fukuoka Branch, Ms. Oka led a seminar in February 2007 where she gave 25 participants hands-on lessons in skincare and makeup techniques. The program brought smiles to the faces of attendees, who expressed their pleasure, reminisced about how they used to apply makeup everyday, and resolved to devote more time to their appearance.



Beauty Volunteers and BCs teach attendees about nail care.

voice

Encouraging Autonomy by Utilizing Our Skills

Shiseido Beauty Volunteer Keiko Oka (top)

Natsumi Kai of the Fukuoka Branch of the Kyusyu Regional Branch Office, Shiseido Sales Co., Ltd. (bottom)

Rather than social welfare in the sense of doing things for people, we're trying to encourage autonomy. We're involved in this program to bring joy to participants through makeup and to help them adopt a forward-looking viewpoint that comes with wanting to beautify your appearance. Seeing our actions having even a small effect on the everyday lives of participants makes it all worth while for us. For example, when someone tells us she feels more interested and enthusiastic about things in general, or that she wants to be beautiful like some other person she knows.



Ms. Oka : "Seeing participants' joy at becoming beautiful and seeing them smile makes me happy. I am motivated to work even harder when I see attendees become beautiful by applying what we have taught them in seminars to their daily lives."



Ms. Kai : "I always approach my job in the spirit of 'May I help you?' I look forward to using my skills to offer true assistance, rather than simply doing things for people."

Striving for the Peak in Hair and Makeup Technology

[http://www.shiseido.co.jp/satss/ \(Japanese only\)](http://www.shiseido.co.jp/satss/)

SATSS Program

The SATSS Program brings together Shiseido hair and makeup artists who are active at the forefront of the world of beauty, to disseminate information about trends and developments in products and beauty services by applying information and technology from the front lines of the fashion industry. It also contributes to the beautiful lifestyles enjoyed by individual customers by refining hair and makeup technology to create usage tips and trends.

voice

Contributing to the Attractive Appearance of Customers by Proposing New Beauty Techniques and Concepts

Miyako Okamoto, SATSS Program at the Beauty Creation Center



In addition to serving as the makeup team leader for Shiseido's overseas collection, in my role as beauty director for our Maquillage makeup brand I'm responsible for producing products, creating information about services, and overseeing hair and makeup for photo shoots. I look forward to introducing beauty technologies that will satisfy all our customers, through a broad range of activities.

Helping Children Learn About Beauty in an Appropriate Manner

[http://www.shiseido.co.jp/kids/index.htm \(Japanese only\)](http://www.shiseido.co.jp/kids/index.htm)

Beauty Activities for "Juniors"

Surveys show that girls are starting to use cosmetics at ever younger ages, with the result that some children are suffering from dry or rough skin as a result of the unorthodox techniques they use to apply makeup. Shiseido provides beauty lifestyle information to help children learn about beauty in an appropriate and accurate manner, for example by providing opportunities for kids to think about beauty, individuality, and what it means to be human through the "Beauty Club for Kids" section of its website, and by offering samples of sunblock lotion and other products.



Beauty Club for Kids main page



Face Washing for Kids

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TOP > [Highlights] Unique Shiseido CSR: Women

Unique Shiseido CSR: Women

Ninety percent of Shiseido's customers are women. Shiseido is dedicated to continuing to support women so that their lives may be filled with beauty, health, and happiness. We will continue to pursue activities that resonate with women worldwide and inspire their trust.

Helping China's Women Become More Beautiful

Supporting Beauty for Women in China

Shiseido's AUPRES product line was selected as the sole sponsoring brand for the Chinese League of Women's "Feminine from the Heart: Educational Project to Cultivate an Ideal of Beauty for Chinese Women," a program conceived to improve the image of Chinese women. The project is being held in advance of the 2008 Beijing Olympics with the goal of cultivating the inner and outer beauty of China's women. So far the Company has published an educational booklet about basic beauty knowledge (1.89 million copies) and held a series of Beauty Seminars in 15 cities including Beijing and Shanghai (more than 10,000 people have participated in a total of 175 seminars).

Shiseido is also proposing ways for China's women to cultivate a beautiful appearance through a variety of programs including Beauty Seminars at companies, universities, and groups such as the Association of Women Mayors.

Shiseido is eager to continue contributing to the beauty of China's women through a variety of programs such as these.



Educational booklet
about basic beauty knowledge
for the "Feminine from the Heart" project



"Feminine from the Heart"
Beauty Seminar in Changsha

Pursuing Social Contribution Activities That Resonate with Women

[http://www.shiseido.co.jp/kikin/ \(Japanese only\)](http://www.shiseido.co.jp/kikin/)

Shiseido Social Contribution Club-Camellia Fund

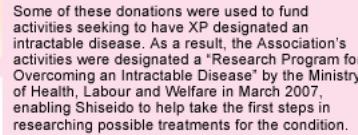
The Shiseido Social Contribution Club-Camellia Fund, an employee organization designed to encourage social contributions that is now in its third year, allows Shiseido Group employees who share its goals to contribute to the greater good by deducting regular contributions from their salaries, making one-time gifts and donations, and participating in volunteer activities. The Club selects groups to support from the standpoint of social problems affecting women, quality of life improvements through cosmetics, and environmental conservation.

Run by employees who either volunteer or are recommended by their peers, the organization also helps raise funds for disaster relief. In addition to facilitating product donations and contributions to groups it supports from society at large, the Club welcomes participation by employees who have reached Shiseido's mandatory retirement age. In fiscal 2006, the Club donated ¥3,385,000 in contributions from shareholders participating in the Social Support Group Contribution shareholder benefit program to the National Women's Shelter Network.

Broad participation in the Club is helping to spread social contribution activities.

Direction of Shiseido's Social Contribution Activities

Shiseido's domestic Japanese and overseas worksites have pursued a number of initiatives as part of the Company's regional social contribution activities, including holding Beauty Seminars at senior citizen homes and hospitals, providing social welfare assistance for mothers and their children, and making donations to various causes. In the future the Company plans to coordinate these activities with those of the Shiseido Social Contribution Club-Camellia Fund to pursue social contribution activities that embody Shiseido's unique characteristics as a cosmetics manufacturer.

United Nations Development Fund for Women (UNIFEM)  <p>A United Nations organization whose goals include autonomy and gender equality for women in developing nations</p> <p>Fiscal 2006 assistance: Total contributions of ¥1,643,000 (Employee contributions: ¥754,500; corporate matching: ¥754,500; other: ¥134,000)</p>	Shiseido Social Welfare Foundation  <p>A social support organization specializing in child welfare and dedicated to cultivating the next generation of leaders</p> <p>Fiscal 2006 assistance: Total contributions of ¥2,742,672 (Employee contributions: ¥1,134,300; corporate matching: ¥1,134,300; other: ¥474,072)</p>
National Women's Shelter Network  <p>A network of shelters dedicated to helping women and children who have escaped domestic violence recover emotionally and physically so that they can make a fresh start</p> <p>Fiscal 2006 assistance: Total contributions of ¥4,844,600 (Employee contributions: ¥670,900; corporate matching: ¥670,900; shareholder benefit program contributions: ¥3,385,000; other: ¥117,800)</p>	World Wildlife Fund (WWF)  <p>An organization that supports conservation activities to prevent over-harvesting of trees to obtain raw materials for products such as cosmetics</p> <p>Fiscal 2006 assistance: Total contributions of ¥2,869,600 (Employee contributions: ¥1,336,600; corporate matching: ¥1,336,600; other: ¥196,400)</p>
XP (Xeroderma Pigmentosum) Association Japan  <p>An organization that provides everyday living assistance to patients who have developed cancer of the skin or eye due to exposure to ultraviolet light</p> <p>Fiscal 2006 assistance: Total contributions of ¥2,058,847 (Employee contributions: ¥964,800; corporate matching: ¥964,800; other: ¥129,247)</p>	NEWS  <p>Some of these donations were used to fund activities seeking to have XP designated an intractable disease. As a result, the Association's activities were designated a 'Research Program for Overcoming an Intractable Disease' by the Ministry of Health, Labour and Welfare in March 2007, enabling Shiseido to help take the first steps in researching possible treatments for the condition.</p>

voice

Experiences of the Shiseido Social Contribution Club-Camellia Fund Leadership

Ichiro Iwai
Life Science Research Center, Research Center (Shin Yokohama)



The Club's employee-based approach to social contribution and support resonated with me, and I served on its steering committee for a period of two years following its creation. It's thrilling to see employees wanting to get actively involved, and shareholders who choose to make donations under the benefit program. I strongly believe that it's particularly important for profit-seeking corporations to work for the good of society and so gain acceptance. I'm looking forward to continuing to make social contributions in the future through my research.

XP (Xeroderma Pigmentosum) Association Japan Participating as a sleepover volunteer

Asuka Shigeuchi
Osaka Office, Kinki Area Sales Department (1), Shiseido Sales Co., Ltd.



Most of all, I'm happy to have been able to meet kids suffering from XP (Xeroderma Pigmentosum) through my activities as a volunteer. I came to understand that it was only when I realized how much I wanted to help after meeting patients and interacting with them on a human level-not by just learning about the disease known as XP-that I was able to make a truly sincere social contribution.

Toward a Social Movement for Balancing Work and Childcare

Kangaroom Shiodome and the wiwiw Program

Companies must work together to meet the challenge of assisting employees in balancing work and childcare. Based on this approach, Shiseido has taken the lead in advancing a social movement where companies work together to improve the parenting environment for employees by opening up some of the limited number of places in Kangaroom Shiodome, a nursery school it operates, to employees from other companies. Similarly, numerous companies have adopted "wiwiw," an Internet-based program developed by Shiseido to help employees return to work from parental leave.



wiwiw



Kangaroom Shiodome

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TOP > [Highlights] Unique Shiseido CSR: Cultural Capital (Sense of Beauty)

Unique Shiseido CSR: Cultural Capital (Sense of Beauty)

Since our founding, Shiseido has worked to create a beautiful lifestyle by discovering value characterized by a new depth of experience. The backbone of these efforts is the Shiseido sense of beauty. We remain committed to helping create a society defined by beauty and well-being by spreading this sense of beauty through a variety of programs.

Philanthropic Activities Supporting the Creation of New Beauty

<http://www.shiseido.co.jp/gallery/html/> (Japanese only)

"shiseido art egg" exhibit at the Shiseido Gallery

The Shiseido Gallery has pursued a consistent program of non-profit activities since it opened in 1919. In the year ended March 2007, the gallery returned to the starting point of Shiseido philanthropy-supporting up-and-coming artists-by holding "shiseido art egg" which provided the selected artists their first public exhibition. The exhibition featured the work of three artists chosen from 650 submissions. The "shiseido art egg" Award was presented to Kaoru Hirano, who created an installation out of thread obtained by unraveling an old one-piece dress. Shiseido is committed to continuing programs that foster the artistic legacy of the future by supporting creative expression today.

voice

On receiving the "shiseido art egg" Award

"shiseido art egg" Award recipient
Kaoru Hirano



I've learned a lot from the invaluable experience of having my own exhibition at the Shiseido Gallery, an organization I've always admired. I certainly felt my own inexperience. It is my hope that I will be able to build on this award to become successful enough that one day I can exhibit other works at the Shiseido Gallery.



Photography: Ken Kato

Disseminating Shiseido's Sense of Beauty from Its Birthplace

[http://www.shiseido.co.jp/house-of-shiseido/ \(Japanese only\)](http://www.shiseido.co.jp/house-of-shiseido/)

HOUSE OF SHISEIDO "The Ginza, and Women" Exhibition

The HOUSE OF SHISEIDO, a facility devoted to communicating Shiseido's corporate culture and sense of beauty by introducing the culture of Ginza, history of women, and works of art collected by the Company, held the "The Ginza, and Women" exhibition from September to December 2006. The show introduced visitors to the fortunes of the Ginza district and its women by combining historical materials in the Shiseido Collection with photographs of the area and the energetic, brilliant women who work there by photographer Koichi Inakoshi. About 13,500 people visited the exhibition.



"The Ginza, and Women"
exhibition at the HOUSE OF SHISEIDO

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TOP > [Highlights] Shiseido's Fundamental CSR

Shiseido's Fundamental CSR

Among the most basic responsibilities a company can have are creating safe products that consumers can use with confidence and peace of mind and working to satisfy customers. Company- and group-wide efforts undertaken on a global scale shape Shiseido's response to a variety of challenges.

100% Customer-oriented Manufacturing

[https://wwws.shiseido.co.jp/seibun/ \(Japanese only\)](https://wwws.shiseido.co.jp/seibun/)

Manufacturing Safe Cosmetics Starts Here

Product research and production at Shiseido are designed to create products that customers can use with confidence and peace of mind. Based on our belief that correct knowledge of the skin is critical, the cosmetics development process starts with intensive research into skin structure conducted in collaboration with Japanese and overseas dermatologists, universities, and other research institutions utilizing state-of-the-art technology from a broad range of disciplines related to cosmetics (including the life sciences, dermatology, surface science, ergonomics, and psychology). Then ingredients are thoroughly investigated for impurities and other substances that might adversely affect the skin, and only those of unquestionable safety are selected for use. Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.



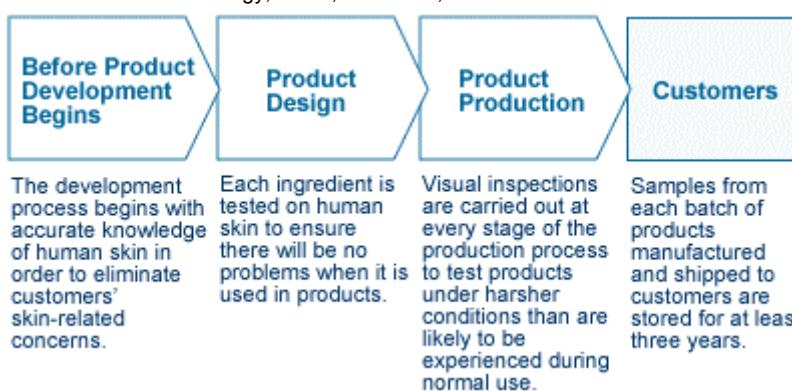
The Manufacturing Stage: Strict Standards

After their safety has been verified, Shiseido formulations are manufactured according to strict product standards. In addition to visual inspections at every stage of the production process, during endurance testing products are subject to harsher conditions than are likely to be experienced during normal use. Then, immediately prior to shipment from our factories, sensory inspectors re-inspect the condition, smell, color, and feel of cosmetic products, and only products that pass the final test are shipped. Finally, we store cosmetic samples from each batch shipped at the factory for a period of at least three years so that we can continue to verify product quality after shipment.

Safety, Backed Up by Data

When treating patients with dermatitis (rash) suspected to have been caused by cosmetics, dermatologists attempt to track down the cause of the condition by conducting patch tests with the cosmetics used by the patient, as well as their ingredients. Statistical data summarizing the rate of positive results for these patch tests for individual manufacturers can be interpreted as an indicator of the effectiveness of those companies' safety assurance programs. Published reports show that the rate of positive results for Shiseido cosmetics is the lowest of all domestic and overseas cosmetics manufacturers.*.

*From Fujimoto et al., "Patch Test Results in 492 Patients of Suspected Cosmetic Dermatitis (1996 to 2000)," Environmental Dermatology, Vol. 9, No. 53-62, 2002



To Better Satisfy Customers

Activities to Increase Customer Satisfaction

Shiseido has embarked on a series of reforms to transform itself into a 100% customer-oriented company. Key to this endeavor is a reorganization of the activities of about 10,000 Beauty Consultants (BCs) who are capable of breathing new value into products developed in response to customer needs, and communicating that value directly to customers. We eliminated sales targets for BCs in April 2006 as part of this ongoing effort and replaced them with a satisfaction-based mechanism for evaluating customer service. Feedback from customers is provided to individual BCs on a monthly basis and used to enhance the level of service and customer satisfaction by enabling them to reflect on their own activities and identify areas for improvement. Following this approach, BCs can ask themselves how many customers they helped become more beautiful each day, and whether those customers were satisfied with the service they received. All Company employees have focused their energy and resources on improving day-to-day customer service and trust.

voice

Striving to Offer Service That Excites Employee and Customer Alike

Ryoko Maeno
Sendai Office, North Japan Sales Department, Shiseido Sales Co., Ltd.



Since the creation of the North Japan Sales Department, we've been trying to extend our service to cover even the most seemingly insignificant aspects of each customer's visit as part of our goal of providing "service with no waiting." I want the customer to feel excited about becoming more beautiful so that they want to visit me again, and I want to feel excited at the same time, even if that customer is only in the store for a short time. That is our mission as BCs. My goal is to meet as many customers as possible and earn their trust by touching, so to speak, their skin and their hearts.

Assisting Employees with Children

Kangaroo Staff Grows to 500

Shiseido introduced the Kangaroo Staff program in 2006 as a way to support retail activities during evening hours by having temporary workers take the place of Beauty Consultants (BCs) working in customer service so that they can take time off to care for their children. This program has enabled us to create a workplace environment that allows BCs who have difficulty balancing the competing demands of work and childcare to have children with peace of mind, secure in the knowledge that they will be able to care for them while pursuing Shiseido's 100% customer-oriented philosophy at work. Thanks to numerous students, housewives, and retired employees from around Japan answering the call to assist working mothers, about 500 Kangaroo Staff will help 487 BCs take time off to care for their children starting in April 2007, more than doubling the size of the program compared to last year.

voice

Passing the Torch to the Younger Generation

Yukimi Murota (Beauty Consultant)
Kinki Area Sales Department (2), Shiseido Sales Co., Ltd.



I feel that this program has created an environment where employees can balance childcare and work. To the extent that those of us who take time off to care for our children have limited time, we work to provide the best possible service during that time and try to take advantage of our experience raising children when dealing with customers. By doing this I hope to pass the torch of leadership to younger employees. Once I'm finished caring for my own children, my personal goal is to help the next generation of BCs as they care for theirs.

Helping Others Achieve Happiness

Haruna Abe (Kangaroo Staff)
Kinki Area Sales Department (2), Shiseido Sales Co., Ltd.



This program really resonated with me, so I began working as one of the Kangaroo Staff. At first I didn't know what I was doing, but thanks to the support of the more experienced BCs I learned how to provide good service and contribute to the store's activities. Knowing that I'm facilitating others' happiness, for example by helping customers become more beautiful and by supporting BCs as they balance work and childcare, motivates me in this job.

Respect for Normalization *

Hanatsubaki Factory

In January 2006, Shiseido established Hanatsubaki Factory Co., Ltd., a special subsidiary staffed primarily by developmentally-challenged individuals, as part of an effort to create a workplace where all employees can actively engage in work. Today, 12 developmentally-challenged individuals work at the Sumida Workplace at Kamakura Factory applying labels to products like Kesho-Wakusei, and Integrate and pack them into individual boxes. Thanks to efforts to standardize the production process while tweaking it to compensate for employees' quirks and simplify difficult procedures, the workplace has posted exceptional results as it strives to achieve its goals of "quality first" and "zero defects". It established a record of success that is symbolized by the Production Department Special Award it received at the Production Technology Show for the year ended March 2007. In March 2007, employees began providing office services such as cleaning the Shiodome Office and replacing copier paper. We remain committed to facilitating autonomy and offering employment opportunities to developmentally-challenged individuals by further expanding the scope of such work in the future.

*According to this normalization approach, society should enable individuals who are likely to experience unfavorable treatment, for example the developmentally challenged and aged, to live and work in the same way as other people.



Employees working at the Sumida Workplace.



Yoshi Saito, President Hanatsubaki Factory Co., Ltd.

Raising the Next Generation and Seeking Family Understanding

Bring Your Kids to Work Day

Shiseido held a Bring Your Kids to Work Day in August 2006. We hosted 53 children with the goal of engendering an awareness of and interest in work, providing a first-hand understanding of Shiseido's values, deepening children's understanding of their parents' jobs, and providing an opportunity for parents and children to communicate. Participating kids toured the Kamakura Factory, Research Center, and Shiodome Office and enjoyed activities based on the three themes of "creating things," "enjoying an adventure," and "learning."



Creating things:
Children try their hand
at making lipstick
at the Kamakura Factory.



Enjoying an adventure:
Children compete
in a point rally
at the Research Center.

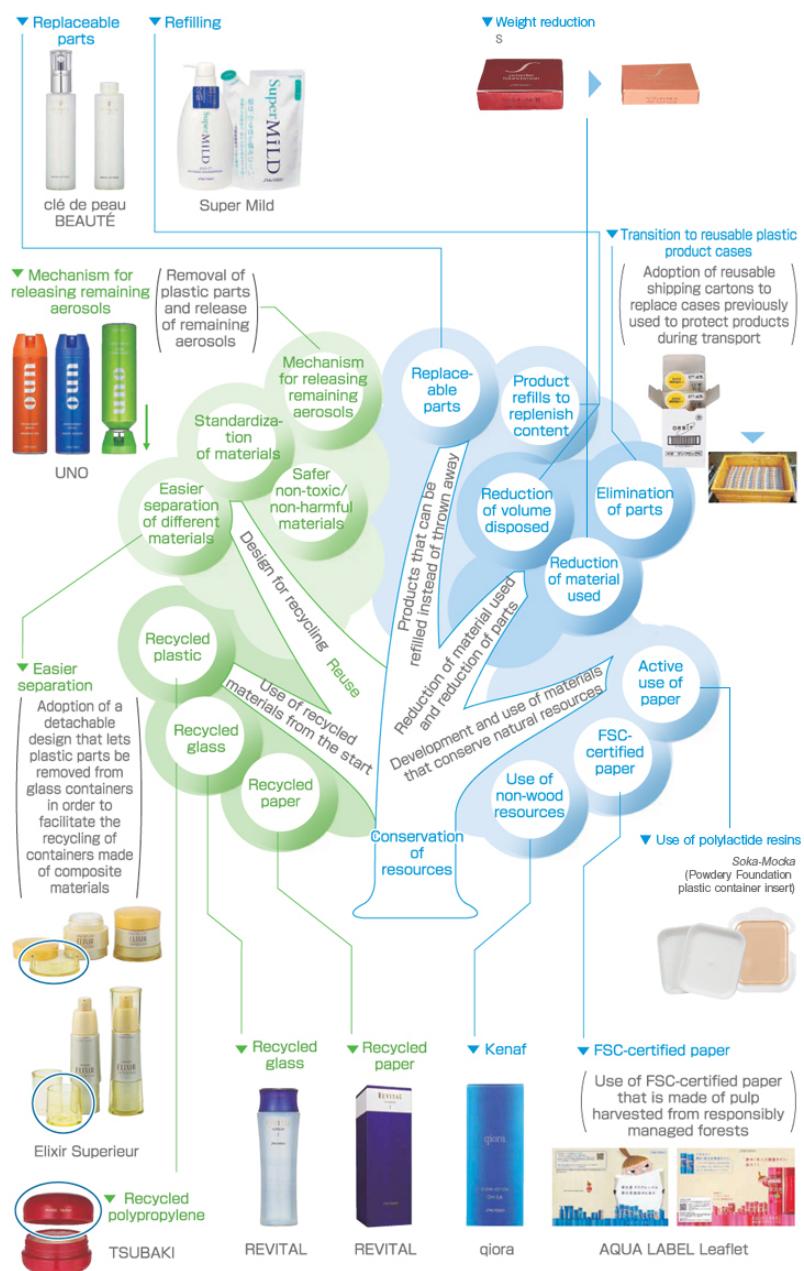


Learning:
Children exchange business
cards with Shiseido president
Shinzo Maeda at the Shiodome Office.

Environment Friendly Product Development

Eco Tree

Shiseido's product development, research and development, purchasing, and manufacturing plants' design departments work together to incorporate environmental considerations into products by selecting environmental friendly materials, reducing excessive packaging, designing more lightweight containers and packaging, and designing easily recycled containers.



TOP > [Highlights] Creating an Organizational Culture That Supports CSR Activities

Creating an Organizational Culture That Supports CSR Activities

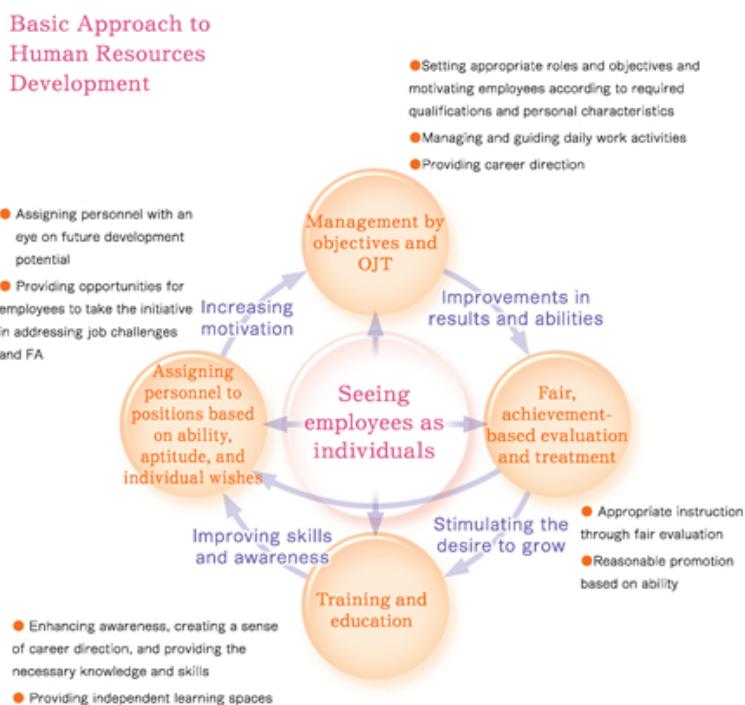
Shiseido's departments and worksites are working together to create an organization where all employees actively participate in CSR activities in order to achieve the goal of filling the Company's organization with interesting and talented people.

Filling the Shiseido Organization with Interesting and Talented People

Shiseido "Shared Education" Declaration

The successful implementation of Shiseido's management vision hinges on the people who carry it out. In other words, the development of interesting and talented people is directly linked to management.

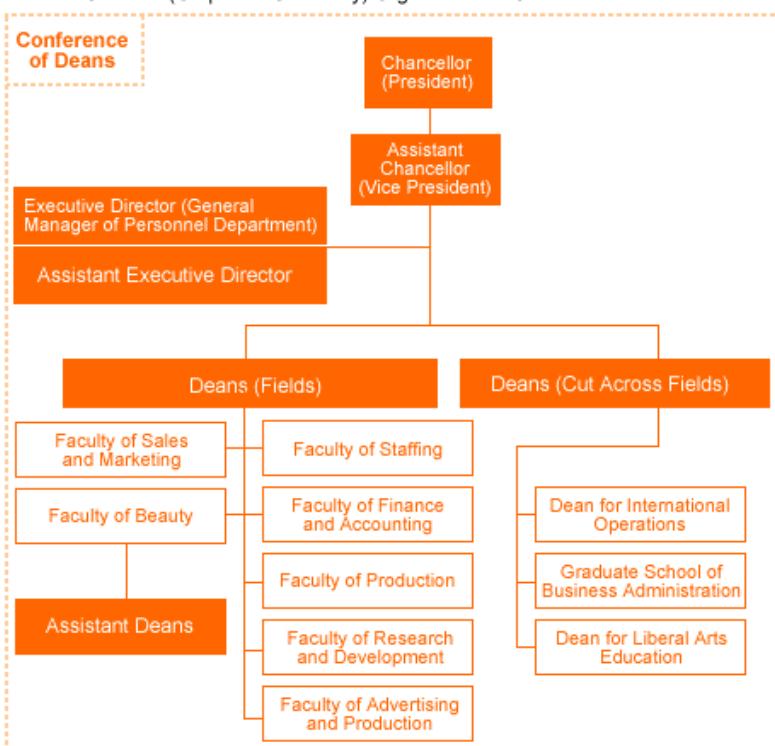
When it was founded, Shiseido was widely known for its devotion to human resource development. That organizational culture has been passed down through our history and endures today, as reflected in the "Shared Education" Declaration adopted in 2006. The declaration seeks to cultivate people by linking the self-realization of workers and the growth of the company. We also established the "sense of beauty, autonomy, and the ability to change" as indicators of the skills and sensibility that we seek to cultivate, comprising a specific definition of what is meant by "interesting and talented people." Finally, we are working to create an environment where employees can develop through a process of mutual growth that is reinforced by daily guidance and training, personnel assignments, and evaluations by their supervisors.



Ecole Shiseido

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

■ Ecole Shiseido (Corporate University) Organizational Chart



voice

Helping Each Employee Realize His or Her Full Potential

Mitsuo Takashige

Executive Director, Ecole Shiseido Corporate Officer and General Manager of Personnel Department



I believe that the most important management resource a corporation can have is its people, who alone can focus on a single task and grow one of something into two or three. This approach underlies a human resources development strategy that treats employees as individuals through a program of daily on-the-job training, fair evaluation, education and training, and personnel assignments with an eye on future developmental potential. It increases the energy and vitality of the organization by offering robust support to employees who work actively to take full advantage of their innate potential.

Increasing the Effectiveness and Speed of Reforms

Work Improvement Proposal System (Chie-Tsubaki Proposal System)

Shiseido believes reform of the company springs from the willingness of individual employees to meet challenges and take action. We launched the Chie-Tsubaki Proposal System in June 2006 to enable all employees to participate in the reform process by submitting ideas and bringing their skills to bear.

The system provides a mechanism for evaluating proposals made by employees describing the results of their creative problem-solving and improvement efforts. Proposals that receive a favorable evaluation are recommended to a Worksite Committee that brings together the Company's worksites. Proposals evaluated favorably by the committee are then brought before the Headquarters Committee and presented for evaluation and commendation directly to the president, who serves as the committee chair. These proposals are ultimately shared on the corporate intranet and in the Shiseido internal publication.

By pursuing initiatives such as these on an ongoing basis, Shiseido is seeking to improve individual employees' awareness and involvement, strengthen their bonds to one another, and create an organizational culture where even small refinements can drive constant improvement.

voice

Cultivating a Flowering of *Chie-Tsubaki* Proposals

Junko Yagi
Chubu Area Sales Department (1), Shiseido Sales Co., Ltd.



I was recognized by the second Chie-Tsubaki Headquarters Committee (meeting at Shiseido Head Office in February 2007) with a Special Excellence Award. Participating in the committee and learning that employees in other worksites and workplaces were working specifically on a variety of problems on a daily basis increased my desire to become involved in future initiatives. I'm looking forward to spreading an organizational culture that utilizes this kind of employee participation as a valuable asset by involving the people around me and cultivating a new flowering of Chie-Tsubaki proposals.

TOP > [Highlights] Stakeholder Dialog

Stakeholder Dialog

[Stakeholder Dialog \(PDF/1.7MB\)](#)

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TOP > Initiatives with Stakeholders

Initiatives with Stakeholders



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TOP > [Initiatives with Stakeholders] With Our Customers

With Our Customers

Our wishes for our customers' beauty, health, and happiness are shared by all employees and lie behind every product and service we offer. We are proud to work with customers to realize the beauty of every individual.

Communicating with Customers

Shiseido Website

Shiseido provides extensive product, beauty, and company information on its website, reflecting efforts to create appealing content and administer the site in response to customers' desires and needs.

In the year ended March 2007, site access grew to 25 million page views per month. The global website is available in ten languages including English, French, and German, while a mobile site provides an official Shiseido presence on iMode, EZweb, and Yahoo! Mobile.

In addition to taking advantage of members-only services including online skincare checks and the ability to participate as monitors and receive complimentary samples, more than 1 million registered Shiseido Net members receive email magazines such as the information-packed Shiseido Website News.



Shiseido website



Shiseido global website

Cosmetics Q&A

Shiseido launched a redesigned online Customer Service Portal in May 2007 to enhance communication with customers.

Among other content, the Cosmetics Q&A section provides easy-to-understand answers to frequently asked questions from customers.



Beauty Dictionary

The online Beauty Dictionary is a helpful resource for individuals wanting to know more about beauty. It contains theoretical explanations related to beauty, basic instructions for using cosmetics, and information about makeup techniques and skincare methods. Videos make content more accessible.



Listener's Cafe

Shiseido's Listener's Cafe provides the audio equivalents of content such as beauty information and basic cosmetics knowledge for visually challenged individuals. Other offerings include A Time for Beauty, a wide-ranging compilation of information about beauty, trends, fashion, health, and music published quarterly on cassette tape and donated by the Company to 100 Braille libraries throughout Japan.



We've also made this report easier to use by making detailed information about the products it mentions immediately accessible.

Internet Monitors

About 10,000 Internet Monitors are selected from customers who have registered to become Shiseido Net members. In addition to having these individuals respond to our proprietary survey system, we use feedback gained from monitor surveys and other means of two-way communication in product development, and to help improve customer service.

"In-House" Quantitative Survey System

This survey system enables employees working in product development or sections responsible for proposing Company policy to create survey screens as easily as if they were simply typing text into a word processor. The ability to rapidly solicit and receive responses from a large number of Internet Monitors helps the Company to quickly obtain outside feedback to apply to product development and policy proposal processes.



Example of the "In-House" quantitative survey system

"Chatterbox" Qualitative Survey System

This Internet-based group interview system allows employees to participate in virtual online meetings and ask customers their opinions via on-line chat. The ability for participants to transform themselves into cute animated characters keeps the interview enjoyable.



Example of a "Chatterbox" qualitative survey system

Beauty Web Seminars and Beauty Web Home Seminars

Since 2005, Shiseido has been holding Beauty Seminars at workplaces throughout Japan to expose customers to the latest beauty information and new products. We held a total of three spring, summer, and fall seminars during fiscal 2006 with participation by about 20,000 customers. The online registration process gives priority to customers who have registered as Shiseido Net members.

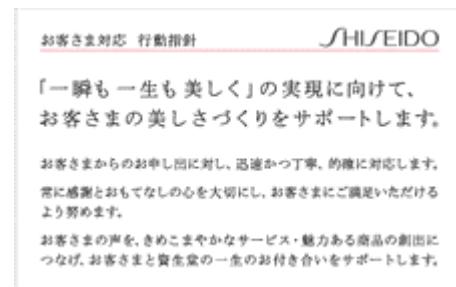


To meet the enormous demand for this program, each seminar of which has a waiting list of about 6,000 people, we began offering Beauty Web Home Seminars, a system whereby customers on waiting lists and Shiseido Net members can experience seminars 24 hours a day in their own homes. About 1,000 people participate in each seminar online, where they can experience hands-on beauty training while watching lectures and other graphic content.

Initiatives to Share Customer Feedback Internally and Utilize It in Company Activities

Consumer Center

Shiseido's Consumer Center accepts suggestions and feedback from customers and applies this valuable resource to various internal activities. As part of our drive to become a 100% customer-oriented company, we adopted a Customer Service Code of Conduct in fiscal 2006 to enable us to respond in good faith to questions and consultations from customers by providing even more useful information.



Customer Service Code of Conduct

Customer Center

The Shiseido Customer Center solicits opinions from customers throughout Japan by a variety of means including toll-free calls, letters, and email. The Center processes some 260,000 contacts on a broad range of subjects each year, including questions about how to use or choose products, opinions and requests for products, and responses to advertisements.

Collecting Customer Feedback from Retail Outlets (Mobile Handsets)

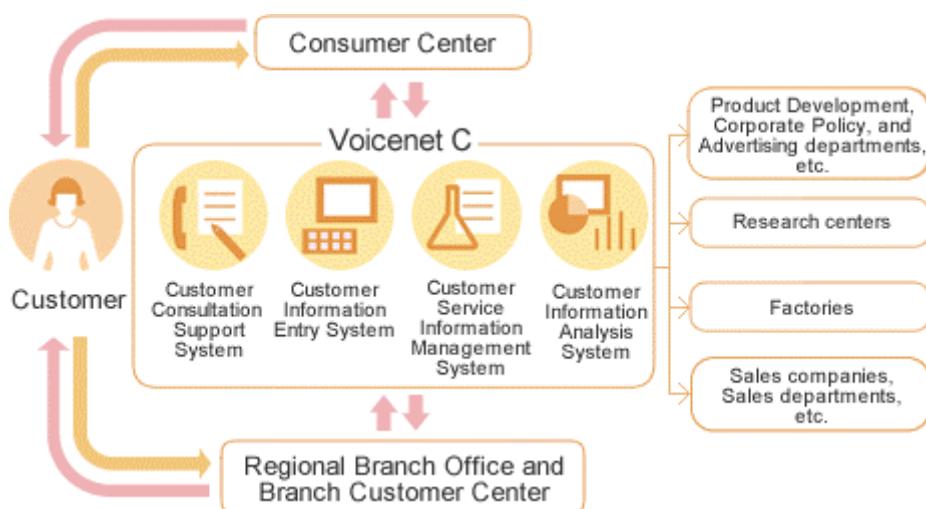
In a program that helps drive the creation of customer satisfaction, Beauty Consultants working at retail outlets collect 100,000 examples of customer feedback each year on the sales floor using special mobile handsets.



Special mobile handset used by Beauty Consultants

Voicenet C System

Shiseido introduced the Voicenet C system in 1996 to streamline communications and provide a means of centrally managing customer information. The technology encourages a cycle with steps including responding to customer questions and requests for advice, collecting information from customers, and providing customer information as feedback to different departments in the Company.



Customer Monitoring Program

This training program allows employees to experience analyzing data and taking calls at the Customer Center to give them a better understanding of customers and their needs than it is possible to acquire from data alone.



Applying Customer Feedback to the Product Creation Process

Shiseido shares feedback from customers internally to ensure our products will satisfy customers for as long as they use them. The valuable information we gain from this feedback is used in company activities, and these initiatives are also applied to the product creation process.

d Program Vitalizing Series

We received feedback from customers using our d Program indicating that they were becoming concerned about wrinkles but were apprehensive about changing cosmetics. In response Shiseido developed the Vitalizing Series, a new line of products that addresses age-related skin concerns such as wrinkling and blotchiness, yet is gentle enough to be used with peace of mind by individuals with sensitive skin.



Super Mild Chikara

Shiseido places a special mark (a notched edge) on the side of shampoo containers to differentiate them from conditioner (rinse). An accompanying Braille inscription makes using the product a more pleasant experience for visually challenged individuals.



TSUBAKI

A large number of customers using TSUBAKI conditioner (220 ml) contacted Shiseido to note that it was increasingly difficult to dispense the product as it ran out. In response we improved the container to make it easier to use as the product runs out by flattening the top of the cap so that it can be placed upside down.



Flat design
enables the
container to be
placed upside
down

Maquillage

Shiseido added a small, transparent window to the container used by the Climax Moisture Gel and Climax Lasting Gel UV Maquillage brand foundations in response to customer requests to be able to see when the product is almost gone to avoid the inconvenience of suddenly running out.



Universal Design Initiatives

Universal design takes into account the environments in which all kinds of people live. It is an important approach for Shiseido given our commitment to create products that all customers can enjoy with confidence and peace of mind.

Shiseido adopted the Shiseido Universal Design Guidelines in 2005 based on expert theory and legislation, and crafted to reflect the characteristics of our products. The guidelines span 6 principles and 14 provisions and describe a product development process in which all product planning and design departments share information. A key point during the formulation of the guidelines was to precisely identify what kind of customers used actual products, as well as how they used them and in what circumstances. It was also important to imagine as many such situations as possible.

For example, the principle requiring that it be obvious how to use the product includes an "intuitive design" checkbox indicating that users should intuitively understand where to hold the container and twist in order to open it. Designs that take such considerations into account are defined as easy-to-use designs. Conversely, a design that contravenes the user's intuition by having a non-functional design element that looks like a button that should be pressed to open the container would be a difficult-to-use design.

In this way Shiseido is working to create products with easy-to-use and easy-to-understand designs even as it continues to value the beauty, pleasure, and joy that cosmetics inspire when used and even simply held in their containers.



Example of a design that looks beautiful but also conveys in a single glance where to hold the product.

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TOP > [Initiatives with Stakeholders] With Our Business Partners

With Our Business Partners

Shiseido's CSR activities seek to create good partnerships with business partners such as customers and suppliers.

Initiatives with Business Partners

Shiseido purchases ingredients and perfumes used in the manufacture of cosmetics, packaging, promotional sales materials, and other products from outside companies. We view all suppliers as partners in the creation of new value and consider mutual understanding, including in the promotion of CSR activities, to be of the greatest importance.

Green Procurement Standards

Shiseido has also actively worked with partners to promote involvement in environmental activities. In February 2001, we conducted a survey of suppliers' environmental activities in accordance with the Green Procurement Standards. Based on the results, we established Seven Preconditions for Collaborating with Business Partners, starting with our Environmental Policy, and publicized them to suppliers.

Shiseido Group Supplier Code of Conduct

In July 2004, Shiseido established a Business Partner Subcommittee under the Corporate Ethics Committee (currently the Compliance Committee) to begin examining how the scope of our initiatives could be expanded from a focus on the environment to encompass more general CSR activities. Then starting in March 2005 we surveyed about 400 domestic and 200 overseas suppliers to assess the state of current practice.

In March 2006, we adopted the Shiseido Group Supplier Code of Conduct, based on the results of this survey and taking into account the United Nations Global Compact and examples of other pioneering companies' efforts, and distributed the new document to suppliers. The standards address areas such as legal compliance, labor (child labor, discrimination, safety and hygiene, etc.), protection of intellectual property and confidentiality, environmental conservation, and fair commercial transactions. A survey conducted in June 2006 based on these standards indicated that suppliers understand and empathize with these initiatives.

Shiseido is committed to pursuing activities to increase corporate value along with business partners, including considering whether to make formal acceptance to the Shiseido Group Supplier Code of Conduct a criterion when selecting business partners.

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TOP > [Initiatives with Stakeholders] With Our Shareholders

With Our Shareholders

In addition to seeking to maximize corporate and shareholder value through expanded growth and improved profitability, Shiseido is committed to enhancing communication with shareholders to gain their understanding and trust through timely and adequate information disclosures and dialogue.

For Investor information

<http://www.shiseido.co.jp/e/ir/>

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TOP > [Initiatives with Stakeholders] With Our Employees

With Our Employees

Shiseido is striving to meet its goal of "filling the Shiseido organization with people with their own appeal" by creating a work environment where all employees can realize their full potential.

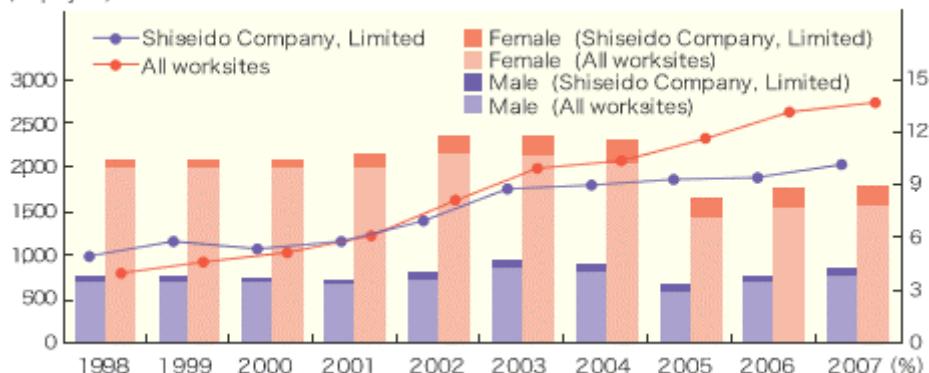
Personnel Data

資生堂グループ社員(国内人員構成)(2007年4月1日現在)

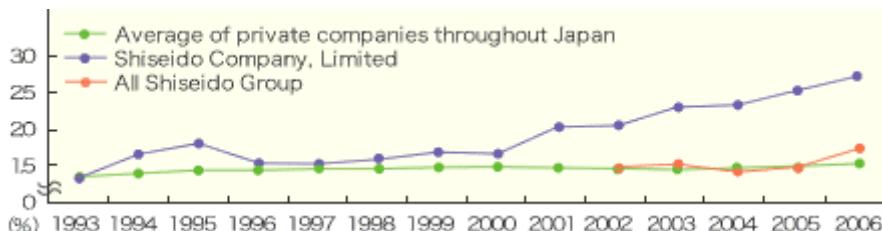
		Male	Female	Total
Managers		1,195	158	1,353
General		1,928	2,760	4,688
Beauty Consultants		8	6,540	6,548
Others	Advisers	156	7	163
	Part-time	26	16	42
	Temporary	81	55	136
	Site-specific	496	1,400	1,896
	Total	759	1,478	2,237
Total		3,890	10,936	14,826
Limited-term contract				11,301
Total				26,127

Female Management Positions

(Employees)



Percentage of Developmentally-Challenged Employees



Work-related accidents

	2003 Work-related accidents	2004 Work-related accidents	2005 Work-related accidents	2006 Work-related accidents
Head office	3	11	2	7
Sales companies	0	5	12	20
Factories and research centers	11	8	12	10
Affiliates	7	22	29	27
Total	21	46	55	64

* Figures are for the number of incident reports submitted

Initiatives for Healthy Living, the Foundation of Personal Development

As a company whose message is "This moment. This life. Beautifully," Shiseido believes that it is of vital importance for employees to be able to work in a fresh and lively manner, healthy in body and spirit. We actively work in conjunction with the Shiseido Health Insurance Union to facilitate healthy living for our employees.



Up until to 2006, Shiseido initiatives consisted of holding regular health checkups including a wide range of tests, offering mental health educational seminars, and opening a mental wellness counseling office. We plan to augment these activities by rolling out preventive programs targeting individuals likely to develop adult-onset diseases, holding a no-smoking marathon in observance of World No-Smoking Day, and offering health education courses for female employees.

As an example of Shiseido's forward-looking approach, our research centers are actively pursuing their own health management activities. These facilities have led the way in providing interviews with industrial medicine specialists for overweight workers and a mental wellness counseling office. In recognition of activities such as these, the facilities won the Kanagawa Labor Department Director's Encouragement Award in July 2006.

Consistent with the primary importance we give to employee health, we plan to pursue health-related initiatives addressing areas such as mental wellness, adult-onset diseases, smoking, and diseases affecting women, while working to control costs with a central health information management system, together with a health management system.

Gender Equality Initiatives

Shiseido is pursuing gender equality initiatives as one of several management strategies aimed at energizing employees and creating an organizational culture conducive to worker performance.

During the first phase of this effort from fiscal 2005 to 2006, we established four priority issues and the two goals of accelerating the involvement of young and female employees, and helping employees achieve a good balance between work and their personal lives. We also pursued a 20-step action plan as a way to address priority issues. Half of this plan has been presented to the Tokyo Department of Labor as Shiseido's Action Plan for Supporting the Development of the Next Generation.

Results of Phase 1, Gender Equality Action Plan 20

We were able to implement each step of the [Gender Equality Action Plan 20 \(PDF/54KB\)](#) thanks to a systematic two-year program. Particularly effective was the nationwide establishment in April 2007 of the Kangaroo Staff program, which provides substitute workers for Beauty Consultants (BCs), as a concrete step toward implementing Step 16, creating a workplace environment where employees can easily take parental leave and time off to care for their children. We also made steady progress in encouraging male employees to participate in childcare, with about 33 employees taking time off under the short-term parental leave program over the course of two years. Nevertheless, the program remains underutilized in sales and other departments, and we plan to hold another session of the School for Balancing Work and Personal Life that was previously held at the Head Office, this time for our sales organization.

Thanks to these and other similar activities, Shiseido received the Next-generation Mark of Approval.

Another positive result has been the training of female leaders and their promotion within the organization. As a result of ongoing awareness training for female employees, efforts to reform the Company's wage and personnel systems, and a bottom-up reassessment of how personnel assignments are made, the percentage of employees promoted to manager and adviser positions rose to 21% and 23%, respectively (as of April 1, 2007). Moreover, the percentage of female leaders in the Shiseido domestic Group rose to 13.7% (as of April 1, 2007).

Shiseido is also working to address Step 12, reviewing how employees work, by offering training to strengthen management and establishing a Business Reform Project to investigate the structural causes of overtime.

voice

Passing the Torch to the Younger Generation

**Yukimi Murota (Beauty Consultant)
Kinki Area Sales Department (2), Shiseido Sales Co., Ltd.**



I feel that this program has created an environment where employees can balance childcare and work. To the extent that those of us who take time off to care for our children have limited time, we work to provide the best possible service during that time and try to take advantage of our experience raising children when dealing with customers. By doing this I hope to pass the torch of leadership to younger employees. Once I'm finished caring for my own children, my personal goal is to help the next generation of BCs as they care for theirs.

Phase 2: Gender Equality Action Plan 15

During Phase 2, we will pursue our basic approach to gender equality initiatives over a three-year period from fiscal 2007 to fiscal 2009. We have formulated the Phase 2 [Gender Equality Action Plan 15 \(PDF/41KB\)](#) by selecting steps from the Phase 1 Action Plan that are likely to yield even greater results if continued, as well as reviewing our approach to steps whose implementation has proven difficult.

We are committed to contributing to the Company's growth by energizing our organization and increasing individual employees' skills and motivation, regardless of gender.

To Better Satisfy Customers

Activities to Increase Customer Satisfaction

Shiseido has embarked on a series of reforms to transform itself into a 100% customer-oriented company. Key to this endeavor is a reorganization of the activities of about 10,000 Beauty Consultants (BCs) who are capable of breathing new value into products developed in response to customer needs, and communicating that value directly to customers. We eliminated sales targets for BCs in April 2006 as part of this ongoing effort and replaced them with a satisfaction-based mechanism for evaluating customer service. Feedback from customers is provided to individual BCs on a monthly basis and used to enhance the level of service and customer satisfaction by enabling them to reflect on their own activities and identify areas for improvement. Following this approach, BCs can ask themselves how many customers they helped become more beautiful each day, and whether those customers were satisfied with the service they received. All Company employees have focused their energy and resources on improving day-to-day customer service and trust.

voice

Striving to Offer Service That Excites Employee and Customer Alike

Ryoko Maeno
Sendai Office, North Japan Sales Department, Shiseido Sales Co., Ltd.



Since the creation of the North Japan Sales Department, we've been trying to extend our service to cover even the most seemingly insignificant aspects of each customer's visit as part of our goal of providing "service with no waiting." I want the customer to feel excited about becoming more beautiful so that they want to visit me again, and I want to feel excited at the same time, even if that customer is only in the store for a short time. That is our mission as BCs. My goal is to meet as many customers as possible and earn their trust by touching, so to speak, their skin and their hearts.

Respect for Normalization *

Hanatsubaki Factory

In January 2006, Shiseido established Hanatsubaki Factory Co., Ltd., a special subsidiary staffed primarily by developmentally-challenged individuals, as part of an effort to create a workplace where all employees can actively engage in work. Today, 12 developmentally-challenged individuals work at the Sumida Workplace at Kamakura Factory applying labels to products like Kesho-Wakusei, and Integrate and pack them into individual boxes. Thanks to efforts to standardize the production process while tweaking it to compensate for employees' quirks and simplify difficult procedures, the workplace has posted exceptional results as it strives to achieve its goals of "quality first" and "zero defects". It established a record of success that is symbolized by the Production Department Special Award it received at the Production Technology Show for the year ended March 2007. In March 2007, employees began providing office services such as cleaning the Shiodome Office and replacing copier paper. We remain committed to facilitating autonomy and offering employment opportunities to developmentally-challenged individuals by further expanding the scope of such work in the future.

*According to this normalization approach, society should enable individuals who are likely to experience unfavorable treatment, for example the developmentally challenged and aged, to live and work in the same way as other people.



Employees working at the Sumida Workplace.



Yoshi Saito, President Hanatsubaki Factory Co., Ltd.

Raising the Next Generation and Seeking Family Understanding

Bring Your Kids to Work Day

Shiseido held a Bring Your Kids to Work Day in August 2006. We hosted 53 children with the goal of engendering an awareness of and interest in work, providing a first-hand understanding of Shiseido's values, deepening children's understanding of their parents' jobs, and providing an opportunity for parents and children to communicate. Participating kids toured the Kamakura Factory, Research Center, and Shiodome Office and enjoyed activities based on the three themes of "creating things," "enjoying an adventure," and "learning."



Creating things:
Children try their hand
at making lipstick
at the Kamakura Factory.



Enjoying an adventure:
Children compete
in a point rally
at the Research Center.



Learning:
Children exchange business
cards with Shiseido president
Shinzo Maeda at the
Shiodome Office.

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TOP > [Initiatives with Stakeholders] With Our Society: Social Contribution Activities (Welfare and Local Community Activities)

With Our Society: Social Contribution Activities (Welfare and Local Community Activities)

We are pursuing a program of social activities that takes advantage of our accumulated knowledge and technology in order to create a beautiful lifestyle, which is one of our corporate ideals.

Bringing All Customers a Richer and More Enjoyable Makeup Experience

Shiseido Beauty Seminars

The desire to enjoy lifelong health and beauty is a timeless one. Reflecting our desire to help customers get even a step closer to their dream of beauty, Shiseido has held about 4,500 Beauty Seminars throughout Japan with participation by some 110,000 customers.

Launched in 1949, these seminars provide a firsthand opportunity for Beauty Consultants (BCs) at workplaces around the country to teach participants how to apply cosmetics properly while offering ideas about how the use of makeup can be a richer, more enjoyable experience.

Shiseido is also proactive in offering a program of Beauty Seminars for developmentally-challenged individuals and senior citizens. The benefits of cosmetics have also received attention in the medical community in the form of "makeup therapy," a process whereby cosmetics play a useful role in creating a positive outlook in patients, motivating them to complete their physical therapy, and enriching their interactions with society.

Shiseido Beauty Volunteer Program

Demand for our Beauty Seminars for developmentally-challenged individuals and senior citizens increases with every passing year. The Shiseido Beauty Volunteer program was introduced in 2000 to address this need by encouraging BCs who have retired from Shiseido to volunteer their time. Drawn by the ability to make use of their skills after they retire, today about 200 volunteers are actively involved in conducting seminars at facilities for developmentally-challenged individuals and senior citizens.

Initiatives at the Fukuoka Branch

One workplace where the Beauty Volunteers are making a difference is the Fukuoka Branch of the Kyusyu Regional Branch Office of Shiseido Sales Co., Ltd.

Fukuoka Branch staff regularly visit area facilities to conduct about 100 Beauty Seminars a year, and Beauty Volunteers play lead roles in 90 of these seminars.

Beauty Volunteer Keiko Oka is responsible for Beauty Seminars at Sunshine Plaza, a nursing home and social welfare facility in Fukuoka City where she helps participants experience the pleasure of cosmetics. Accompanied by BCs from the Fukuoka Branch, Ms. Oka led a seminar in February 2007 where she gave 25 participants hands-on lessons in skincare and makeup techniques. The program brought smiles to the faces of attendees, who expressed their pleasure, reminisced about how they used to apply makeup everyday, and resolved to devote more time to their appearance.



Beauty Volunteers and BCs teach attendees about nail care.

voice

Encouraging Autonomy by Utilizing Our Skills

Shiseido Beauty Volunteer Keiko Oka (top)

Natsumi Kai of the Fukuoka Branch of the Kyusyu Regional Branch Office, Shiseido Sales Co., Ltd. (bottom)

Rather than social welfare in the sense of doing things for people, we're trying to encourage autonomy. We're involved in this program to bring joy to participants through makeup and to help them adopt a forward-looking viewpoint that comes with wanting to beautify your appearance. Seeing our actions having even a small effect on the everyday lives of participants makes it all worth while for us. For example, when someone tells us she feels more interested and enthusiastic about things in general, or that she wants to be beautiful like some other person she knows.



Ms. Oka : "Seeing participants' joy at becoming beautiful and seeing them smile makes me happy. I am motivated to work even harder when I see attendees become beautiful by applying what we have taught them in seminars to their daily lives."



Ms. Kai: "I always approach my job in the spirit of 'May I help you?' I look forward to using my skills to offer true assistance, rather than simply doing things for people."

Toward a Social Movement for Balancing Work and Childcare

Kangaroom Shiodome and the wiwiw Program

Companies must work together to meet the challenge of assisting employees in balancing work and childcare. Based on this approach, Shiseido has taken the lead in advancing a social movement where companies work together to improve the parenting environment for employees by opening up some of the limited number of places in Kangaroom Shiodome, a nursery school it operates, to employees from other companies. Similarly, numerous companies have adopted "wiwiw," an Internet-based program developed by Shiseido to help employees return to work from parental leave.



wiwiw



Kangaroom Shiodome

Pursuing Social Contribution Activities That Resonate with Women

[http://www.shiseido.co.jp/kikin/ \(Japanese only\)](http://www.shiseido.co.jp/kikin/)

Shiseido Social Contribution Club-Camellia Fund

The Shiseido Social Contribution Club-Camellia Fund, an employee organization designed to encourage social contributions that is now in its third year, allows Shiseido Group employees who share its goals to contribute to the greater good by deducting regular contributions from their salaries, making one-time gifts and donations, and participating in volunteer activities. The Club selects groups to support from the standpoint of social problems affecting women, quality of life improvements through cosmetics, and environmental conservation.

Run by employees who either volunteer or are recommended by their peers, the organization also helps raise funds for disaster relief. In addition to facilitating product donations and contributions to groups it supports from society at large, the Club welcomes participation by employees who have reached Shiseido's mandatory retirement age. In fiscal 2006, the Club donated ¥3,385,000 in contributions from shareholders participating in the Social Support Group Contribution shareholder benefit program to the National Women's Shelter Network.

Broad participation in the Club is helping to spread social contribution activities.

Direction of Shiseido's Social Contribution Activities

Shiseido's domestic Japanese and overseas worksites have pursued a number of initiatives as part of the Company's regional social contribution activities, including holding Beauty Seminars at senior citizen homes and hospitals, providing social welfare assistance for mothers and their children, and making donations to various causes. In the future the Company plans to coordinate these activities with those of the Shiseido Social Contribution Club-Camellia Fund to pursue social contribution activities that embody Shiseido's unique characteristics as a cosmetics manufacturer.

United Nations Development Fund for Women (UNIFEM)

A United Nations organization whose goals include autonomy and gender equality for women in developing nations

Fiscal 2006 assistance: Total contributions of ¥1,643,000
(Employee contributions: ¥754,500; corporate matching: ¥754,500; other: ¥134,000)



Shiseido Social Welfare Foundation

A social support organization specializing in child welfare and dedicated to cultivating the next generation of leaders

Fiscal 2006 assistance: Total contributions of ¥2,742,672
(Employee contributions: ¥1,134,300; corporate matching: ¥1,134,300; other: ¥474,072)



National Women's Shelter Network

A network of shelters dedicated to helping women and children who have escaped domestic violence recover emotionally and physically so that they can make a fresh start

Fiscal 2006 assistance:
Total contributions of
¥4,844,600

(Employee contributions:
¥670,900; corporate
matching: ¥670,900;
shareholder benefit program contributions:
¥3,385,000; other: ¥117,800)



Shiseido Social Contribution Club—Camellia Fund

World Wildlife Fund (WWF)

An organization that supports conservation activities to prevent over-harvesting of trees to obtain raw materials for products such as cosmetics

Fiscal 2006 assistance:
Total contributions of
¥2,869,600

(Employee contributions:
¥1,336,600; corporate
matching: ¥1,336,600;
other: ¥196,400)



XP (Xeroderma Pigmentosum) Association Japan

An organization that provides everyday living assistance to patients who have developed cancer of the skin or eye due to exposure to ultraviolet light

Fiscal 2006 assistance: Total contributions of ¥2,058,847

(Employee contributions: ¥964,800; corporate matching:
¥964,800; other: ¥129,247)



NEWS

Some of these donations were used to fund activities seeking to have XP designated an intractable disease. As a result, the Association's activities were designated a 'Research Program for Overcoming an Intractable Disease' by the Ministry of Health, Labour and Welfare in March 2007, enabling Shiseido to help take the first steps in researching possible treatments for the condition.

voice

Experiences of the Shiseido Social Contribution Club-Camellia Fund Leadership

Ichiro Iwai
Life Science Research Center, Research Center (Shin Yokohama)



The Club's employee-based approach to social contribution and support resonated with me, and I served on its steering committee for a period of two years following its creation. It's thrilling to see employees wanting to get actively involved, and shareholders who choose to make donations under the benefit program. I strongly believe that it's particularly important for profit-seeking corporations to work for the good of society and so gain acceptance. I'm looking forward to continuing to make social contributions in the future through my research.

XP (Xeroderma Pigmentosum) Association Japan Participating as a sleepover volunteer

Asuka Shigeuchi
Osaka Office, Kinki Area Sales Department (1), Shiseido Sales Co., Ltd.



Most of all, I'm happy to have been able to meet kids suffering from XP (Xeroderma Pigmentosum) through my activities as a volunteer. I came to understand that it was only when I realized how much I wanted to help after meeting patients and interacting with them on a human level-not by just learning about the disease known as XP-that I was able to make a truly sincere social contribution.

Child Welfare

The Shiseido Social Welfare Foundation was established in 1972 as part of our commemoration of the 100th anniversary of the founding of Shiseido Company, Limited. We are working to implement a number of pioneering programs that meet the unique needs of our times by bringing a global perspective to bear on the challenge of improving the welfare of the children who lead the next generation.

For more information, see
<http://www.zaidan.shiseido.co.jp/html/> (Japanese only)

Disaster Relief Activities (Earthquake in Central Java)

Shiseido Social Contribution Club-Camellia Fund called on all employees to make donations in the aftermath of a major earthquake in central Java on May 27, 2006. The Club collected a total of ¥3,756,500 in contributions from 7,513 individuals and donated the funds to the Japan Platform (JPF), a non-profit organization dedicated to providing emergency relief to refugees following natural disasters. The funds were used to help defray the costs of recovery in affected areas, including providing local emergency medical care and sanitary management, establishing temporary classrooms, and restoring elementary schools.



Supporting Individual Employees' Social Activities

Product Matching Gifts

Shiseido supplies products such as shampoo and soap to welfare facilities to match participation in volunteer activities by employees, retired employees, and their families.

For more information, see

http://www.shiseido.co.jp/csr/stakes/soc_welfare.htm - contents09 (Japanese only)

Social Studies Days

Shiseido's Social Studies Days program allows employees to participate in social contribution activities instead of coming to work for up to three days each year.

For more information, see

http://www.shiseido.co.jp/csr/stakes/soc_welfare.htm - contents09 (Japanese only)

Social Activities Award

This program recognizes grassroots social contribution activities in which Shiseido employees are involved on an individual basis.

For more information, see

http://www.shiseido.co.jp/social/html/s_seido.html - sousyaru03 (Japanese only)

Fiscal 2006 Social Activities Award Recipients



Promoting Motorcycle Safety

Cosmetics Business Planning Department, Head Office

Takako Seki

As an instructor for the National Association for Motorcycle Safety and the Committee for the Promotion of Motorcycle Safety, Ms. Seki has provided instruction in safe driving techniques and good riding manners for motorcycle drivers at various lectures and classes since 1995.



Serves as Chairperson of the Executive Committee for a Community Association Charity Concert

Tokyo Metropolitan Branch Office, Shiseido Sales Co., Ltd.

Tetsumi Yokota

Mr. Yokota has been involved with her community association since 2001. In 2006, she played a central role as the chairperson of the executive committee in charge of orchestrating a charity concert in her area.



Serving as an Instructor for the SPP (Science Partnership Program)

Life Science Research Center, Research Center

Maki Kaneko

Since 1998, Ms. Kaneko has served as an instructor in a molecular biology training program (SPP) for high school students. In this way, she contributes to the development of young people.

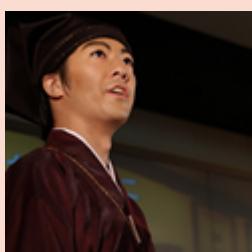


Providing Hair and Makeup Services for Members of a Music Group of Visually Impaired Individuals

Technical Department, Head Office

Michiyo Kuboki

Since 2001, Ms. Kuboki has helped about 15 members of the Akane hand bell group, which consists of alumni of a school for the blind, prepare for concerts by providing hair and makeup services.



Participating in Volunteer Musical Performances

Production Department, Head Office

Masayuki Watanabe

Since 2004, Mr. Watanabe has joined volunteers from a variety of companies in participating in musical performances at hospitals and schools for disabled students.



Serving on a Steering Committee for Gatherings of Individuals with Aphasia

Planning Administration Department, Shiseido Professional Inc.

Akifumi Hosokawa

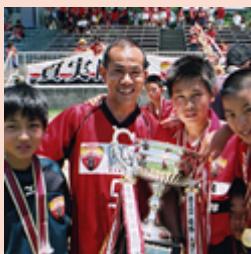
Since 2004, Mr. Hosokawa has assisted in arranging gatherings and organizing national conventions as a member of a steering committee that meets once every two to three months.



Volunteering to Work with Young People in the Cub Scouts

Domestic Sales Department (I), Shiseido Professional Inc.
Masanobu Kinoshita

Since 2004, Mr. Kinoshita has helped with the upbringing of young boys by organizing camps, area clean-up activities, and UNICEF collections as the assistant leader of a Cub Scout group.



Serving as a Referee and Assistant Coach for an Area Youth Soccer Team

Domestic Sales Department (I), Shiseido Professional Inc.
Masahiko Nakai

Since 2005, Mr. Nakai has served every other weekend as an assistant coach for the Takada Football Club, a local children's soccer team.



Serving as a Youth Soccer Instructor

Shiseido Information Network Co., Ltd.
Masayuki Shimazu

Since 1999, Mr. Shimazu has provided twice-weekly soccer instruction for children participating in FC Fujidana, a youth soccer club primarily active at local elementary schools.



Serving as a Local Soccer Coach and Promoting Regional Sports

Administration Department, Kuki Factory, Shiseido Company, Limited
Hirotaka Watanabe

Since 2001, Mr. Watanabe has spent his Saturdays and Sundays each week serving as a referee and soccer coach for the Yatsu Soccer Club, a youth soccer club, and the Narashino Bayside Sports Club, a sports club for girls and housewives.



Volunteering at the Kakegawa Shincha Marathon

Kakegawa Factory, Shiseido Company, Limited
Shisei-kai, Baseball Club

Since the first Shincha Marathon was held in 1988, Shisei-kai Baseball Club members have volunteered to serve on the day of the race as venue guides, direct traffic, and clean up afterwards.



Volunteering as a Councilor at the Bennett Cancer Center

Zotos Darien
Joe Toma

For the last nine years Mr. Toma has volunteered as a councilor for cancer patients. In addition to providing information about medical expenses, insurance, and other topics, he participates in annual walking events held to raise money for the Center.



Helping to Fund Walking Events for the March of Dimes

Zotos Geneva

March of Dimes Committee

Mike Feldstein, Ruri Chappell, Molly Hill, Mary Lou Carragher, Kristy Breese, Luella Grabbatin, Janice Griffin

Each year, for about three months from February to April, these individuals help raise money for the March of Dimes Walk America event. They do so by holding events such as bake sales and chicken barbecues, and then donate the proceeds to the walking event, which is held each May.

Social Contribution Activities at Shiseido America Inc.

Shiseido America's East Windsor Factory and Davlyn Industries, Inc., have been participating in the Adopt-A-Highway program since 2003 as an environmental and social contribution activity. Volunteers in the program clean a nearby highway (New Jersey State Route 32) four times a year.

Their efforts were recognized in 2004 when a sign reading "Shiseido America Inc." and "Davlyn Industries, Inc." was erected next to the highway.

Shiseido America is committed to continuing to be actively involved in contributing to local social activities.



Adopt-A-Highway volunteers



Volunteers' cleaning activities



Sign with company names

Social Contribution Activities at Shiseido Thailand Co., Ltd.

Shiseido Thailand has established an internal social contribution group that facilitates voluntary employee involvement in a variety of social contribution activities.

Fiscal 2006 activities included involvement in programs that provide assistance for local orphans and women.

Each year the company donates contributions of food, clothing, money, and other items from employees to victims of natural disasters and disadvantaged individuals through organizations such as the Red Cross and local old people's homes. The company has also

provided collection boxes for aluminum beverage cans and pull-tops as part of a project to provide disabled individuals with prosthetic legs.

Shiseido Thailand will continue to work actively to transform small acts of sincerity on the part of individual employees into substantial social contribution activities.

June: Support for orphans

Between 10 and 20 employee representatives visited a Buddhist temple where about 1,200 orphans live and served a lunch of curry rice. They also donated rice, oil, daily necessities, and money to the temple.



August: Helping disadvantaged women participate in society

As a way to encourage more active participation in society by women who missed the chance to receive an education due to poverty or abuse, Beauty Consultants (training group) have taken the initiative in holding workshops to communicate makeup techniques and the pleasure of becoming more beautiful.



October: Supporting school operations

Between 10 and 20 employees visited an elementary school whose location deep in the mountains has forced it to use rainwater and river water due to a lack of running water. They donated two one-ton rainwater storage tanks to the school as well as clothing, towels, writing supplies, and other items for students.



Social Contribution Activities at Shiseido (N.Z.) Ltd.

In addition to being a member of the Cosmetic Toiletry and Fragrance Association of New Zealand, Shiseido New Zealand ("SNZ") is an active participant in the Look Good Feel Better program.

The Look Good Feel Better program has makeup specialists provide beauty information, instruction, and services free of charge to female patients being treated for cancer.

Activities, which are held at various locations around New Zealand, are intended to help women with their personal appearance during treatment and as they reenter society following the completion of treatment.

Since the program requires a supply of cosmetics, SNZ provided a total of 3,130 makeup products * during fiscal 2006. Products are selected for donation with the idea that patients will be able to use them on an ongoing basis in their homes and workplaces. The company also provides space in its facility for storing donated products from other companies.

Other assistance includes providing volunteer staff for the Fine Homes Tour **, which donates a portion of its entry fees to the Look Good Feel Better program, and participating in the Annual Dream Ball ***, a party held to raise donations.

In 2006, SNZ invited a representative from the Look Good Feel Better program to attend its mid-year conference in order to increase new employees' awareness of the program. The meeting gave new employees as well as the Sales and Marketing team a deeper understanding of the program's activities.

SNZ hopes to make an even greater contribution by continuing its passionate involvement in these social contribution activities.



Volunteers on the Fine Home Tour

* 3,130 makeup products

Lip liner: 1,100 items

Eye pencils: 400 items

Eyebrow pencils: 795 items

Eye shadow: 240 items

Lipstick: 495 items

Eye makeup remover: 100 items

**** Fine Homes Tour**

A tour of beautifully designed private residences. The goal of the tour is for participants to put what they discover to use in the interior design of their own homes. Part of the participation fees is donated to the Look Good Feel Better program.

***** Annual Dream Ball**

An annual party held to solicit donations. Participants include retailers, suppliers, and Cosmetic Fragrance and Toiletry (CTFA) members. Part of the ticket price, as well as proceeds from an auction held during the party, are donated to the Look Good Feel Better program.

TOP > [Initiatives with Stakeholders] With Our Society: Activities to Support Academic Research

With Our Society: Activities to Support Academic Research

We are pursuing a program of social activities that takes advantage of our accumulated knowledge and technology in order to create a beautiful lifestyle, one of our corporate ideals.

Activities to Support Academic Research

In addition to continuing to support academic conferences in dermatology, Shiseido has supported research in science and engineering, dermatology, and the study of perfume for over 40 years ago. The Company helps to raise the level of research in these disciplines by publicizing the results of these investigations.

Grants to Research Institutions in Fiscal 2006

Name	Description of grant	Fiscal 2006 results	Start of grant period
Japanese Dermatological Association basic medical research grant (Shiseido donation)	To support basic medical research in the area of dermatology jointly with the Japanese Dermatological Association	12 grants 6 million yen	1967
The Japanese Society for Investigative Dermatology Fellowship Shiseido Award	To support basic research in dermatology jointly with the Japanese Society for Investigative Dermatology	2 grants 2 million yen	1998
Shiseido Science Research Grant	To support research related to science and engineering, cosmetic science society, and dermatology	10 grants 10 million yen	2003
Society grants	To subsidize academic conventions and research activities, centering mainly on dermatology-related societies	20 grants 2.32 million yen	—

Promoting Alternatives to Animal Experiments

Shiseido has been involved with the development of alternatives to animal experiments since 1981, when we identified the area as a socially important theme consistent with our commitment to the humane treatment of animals. We have developed a number of alternative methods for evaluating the safety of our cosmetics, and we have sought to encourage broad adoption of those methods by actively publicizing them at domestic and international scientific meetings and other venues. Our research has been recognized with 12 awards including the Golden Presentation Award and Thesis Award at meetings of the Japanese Society for Alternative to Animal Experiments. This represents the most awards that any Japanese company has received and indicates the high regard in which our work in this area is held.

Recognizing the need to accelerate research into alternatives to animal experimentation, we are utilizing a broad network of contacts with outside experts to pursue joint research into important topics. These results are consistently greeted with an enthusiastic reception by participants at the symposia where they are presented. We have played a

leading role in the field since launching our research efforts and have been actively involved with Ministry of Health, Labor and Welfare groups studying and developing alternatives to animal experimentation, and with evaluation research conducted by the Japanese Society for Alternative to Animal Experiments.

Shiseido is committed to contributing to society by working with government, academia, and private industry to develop and promote alternatives to animal experimentation around the world.

Cooperating with the Super Science High School Program to Train the Next Generation of Scientists

Shiseido is proud to work with the Super Science High School (SSH) * program, part of the "Love Science and Technology Plan" that the Ministry of Education, Culture, Sports, Science and Technology has pursued since 2002.

In fiscal 2005, students from two SSH-designated schools visited our Research Centers, where they enjoyed tours of our laboratories and learned about various aspects of cosmetic science, including dermatological research, cosmetics ingredients development, skin characteristics measurement, and aromacological research being conducted by Shiseido. Staff sought to inspire an interest in cosmetic science by using simple language in their lectures to make them understandable at a high school level and involving the visitors in experiments. Through the experience students seem to have gained an understanding of cosmetics as a field where state-of-the-art science from a broad range of fields comes together in the form of pure skin research, the search for attractive ingredients, safety assurance, and the psychological effects of products.

We have also been sending researchers to schools in response to requests to show students who want to be scientists what it's like to immerse oneself in research on a daily basis. Designed to give students a more familiar experience of science, lectures by researchers span content ranging from descriptions of their research to scientific hints gleaned from daily life.

Students who have participated in the program speak of it in glowing terms, describing how seeing real research is conducted helped them overcome their dislike of science to develop an interest in the subject, and how they are now considering pursuing a future in the sciences.

We plan to expand these efforts beyond exposing students to the depth and complexity of the research and cosmetic science pursued at Shiseido. In doing so, we hope to contribute to the training of new scientists and engineers by helping the children who will be responsible for the future of Japan gain familiarity with science.

*** Super Science High School (SSH)**

A high school whose educational program focuses on science, technology, and mathematics. Currently a total of 99 high schools throughout Japan have been designated as Super Science High Schools (2006).

TOP > [Initiatives with Stakeholders] With Our Society: Corporate Cultural Activities and Support of Artistic and Cultural Activities (Philanthropy)

With Our Society: Corporate Cultural Activities and Support of Artistic and Cultural Activities (Philanthropy)

We are pursuing a program of social activities that takes advantage of our accumulated knowledge and technology in order to create a beautiful lifestyle, which is one of our corporate ideals.

Philanthropic Activities Supporting the Creation of New Beauty

<http://www.shiseido.co.jp/gallery/html/> (Japanese only)

"shiseido art egg"

exhibit at the Shiseido Gallery

The Shiseido Gallery has pursued a consistent program of non-profit activities since it opened in 1919. In the year ended March 2007, the gallery returned to the starting point of Shiseido philanthropy-supporting up-and-coming artists-by holding "shiseido art egg" which provided the selected artists their first public exhibition. The exhibition featured the work of three artists chosen from 650 submissions. The "shiseido art egg" Award was presented to Kaoru Hirano, who created an installation out of thread obtained by unraveling an old one-piece dress. Shiseido is committed to continuing programs that foster the artistic legacy of the future by supporting creative expression today.

voice

On receiving the "shiseido art egg" Award

"shiseido art egg" Award recipient
Kaoru Hirano



I've learned a lot from the invaluable experience of having my own exhibition at the Shiseido Gallery, an organization I've always admired. I certainly felt my own inexperience. It is my hope that I will be able to build on this award to become successful enough that one day I can exhibit other works at the Shiseido Gallery.



Photography: Ken Kato

Disseminating Shiseido's Sense of Beauty from Its Birthplace

[http://www.shiseido.co.jp/house-of-shiseido/ \(Japanese only\)](http://www.shiseido.co.jp/house-of-shiseido/)

HOUSE OF SHISEIDO

"The Ginza, and Women" Exhibition

The HOUSE OF SHISEIDO, a facility devoted to communicating Shiseido's corporate culture and sense of beauty by introducing the culture of Ginza, history of women, and works of art collected by the Company, held the "The Ginza, and Women" exhibition from September to December 2006. The show introduced visitors to the fortunes of the Ginza district and its women by combining historical materials in the Shiseido Collection with photographs of the area and the energetic, brilliant women who work there by photographer Koichi Inakoshi. About 13,500 people visited the exhibition.



The Ginza, and Women" exhibition at the HOUSE OF SHISEIDO

Shiseido Art House

Founded in 1978 in Kakegawa City in Shizuoka Prefecture, Japan, the Shiseido Art House is home to a collection of about 1,600 paintings, sculptures, and crafts, many of which have been previously displayed at exhibits such as the Camellia Club Art Exhibition and Exhibition of Modern Industrial Art at the Shiseido Gallery in Tokyo's Ginza district. The facility also holds a variety of themed exhibits throughout the year.

For more information, see

[http://www.shiseido.co.jp/museum/ \(Japanese only\)](http://www.shiseido.co.jp/museum/)

Shiseido Corporate Museum

Located next door to the Art House is the Shiseido Corporate Museum. It was founded in 1992 to preserve in one location the legacy of intellectual property that the Company has collected from its founding in 1872 to the present day, including product packaging, posters, and television ads. Part of the collection is on permanent display to the general public.

For more information, see
<http://www.shiseido.co.jp/museum/> (Japanese only)

Hanatsubaki (*Camellia*) Magazine

Launched in 1937, Shiseido's cultural magazine *Hanatsubaki (Camellia)* is celebrating the 70th anniversary of its founding. Starting with the July 2007 issue, the magazine has undergone a redesign and will be published as *Hanatsubaki*: Look with primarily visual content, and *Hanatsubaki*: Read featuring more written content, in alternate months.

For more information, see
<http://www.shiseido.co.jp/hanatsubaki/> (Japanese only)

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TOP > [Report on Environmental Activities] Initiatives for a Healthy Environment

Report on Environmental Activities

Initiatives for a Healthy Environment

Since its adoption in 1992 of the Shiseido Eco Policy, a set of guidelines detailing how environmental considerations should weigh on management decisions, the Company has worked to protect the environment in all of its business activities.

Framework for Promoting Environmental Policy and Management

Shiseido Eco Policy

1. Consider the ecosystems and use natural resources and energy with great care
2. Promote the development and application of new technologies that do not burden the environment
3. Aim to raise the level of employee awareness toward environmental protection
4. Endeavor to work closely with local communities and society at large

Shiseido has established Global Eco Standards to serve as activity guidelines in each business domain to ensure that the Group's domestic and international operations promote environmental activities in keeping with the Shiseido Eco Policy. Responses to environmental challenges have been classified into six categories: product development; research and development; manufacturing and procurement; distribution; sales; and offices. Each category consists of (1) a basic policy, (2) specific design and action standards, and (3) operating standards to implement those standards.

The Quality and Environmental Subcommittee of the Compliance Committee (Office: Technical Department) works closely with the departments that exercise control over each business domain to implement environmental management. It is conducted along the lines of advancing environmental activities from the dual perspectives of dealing with risks and reducing the environmental impact of operations. We are also working with business partners such as suppliers of ingredients, promotional materials, and contract manufacturers, to encourage their environmental initiatives, particularly the thorough management of industrial waste materials, in accordance with the Supplier Code of Conduct (CSR Procurement Standards) adopted in 2006.

Environmental Goals and Fiscal 2006 Achievements

[Environmental Goals and Fiscal 2006 Achievements\(PDF/14KB\)](#)

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TOP > [Report on Environmental Activities] Strengthening Environmental Management

Strengthening Environmental Management

Managing Environmental Risks and Complying with Environmental Law

Laws related to the environment have been growing stricter in recent years. Shiseido's Head Office takes the lead in gathering information about new environmental laws, analyzing their provisions, disseminating information to the relevant departments, and ensuring thorough compliance. Observance of environmental laws and regulations is evaluated in production departments based on the ISO 14001 system to ensure thorough compliance.

Implementing Thorough Management of Waste Materials

As the problem of illegal waste material disposal grows increasingly large-scale and serious, waste producers are being held accountable. We created the position of waste material manager in all domestic worksites with the goal of strengthening worksite-implemented management, and the Head Office is spearheading detailed training on the legal regulations governing waste materials. Moreover, we require the submission of waste material management reports to the Head Office to allow verification of proper waste material management.

During fiscal 2006, we expanded this training program to include not only waste managers but also all members of responsible departments. Training focused on methods for conducting on-site inspections of waste disposal facilities.



Training in progress

Implementing Thorough Management of Chemical Substances

Shiseido not only satisfies the legal reporting requirements set out in the Law for PRTR and Promotion of Chemical Management, but also conducts aggressive voluntary management of the use and disposal of chemical substances such as ingredients and reagents in factories and laboratories.

From the standpoint of workplace safety, we issue Material Safety Data Sheets (MSDS) to contractors as legally required when transferring or supplying chemical substances containing ingredients specified by laws such as the Law for PRTR and the Industrial Safety and Health Act, and we are working to systemize the issuing of MSDS for semi-finished products.

During fiscal 2006, we took steps to comply with the revised Industrial Safety and Health Act (GHS compliance) enacted in December and otherwise worked to ensure thorough compliance.



* GHS (The Globally Harmonized System of Classification and Labelling of Chemicals)

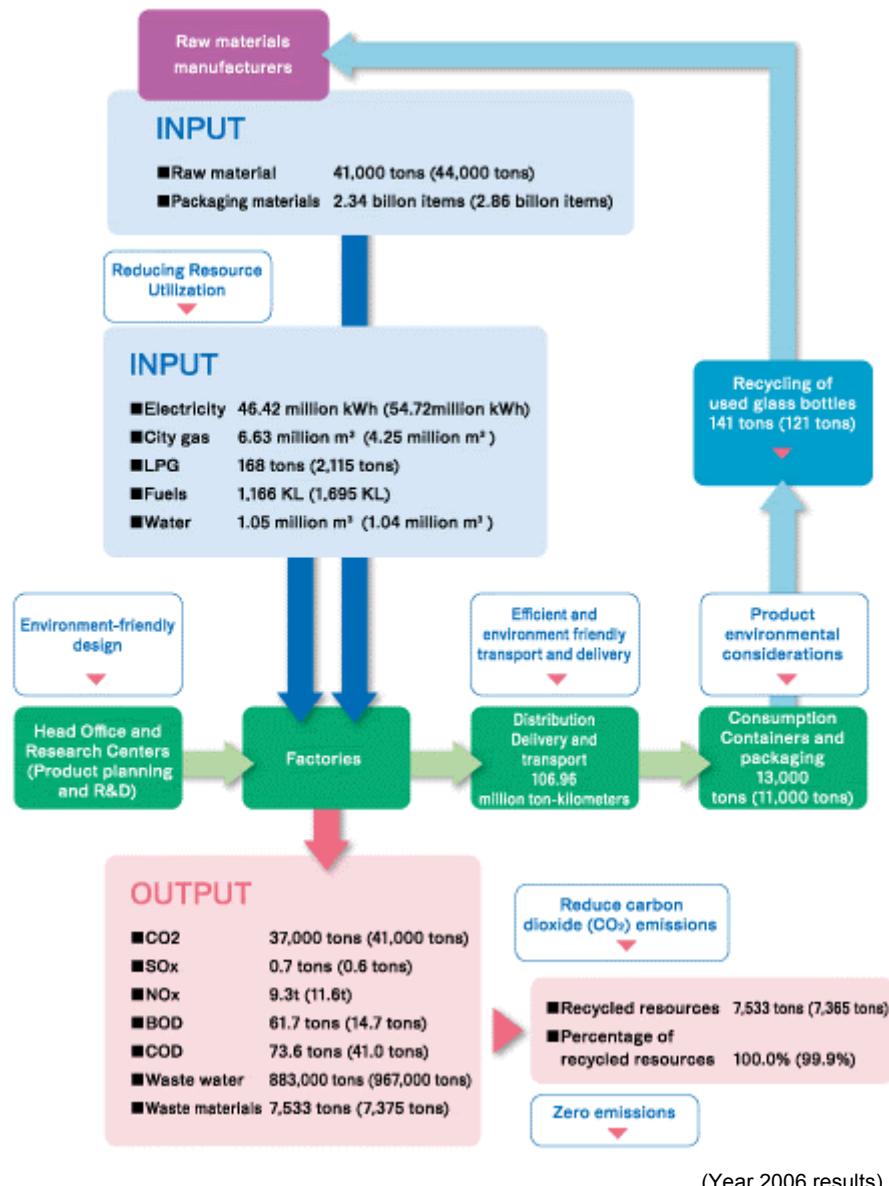
The Globally Harmonized System of Classification and Labeling of Chemicals (GHS) provides an internationally unified set of rules for classifying physicochemical hazards and harmful effects on people and the environment, and communicating information related to such hazards to consumers, handlers, transporters, etc., in an easy-to-understand manner using standardized pictographs and MSDS formats. The system was adopted by the United Nations in July 2003 with the goal of completing its implementation by 2008.

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TOP > [Report on Environmental Activities] Reducing Environmental Impacts

Reducing Environmental Impacts

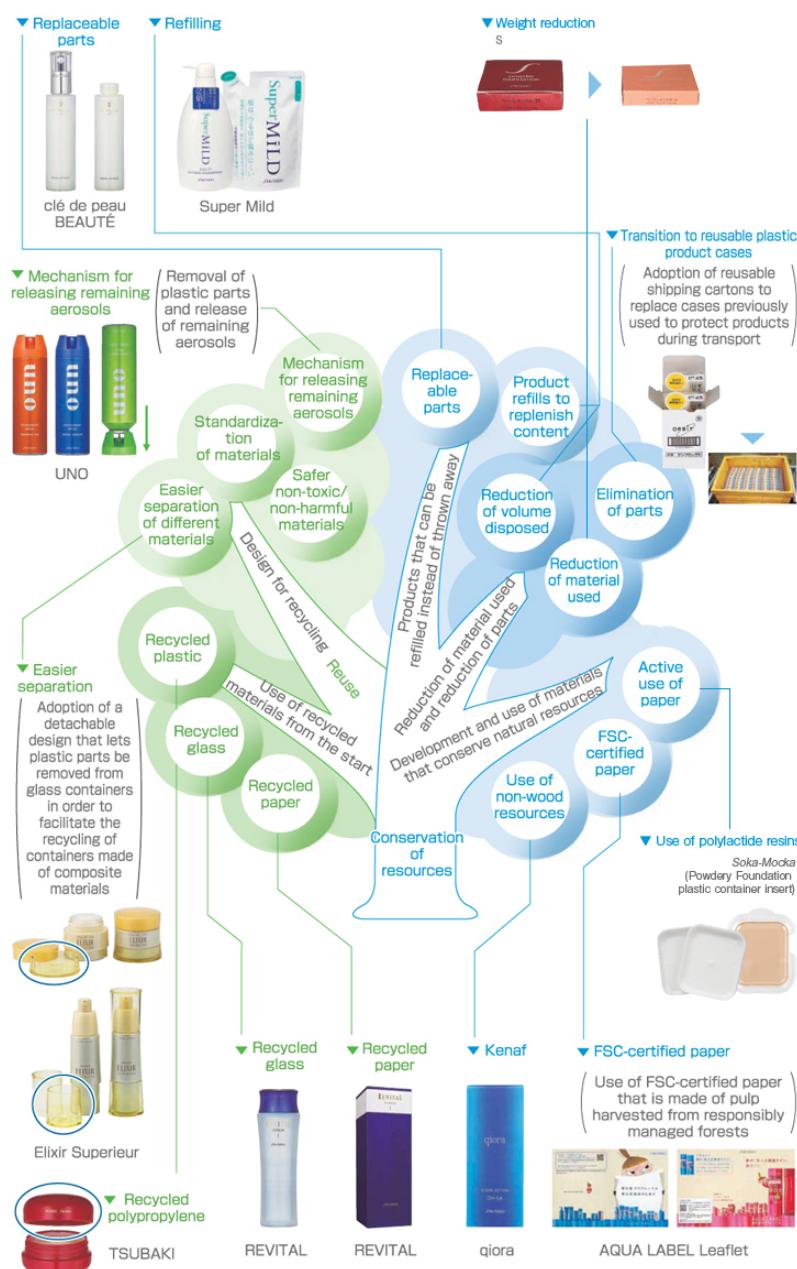
Overview of Environmental Impacts



Environment Friendly Product Development

Eco Tree

Shiseido's product development, research and development, purchasing, and manufacturing plants' design departments work together to incorporate environmental considerations into products by selecting environmental friendly materials, reducing excessive packaging, designing more lightweight containers and packaging, and designing easily recycled containers.

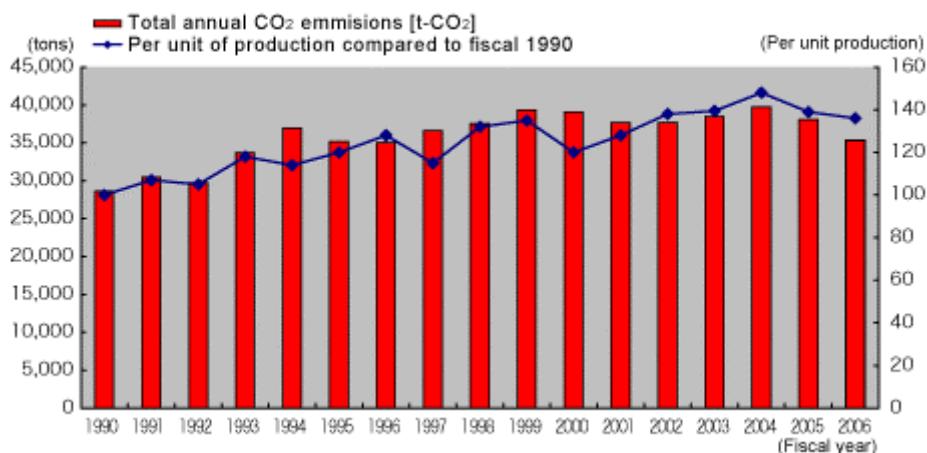


Initiatives to reduce carbon dioxide (CO₂) emissions

At Shiseido's factories, the promotion of energy conservation serves as the key goal around which environmental initiatives are organized. If fiscal 1990 emission levels are assigned a relative value of 100, fiscal 2006 CO₂ emissions associated with the use of electricity and fuel at the Company's four domestic factories* (measured per unit of production) declined 3 percentage points from the previous year's score of 139 to 136, and total emissions fell approximately 2,700 tons from the previous year. These reductions were due to reductions in fixed energy consumption achieved by a reorganization of key facilities to improve production efficiency, the deployment of energy-saving equipment, and a transition from LPG and kerosene to natural gas. In addition to pursuing steps such as switching to more efficient fuels and deploying energy-saving equipment in the future, we are committed to working to meet our environmental targets, including the possibility of participating in CO₂ reduction initiatives using society-wide structures such as the Kyoto mechanisms being promoted by the government.

*Four domestic factories: Kamakura, Kakegawa, Osaka, and Kuki

Change in CO₂Emissions (by Fiscal Year)



CO₂ Emissions (at Shiseido's Domestic Factories)

Transitioning to Other Fuels

During fiscal 2006, we transitioned boilers at Kakegawa Factory and Osaka Factory to natural gas, which produces fewer CO₂ emissions. Kakegawa Factory switched from LPG to natural gas in May 2006, and Osaka Factory switched from kerosene to natural gas in September 2006. These changes had the effect of reducing CO₂ emissions during fiscal 2006 by approximately 700 tons for Kakegawa Factory and approximately 500 tons for Osaka Factory.



Kakegawa Factory:
Switched from LPG to natural gas.

Osaka Factory:
Switched from kerosene to natural gas.

Using Green Electricity

The illuminated Shiseido Christmas Tree on display in front of our Ginza Head Office from November 17 to December 25, 2006, was powered by natural energy from a micro-hydro power generator (green power).



"Warm Biz" and "Cool Biz" Programs

Since fiscal 2005, Shiseido has been promoting government-sponsored "Cool Biz" and "Warm Biz" programs at all domestic worksites as part of efforts to reduce the greenhouse gases that cause global warming.

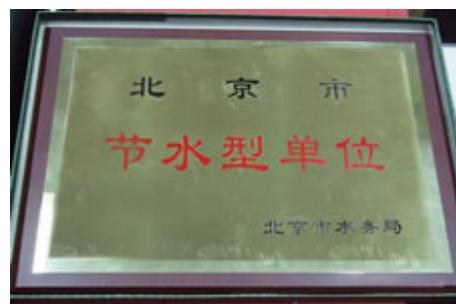
We continued to implement the "Cool Biz" (June 1 to September 30, 2006) and "Warm Biz" (December 1 to March 31, 2006) programs during fiscal 2006. Through these programs we successfully cut greenhouse gas emissions, achieving the equivalent of a 4.3% year-on-year reduction in CO₂ through a reduction in electricity use at Head Office (Shiodome and Ginza), as well as a reduction in regional electricity consumption for air conditioning.

Initiatives to Reduce Resource Utilization

Greywater use by Shiseido Liyuan Cosmetics Co., Ltd. (SLC)

Shiseido Liyuan Cosmetics. Co., Ltd., (SLC) is working to conserve water by reusing treated wastewater (greywater) for watering plants and washing vehicles at its factory. Utilization of greywater saved the company 897 m³ of water during fiscal 2006.

The company was recognized for its exceptional water conservation efforts by the City of Beijing in May 2007.



Efficient and Environmentally Friendly Transport and Delivery

Recognizing the need to comply with the Energy Savings Act (as applies to shippers), which was revised in April 2006, we are building a system for collecting transport and delivery data and preparing to report data to the relevant government agencies in fiscal 2007. Specific measures for reducing energy consumption in transport and shipping operations include ongoing efforts involving joint deliveries (in Hokkaido and Okinawa) and a shift to modal transport (switching from ship to rail for transport and deliveries from the Kanto Distribution Center in Kawasaki to the Hokkaido Product Center). In fiscal 2006 we expanded joint deliveries to Shikoku and continued the transition to modal transport by switching from ship to rail for transport and deliveries from the Kansai Distribution Center in Kobe to the Hokkaido Product Center.

Resource Recycling Initiatives

Shiseido Logistics Co., Ltd., Initiatives

We have already achieved zero emissions at our Head Office, Research Centers, and domestic factories and are now working to maintain these accomplishments and improve their substance.

We are also actively working to expand the list of worksites that have achieved zero emissions, and during fiscal 2006 we worked to achieve zero emissions at distribution facilities.

Shiseido Logistics Co., Ltd., (currently Hitachi Collabonext Transport System Co., Ltd.) has worked to improve its recycling rate by establishing resource recycling mechanisms, for example by reusing damaged cloth as resin pallets. Thanks to these efforts, five of the company's nine Product Centers (Kitashinetsu, Fukaya, Kanto, Kinki, and Kansai) achieved zero emissions in fiscal 2006. The volume of waste material discharged is dropping annually as individual employees' awareness of recycling increases.

System for Recycling Used Glass Cosmetics Bottles

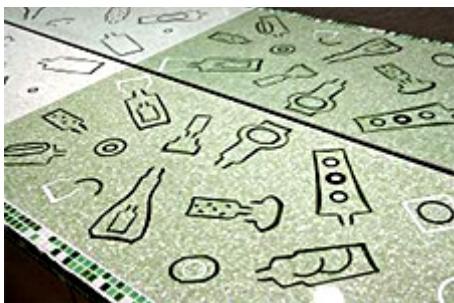
Since it launched its glass cosmetics bottles recycling program in April 2001, Shiseido has been expanding the program throughout Japan which is now entering its seventh year in 2007. The Company has named this effort to recycle limited resources "Recycle Together!" as it creates and promotes resource recycling systems with customers, retail stores, and glass bottle manufacturers.



Using Glass Cosmetics Bottles in Art

We supply glass cosmetics bottles to plastic artist Michiko Miyake as part of our cultural support and environmental protection activities.

Ms. Miyake reuses the glass cosmetics bottles to create her "Lisa" series of works. In this way a glass bottle that has finished one mission is transformed into a beautiful work of art. During December 2006, glass cosmetics bottles were used to great effect in dressing and other tables at the Marugame Shopping Arcade in Takamatsu City, Kagawa Prefecture.



Dressing tables
used at the Marugame Shopping Arcade



Tables used at the Marugame Shopping Arcade

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TOP > [Report on Environmental Activities] Strengthening Environmental Communication

Strengthening Environmental Communication

Environmental Education Activities

Environmental e-Learning Program

Shiseido offered an Environmental e-Learning program open to participating employees (about 9,700 individuals) from August 23 to September 15, 2006. Learning materials provided via our company LAN helped improve employees' understanding of why environmental activities are important and what Shiseido is doing to help conserve the environment.



Training content

1. Environmental problems faced by the Earth
2. Society's environmental initiatives
3. Shiseido's environmental activities and the policies that inform them
4. Shiseido's current environmental initiatives
5. Shiseido's future environmental initiatives

Giving Away Tickets to an Environmental Movie

As part of efforts to increase awareness of environmental issues, Shiseido gave away tickets to An Inconvenient Truth, a movie in which former U.S. vice president Al Gore addresses the dangers of global warming.

voice

Acknowledging An Inconvenient Truth

Kazuo Tsuji

Human Rights Education Group, Head Store Management Department, Shiseido Sales Co., Ltd.



I reserved a seat and went to see the movie *An Inconvenient Truth*. I had no choice but to make a reservation as each showing was booked solid, and I was amazed to see that people's interest in environmental issues was so strong. Seeing the movie renewed my own thinking regarding these issues. Watching the movie, I felt that the biggest problem is the passive attitude taken by the U.S. government toward environmental initiatives, and I felt the necessity of each of us doing what we can in our own situation. I bought some energy-saving fluorescent light bulbs on my way home.

So how do Shiseido's environmental activities measure up? When I have occasion to visit our factories in the course of my work, I can see that the facilities have been ISO certified, and a well-developed environmental program has permeated individual employees' awareness. On the other hand, employee awareness in sales company branches seems weak and lacking.

I look forward to working on these issues and improving individual employees' awareness through programs such as "Cool Biz" and "Warm Biz."

Internal Company Honors: Kakegawa Factory Wins the Social Activities Award

Kakegawa Factory's "Litter Cleanup" program, which the facility has undertaken four times since November 2004, was recognized with Shiseido's Social Activities Award.

The Social Activities Award is presented to recognize employees (individually or in groups) for ongoing social contribution activities. The Social Activities Award Office selects a winner each year from a list of candidates presented by each worksite.

Past recipients include an Osaka Factory program for cleaning up the Kanzakigawa Riverbed as well as areas around the plant, and volunteer efforts by employees to monitor acid rain and clean up a mountain trail.



Environmental Public Relations

Holding Risk Communication at Kuki Factory

Kuki Factory held an informal meeting on March 20, 2007, with 16 individuals including graduates from the Sainokuni Environmental University Alumni Group and governmental officials from Kuki City in Saitama Prefecture as part of its communications program. Professor Masaru Kitano from Meiji University described Kuki Factory's environmental initiatives, the risks posed by chemical substances in use at the plant, and safety initiatives, and led the participants in a discussion.

The meeting sparked a lively discussion of the safety and environmental friendliness of cosmetic products and provided an opportunity for the factory to reaffirm its commitment to further pursuing initiatives already in place.



Disseminating Information Through Lecture Meetings

In addition to annual CSR Reports and our website, we rely on an active program of lectures to communicate information about Shiseido's environmental initiatives and CSR activities.



Special lecture at the Center for International Youth Exchange (July 13, 2006)



Lecture for students of Aoyama Gakuin University (October 24, 2006)

Cooperating with Environmental Education

Shiseido's Kamakura Factory has been involved with environmental education programs at Kamakura Jogakuin Junior and Senior High School since 1999.

The plant offered tours of its environmental and other facilities and introduced students to its waste material recycling and energy conservation initiatives (July 12, 2006).



Students attending a lecture



Students touring the factory

Participating in Exhibits and Events

We are actively involved in introducing our environmental activities by participating in environmental exhibits and events, where we encourage mutual communication by directly soliciting opinions from visitors.

During fiscal 2006, we exhibited environmentally friendly products at the TOKYO INTERNATIONAL PAKAGING EXHIBITION 2006 (held from October 3 to 7, 2006). We also held a supporting event at Shiodome Eco Week (November 13 to 26, 2006), an environment and energy conservation event sponsored by Shiodome Sio-site Town Management and Energy Conservation Center, Japan.



TOKYO INTERNATIONAL PAKAGING EXHIBITION 2006



Introducing Shiseido's environmental and energy conservation activities



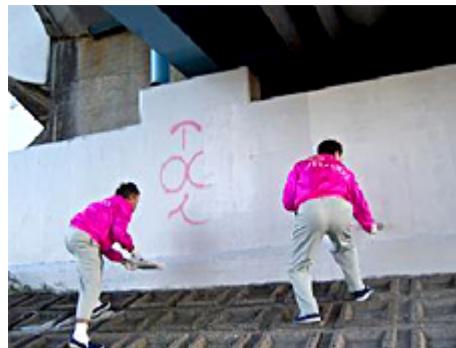
Makeup show by Shiseido creators

Environmental Volunteer Activities

Participating in Clean Osaka 2006

Osaka residents, businesses, and local government have been working together to create a clean, beautiful environment befitting the city's international character, and the city enacted an ordinance banning littering in 1995. A citywide cleaning initiative was undertaken in 1998, and Osaka Factory participates in this campaign each year. In fiscal 2006 the cleaning day was held on November 7.

Osaka Factory's beautification activities are entering their fifteenth year, having begun in 1992 with cleaning the Kanzakigawa Riverbed and area roads. During that time, the plant received a letter of appreciation in 1995 from the governor of Osaka Prefecture recognizing its efforts to protect the river, and it was recognized by the Minister of Construction in 1998 for its protection of greenery.



Employees working to remove graffiti from an embankment behind Osaka Factory

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TOP > [Report on Environmental Activities] Environmental Data

Environmental Data

References are used from Environmental Reporting Guidelines (FY2003 Version)



Adobe Reader (Acrobat Reader) is required
to read data in PDF format

Environmental Accounting

[Environmental Accounting \(PDF,93KB\)](#)

Status of ISO 14001 Certification

[Status of ISO 14001 Certification \(PDF,344KB\)](#)

Compliance with the PRTR Law

[Compliance with the PRTR Law \(PDF,92KB\)](#)

Change in CO2 Emissions (by Fiscal Year)

[Change in CO2 Emissions \(by Fiscal Year\) \(PDF,68KB\)](#)

Environmental Policy

[Environmental Policy \(PDF,186KB\)](#)

Waste Generation and Recycling Rate at Manufacturing Sites in Japan (Fiscal 2006)

[Waste Generation and Recycling Rate at Manufacturing Sites in Japan \(Fiscal 2006\) \(PDF,37KB\)](#)

Energy Consumption at Manufacturing Sites in Japan (Fiscal 2006)

[Energy Consumption at Manufacturing Sites in Japan \(Fiscal 2006\)\(PDF,38KB\)](#)

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[Social Contributions and Environmental Activities over the Years \(PDF/165KB\)](#)

[GRI Guidelines Index \(PDF/176KB\)](#)

[Third Party Evaluation \(PDF/183KB\)](#)

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TOP > Results of the "Shiseido CSR Report 2006" questionnaire

Questionnaire

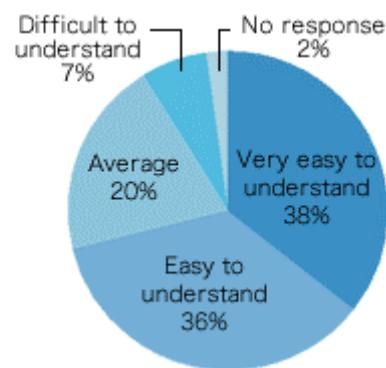
Results of the "Shiseido CSR Report 2006" questionnaire

Thank you very much for your opinions and feedback via the "Shiseido CSR Report 2006" questionnaire. We received a total of 90 responses and have endeavored to reflect as much as possible your opinions and feedback in preparing this report and as well as in Shiseido's CSR activities.

1. General feedback on the Shiseido CSR Report 2006

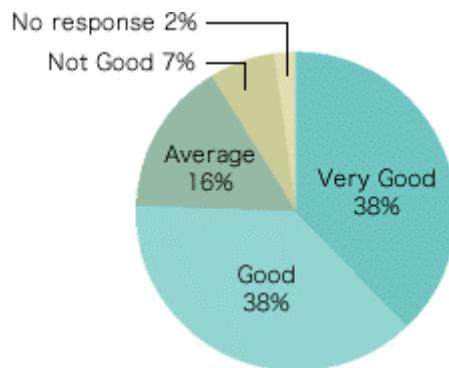
Ease of Understanding

Very easy to understand	Easy to understand	Average	Difficult to understand	No response
38	36	20	7	2



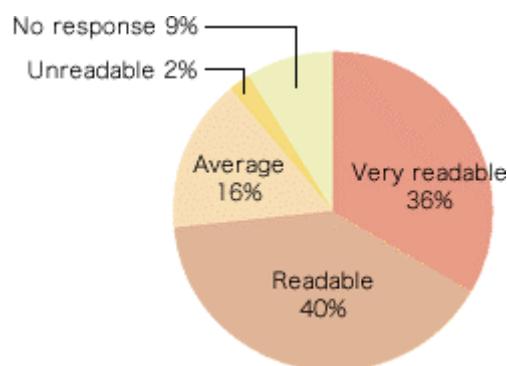
Contents

Very Good	Good	Average	Not Good	No response
38	38	16	7	2



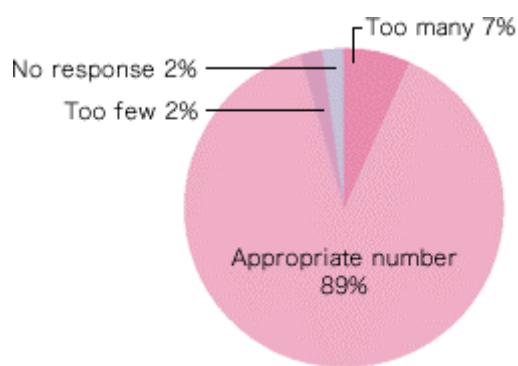
Readability (layout, font size, graphs, charts, pictures, etc.)

Very readable	Readable	Average	Unreadable	No response
36	40	16	2	9



Number of Pages

Too many	Appropriate number	Too few	No response
7	89	2	2



2. Contents of Particular Interest

Ranking	Contents	Percentage
1	With Our Society-Shiseido's Social Activities	48.90%
2	Shiseido Corporate Ethics	42.20%
	Conversation with a Third Party Evaluator: Shiseido CSR Activities	
4	Environment Recycling of Used Glass Bottles	42.20%
5	Environment Environmental Considerations for Products	40%
6	Highlights Unique Shiseido (Selective) CSR: Cosmetics	37.80%
	Highlights 4th Stakeholder Dialog: What Should Shiseido Do To Facilitate "This moment. This life. Beautifully"	
8	Highlights Unique Shiseido (Selective) CSR: Women	35.60%
	Highlights Fundamental CSR	
	Basic Approach to Human Resources Development	

3. Occupation

Ranking	Contents	Percentage
1	Customer	37.80%
2	Student	20.00%
3	Employee of Shiseido	13.30%
4	Other	11.10%
5	Representative of a company	9%
6	Shareholder or investor	6.70%
	NPO/NGO	
8	Researcher or person engaged in education	4.40%
9	Person engaged in administration	2.20%

[Questionnaire for the Shiseido CSR 2007 \(PDF/244KB\)](#)



Adobe Reader (Acrobat Reader) is required
to read data in PDF format

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