

SHISEIDO CSR REPORT 2004



For people, for society, for beauty

SHISEIDO

Shiseido serves society and its customers by discovering new values and creating beauty in daily life.

Shiseido has been striking a familiar chord with customers around the world since cosmetics was positioned as its core business.

With emphasis on the five human senses, Shiseido uses color, fragrance, and touch, sometimes to encourage and cheer up people, and sometimes to bring calmness and tranquility to their lives.

Although the 20th century was largely marked by an emphasis on material things, the 21st century is clearly shifting toward an emphasis on spiritual matters.

In contemporary society, therefore, a corporation cannot be guided merely by economic considerations. It must develop together with society, attending closely to the human and social sides of life.

In *Shiseido CSR Report 2004*, Shiseido discusses its corporate social responsibilities, particularly activities related to its social contributions and environmental initiatives. The report also informs stakeholders about Shiseido's vision concerning what it must do in the future to grow in tandem with society.

Also, Shiseido will use this report as a tool for communication in order to strengthen and widen its ties with its stakeholders, and to realize its future together with them.

Corporate Ideals

Corporate Mission / Business Domain

We aim to identify deeper value through our encounters with people and to create new forms of beauty in people's lifestyles.

Criteria for Corporate Activity

- 1.We seek to bring joy to our customers.
- 2.We should not always allow strict procedures to dictate our pursuit of results.
- 3.We share frankly with each other our real priorities.
- 4.We give free rein to our thoughts and boldly challenge conventional wisdom.
- 5.We act in a spirit of thankfulness.

The Shiseido Way

With our customers

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

With our business associates

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

With our shareholders

We aim to win the support of our shareholders by retaining earnings for future investment and paying dividends which come from sound business results, and to uphold shareholder trust through transparent management practices.

With our employees

The individuals who make up our workforce – in all their diversity and creativity – are our most valuable corporate assets.

We strive to promote their professional development and to evaluate them fairly.

We recognize the importance of their personal satisfaction and well being, and seek to grow together with them.

With our society

We respect and abide by all laws in all regions in which we do business.

Safety and preservation of the natural environment are our highest priorities.

In cooperation with local communities and in harmony with the international community, we call on our cultural resources in creating a global, beautiful, cultured lifestyle.

In 1921, the Shiseido Group adopted the Shiseido Five Guiding Principles, a corporate motto summarizing the attitude to keep in mind as employees carry out the company's business. In the spirit of those principles, Corporate Ideals were adopted in 1989 to clearly set forth the mission of the company and the code of company conduct. Our Corporate Behavior Declaration — The Shiseido Way — was adopted in 1997 to demonstrate to our various stakeholders in a tangible way what form of corporate behavior we would take to realize our Corporate Ideals.

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Name	Shiseido Company, Limited
Headquarters	Ginza 7-5-5, Chuo-ku, Tokyo 104-0061
Telephone	03-3572-5111
Founding	1872
Capitalization	¥64.5 billion (as of March 31, 2004)
President and CEO (Representative Director)	Morio Ikeda
Sales	Consolidated: ¥624.2 billion (as of March 31, 2004) Non-consolidated: ¥218.3 billion (as of March 31, 2004)
Number of employees	3,672 (Group 24,839) (as of March 31, 2004)
Shiseido Group	91 companies (included in consolidated report: 40 domestic, 51 overseas companies) (as of March 31, 2004)

Editing Policy

To express the character and nature of Shiseido the corporation,
the *Shiseido CSR Report 2004* was edited based on the following policies.

- In order to have the readers understand what Shiseido is like, efforts were made to explain the philosophy behind the company's various activities and to clarify the direction in which the company is moving.
- In order to offer a balanced view of Shiseido, the report includes the frank opinions of many persons involved in the company's activities.
- In order to raise the levels of objectivity and transparency in this report, the editors obtained the opinions of Hideto Kawakita of the IIHOE, an international research institute for the democratic and balanced development of all people and organizations on Earth, concerning the content of the report and received advice about composition and layout.

➡ See page 53 for more details

- The two publications *Environmental Reporting Guidelines* (2003 edition) of the Ministry of the Environment and the *Sustainability Reporting Guidelines* (2002 edition) of the Global Reporting Initiative (GRI*) were used for reference.

*GRI is an NGO established in 1997 for developing globally applicable sustainability reporting guidelines not only for the environmental activities of companies but also for their economic and social activities.

○ Period covered

April 1, 2003 - March 31, 2004

(Included are some activities from immediately before or after the period covered.)

○ Range of activities covered

Financial and social-related data is derived from Shiseido and the 91 group companies. Data related to environmental activities is derived from the 91 companies plus one affiliated company.

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To create a society in which all citizens participate

Starting point for Shiseido's CSR is the spirit of coexistence and co-prosperity

CSR is discussed today as though it were a new concept, but the basic ideas in CSR are certainly not new to the Japanese. In the early 18th century, Ishida Baigan, in his dualist philosophy, said, "The other party being happy makes me happy, too." And the well-known merchants of Ohmi embraced a business philosophy in the Edo period that emphasized "The seller benefiting, the buyer benefiting, and society benefiting." That business mindset resembles CSR in that it evaluates corporations by considering not merely the economics in business situations but also the social, cultural, and human aspects. Japanese should reflect on their nation's history and understand how the CSR spirit has flowed in the minds and hearts of their fellow countrymen ever since the Edo period.

Shiseido began its business in 1872 as Japan's first Western-style pharmacy. Ever since, the spirit of serving customers and contributing to society has been passed down in the company. The company's name is derived from the expression "All things come from Mother Earth," found in the Chinese classic *I Ching*. "Shiseido" today has come to mean: "Combine things in varied ways to create new values and to serve society." The Shiseido spirit and the CSR spirit are thus kindred. In 1921, when the company made adjustments to fit the changing external circumstances of the times, it introduced the "Five Guiding Principles": coexistence and co-prosperity, quality first, customers first, corporate stability, and sincerity. The spirit of coexistence and co-prosperity forms the foundation of the Five Guiding Principles and allows the company to serve customers and contribute to society; thinking as valid today as it was in the 1920s.



Promoting CSR efforts on a global scale

One point remarkably different in business today in Japan compared to olden times is the way Shiseido and other corporations have rapidly expanded their operations globally. CSR thus must be viewed from a global standpoint, and from the perspective that the 21st century is developing into an age of greater respect for individuality and diversity. A company's response to its global business operations must not be based on a single set of values but on diverse values that reflect an appreciation of the different cultures and lifestyles in other countries and regions. In that sense, each company must tackle CSR in unique ways. But it would also be well to have a minimum set of guidelines to use as standards common to all countries and regions. From the viewpoint of supply chain management as well, it is important for a company to request business associates for their cooperation, and move all-out not only regarding environmental concerns but also in areas such as human rights and labor. Based on that philosophy, Shiseido joined the Global Compact initiated by UN Secretary-General Kofi Annan.

Sustainable society and corporate responsibility in the 21st century

Many nations realized a high level of material affluence in the second half of the 20th century. In the process, though, man lost much of his humanity and spiritual qualities. One mission of corporations today is to reflect on the past and contribute toward returning to man the spiritual support he sorely needs. Citizens of the world must give more respect to each other—young or old, male or female, disabled or not—and should be given equal opportunity to participate in society, to hold dreams for the future, and to experience the joys of life. As corporations contribute toward realizing such a society they must be forceful in carrying out their social responsibilities. A new social infrastructure must be built, including a system to provide reemployment opportunities to the elderly. That might increase business costs temporarily but the costs can be considered as investments for ensuring continued corporate growth and formation of a society in which all citizens participate. It is important for corporations as well as local and national governments to cooperate in this effort, which will lead to the creation of a sustainable society. Economics are important, of course, but we must also aim for building spiritually rich communities and societies comfortable to live in.

Creating a society in which women can work with enthusiasm alongside other participants

In its efforts toward building a society in which all citizens participate, Shiseido is appointing more women to managerial positions. Although the government's target is to have women comprise 30% of all managerial positions by 2020, Shiseido aims to achieve that target earlier. In an effort to do so, the company established an in-house childcare center, to allow female employees with children to concentrate on their work. Shiseido views support for women as one of its special social responsibilities because 70% of its employees and 90% of its customers are women. If female employees do not enjoy working or cannot work enthusiastically, the company will lose its vitality. It is important for a company to decide on the direction in which to proceed, to turn ideas into words, and to tie them to actions. This is another reason why a company must pursue not only economic but also the socio-cultural and human aspects of its business.

Toward environmental management

Shiseido shifted its focus from responding to environmental issues to practicing environmental management, in order to place more emphasis on the company's environmental efforts and raise customer confidence in this area.

About two years ago, during a switch in the product labeling of ingredients, Shiseido destroyed a large volume of its products. The company realized later that doing so resulted in a waste of resources and energy. Afterward, never wanting to repeat such action, Shiseido set a goal of "zero customer returns, zero write offs" and reviewed all its corporate activities. Achieving this goal allows Shiseido to pursue both environmental management and positive economic effects.

Shiseido will conduct its environmental management and CSR management activities while paying careful attention to the human aspects that are ever present in the background of business operations. To that end, the company would like to reflect the opinions of its customers in management. I sincerely request your continued warm support and guidance as we conduct our activities.

September 2004

Morio Ikeda

President and CEO (Representative Director)
Shiseido Company, Limited

池田 実男

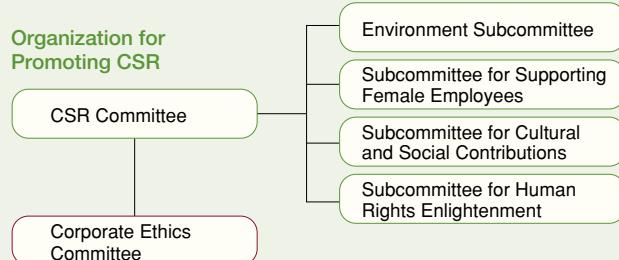
Making CSR activities a routine practice

Engaging in CSR activities that closely adhere to Shiseido values

Hideto Kawakita, CEO of the International Institute for Human, Organization and the Earth IIHOE, an international research institute for the democratic and balanced development of all people and organizations on Earth, and Kimie Iwata, Shiseido's General Manager of CSR Department, discuss Shiseido's CSR activities. Kawakita is an expert on NPO management and assists corporations in communications related to the environment and society. Iwata came to Shiseido from the Ministry of Health, Labour, and Welfare and assumed her position in April 2004.

Kawakita:Corporations around the world are currently being questioned closely about their corporate social responsibility (CSR). What are some of the essential CSR activities being conducted at Shiseido?

Iwata:During its 132-year history, and well before CSR was being widely talked about, Shiseido has taken good care of its customers and business associates, and has contributed to local communities. CSR is thus not a new concept at Shiseido. In order to integrate and promote further the CSR activities, which have been conducted by the various departments to date, a CSR Department reporting directly to the President was established in April 2004.

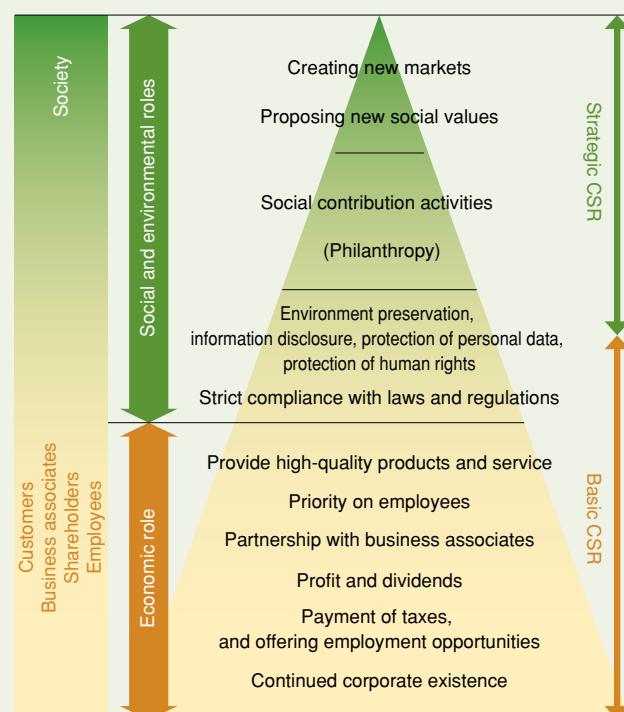


Kawakita:In the new CSR organization at Shiseido, what is the background and the main points for having those activities advanced in the right direction?

Iwata:In 1997 Shiseido prepared The Shiseido Way, our Corporate Behavior Declaration that gradually permeated the company as the charter for its CSR activities. As Japanese society matured

and Shiseido became more global, the company has had to adopt a wider perspective while maintaining a balance between the economy, society, and the environment. Besides conducting our basic CSR activities properly, we are accepting the challenge of rethinking our social contribution activities as strategic CSR elements and proposing new values to society. Our emphasis is on activities most appropriate for Shiseido; activities that the company's employees can be proud of.

Diagram of CSR Domain





Kimie Iwata
Director and General Manager
CSR Department, Shiseido Company, Limited.



Hideto Kawakita
CEO, IIHOE

Kawakita: Bringing you into Shiseido from the outside to head the company's important CSR activities reflects Shiseido's determined approach to CSR well. Knowing how active you have been both domestically and internationally it seems that the company selected you to manage its CSR program because it wants to add an external perspective and widen the range of its CSR activities. Concerning activities to date, is it correct to say that the two key words have been "women" and "beauty"?

Iwata: Shiseido has always had a large proportion of female employees, currently accounting for 70% of its entire workforce. The company's products must fit feminine values and sensibilities, and therefore it is natural for female employees to be involved in the decision-making processes. Besides philanthropy centered on beauty (the arts), Shiseido must also develop foundations such as those for therapy makeup used by women with facial scars or other blemishes. Such products are not profitable, but Shiseido believes that a cosmetics company should develop such products as a form of social contribution.

Kawakita: Shiseido in recent years has actively developed its overseas operations. Progressive companies in other countries emphasize diversity much more than their Japanese counterparts. How do you interpret this situation?

Iwata: Because overseas sales account for 30% of Shiseido's total sales, the company must consider the social aspects of its

business, including those of its overseas affiliates and business associates. Shiseido, of course, is aware of the importance of diversity. A discussion among 100 or 1,000 people who hold an identical set of values, for example, would not create new values. In contrast, discussion among people with different values and experiences creates potential for new ideas to emerge out of conflicting ideas. Other than gender, religious and racial diversity will pose significant challenges in the future. In supply chain management, the emphasis will be directed at both the protection of human rights of local workers and the concern for the environment in the procurement process of raw materials. Up to now Shiseido emphasized green procurement with close consideration for the environment. In the future, however, we feel that it will be necessary to conduct CSR-focused procurement that reflects considerations of labor conditions and human rights.

Kawakita: An area of particular concern for customers is what Shiseido pays attention to when choosing the raw materials that it uses in its products.

Iwata: Shiseido manages its raw materials quite strictly, assuring that the highest quality materials are used. For base materials like jojoba oil, we pursue high quality that exceeds the expected level. We believe that high-quality raw materials tie to greater product safety, which leads to customers' peace of mind when using Shiseido products.

Strategic CSR activities will be developed based on the three key words: “cosmetics,” “women,” and “beauty.”

Kawakita:Whether Shiseido's Corporate Ideals, nurtured over 132 years of history, are being sufficiently communicated in countries around the world is a major point of discussion. One also wonders how the ideals are tied to each individual Shiseido activity. Of course, over the next few years, one option would be to narrow its focus on a few key issues.

Iwata:In the past, Shiseido has conducted its business activities somewhat with a feeling of wanting to please everyone. Now, however, in the area of strategic CSR, we must emphasize activities related to the three key areas of our business: “cosmetics,” “women,” and “beauty.”



Kawakita:One last question. What are your thoughts concerning the issue of sustainability for the next generation?

Iwata:Shiseido appreciates the importance of sustainability, especially concerning the environment. Originally, the company focused its environmental activities on its manufacturing plants but now they are carried out thoroughly at all levels. Besides involving company employees, our approach is also communicated in easy-to-understand terms to persons outside the company in order to strengthen our efforts. Great efforts were made to promote recycling of empty glass cosmetics bottles, for example, and now an even stronger appeal is being made. Taking comments from various stakeholders into

consideration, we will continue to promote CSR activities appropriate for Shiseido.



Kawakita:A final point to remember is investment in preserving the ecological system. The jojoba bush mentioned earlier, for example, is now being planted in deserts to nurture greenery. For securing a stable supply of high-quality jojoba oil, investments are necessary to maintain the environment and the ecological system in the producing regions. From the standpoint of corporate social responsibility toward supply chain management, the system will fail without sustainability in both manufacturing and business. I look forward to seeing Shiseido continue to expand its society-oriented activities in the future.

Hideto Kawakita

CEO, International Institute for Human, Organization and the Earth (IIHOE)

Born in Osaka in 1964. After graduating from Kyoto University, Kawakita joined Recruit Co., Ltd., where he was in charge of international recruitment and public relations. He left Recruit in 1991. After serving as secretary in charge of policy for a Diet member and as a Japanese representative for an international youth exchange NGO, he established IIHOE in 1994.

Hideto Kawakita assists corporations in management and in environmental and social communications. To raise the levels of objectivity and transparency in this *CSR report*, the editors obtained the opinions of Kawakita concerning the content of the overall report and his advice about composition and layout.

Corporate governance

Shiseido is taking proactive steps to bolster its corporate governance while recognizing that the continued support of stakeholders who view it as a “company with value” ties to increasing the Shiseido corporate brand value.

Flexible management and a clear system of responsibility

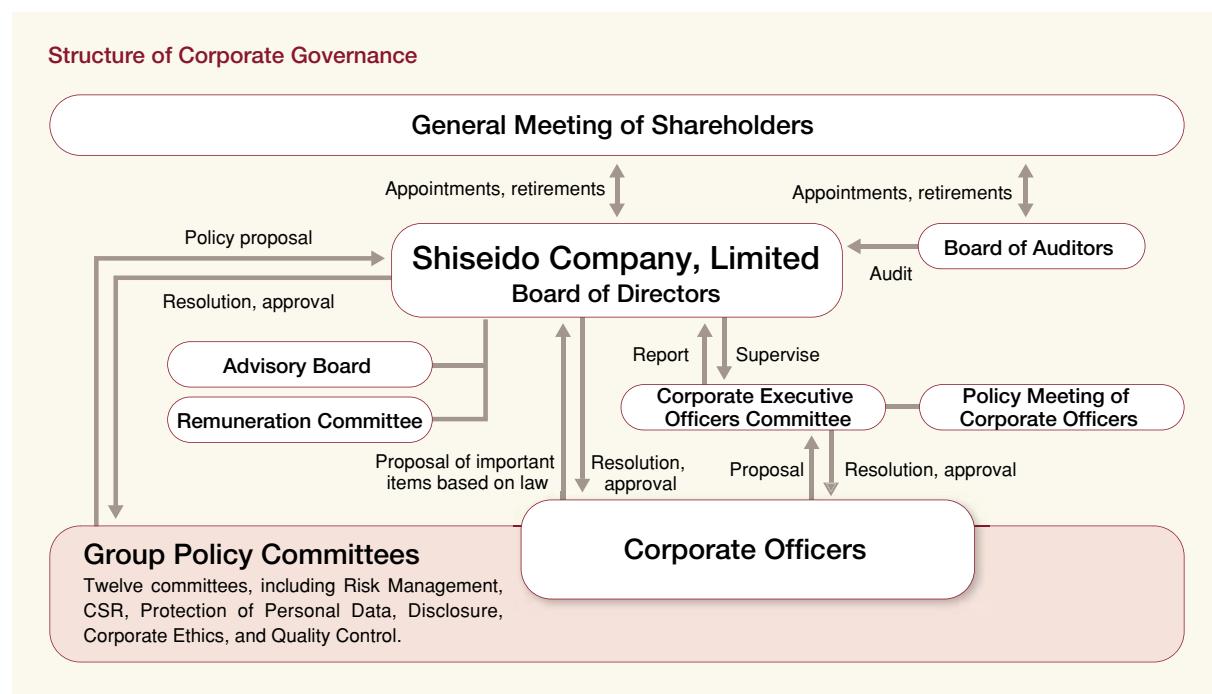
Strengthening corporate governance is an important task of management. To that end Shiseido has moved to establish a faster, more efficient decision-making process to provide more flexibility to management and to clarify the system of top management's responsibility. A corporate officer system was introduced in 2001, for example, to divide and clarify the different roles and responsibilities of the Board of Directors, in charge of decision

making and supervising, and corporate officers, in charge of work operations. In 2002, the Board of Directors was reduced to seven members. In order to transfer authority to corporate officers and to clarify their responsibilities, the Corporate Executive Officers Committee makes all decisions regarding the regular work operations of the corporate officers.

Systems and structures unique to Shiseido

A Remuneration Committee and an Advisory Board comprised mainly of five prominent persons invited from outside the company were established to improve the transparency and objectivity of Shiseido management. Also, the post of Corporate Policy Governor (CPG), assumed by the Vice President, was established to bolster the consolidated strengths of the Shiseido Group at the highest management level. The CPG also chairs all of the Group Policy

Committees that deliberate Group-wide policies and strategies. All these systems and structures operate based on corporate ethical standards, which are set higher than legal requirements. Shiseido's top managers provide resolute leadership to ensure the systems and structures take firm hold, knowing that they tie to establishment of corporate governance that fulfills the responsibility of the company toward its stakeholders.



The basis for CSR activities at Shiseido is The Shiseido Code (Corporate Ethics and Behavior Standards)

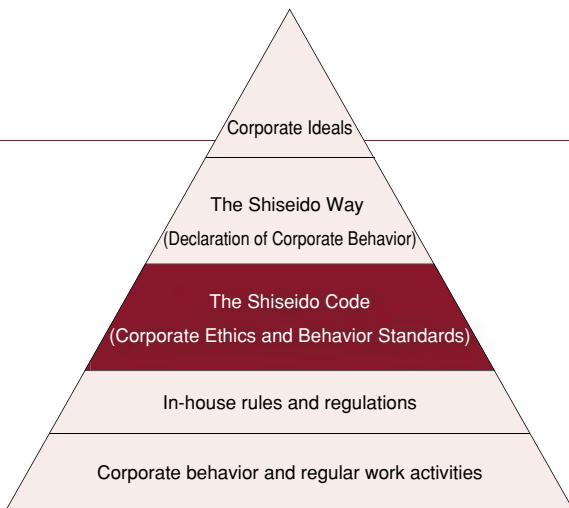


A corporation exists at society's wish, and it must behave based on the realization that corporations have responsibilities not only to today's society, but also to the society of tomorrow. With the aim of winning the trust of its customers and other stakeholders, Shiseido has managed its business since its founding not only by attending to economic aspects, but also by emphasizing the human and social aspects of its operations.

In order to strengthen the trust further, shiseido will continue to reform its management by practicing The Shiseido Code.

The position of The Shiseido Code

The Shiseido Code of Corporate Ethics and Behavior Standards established in 1997, are specific standards for realizing the Corporate Ideals and The Shiseido Way mentioned earlier. The essence of the Code does not end merely with strict compliance with laws and regulations, but aims to increase the value of product brands in the Shiseido Group. The steady practice of The Shiseido Code by all employees forms the basis of CSR activities at Shiseido.



Responding quickly to changes inside and outside the company: Eighth year for Corporate Ethics Committee

The Corporate Ethics Committee, set up in 1997, built a system for realizing a PDCA (Plan, Do, Check, Action) cycle of activities related to corporate ethics, and developed and promoted other activities for enabling The Shiseido Code to take root in the company. The Committee meets regularly every two months and holds two special annual camps for intensive discussions to keep abreast of internal and external circumstances. Thus, it prepares members to formulate countermeasures efficiently as needed.



The new Shiseido Code, a collaborative effort

The Shiseido Code, originally prepared in 1997, was completely revised in 2003. The revisions reflected changes in the social environment, including new and revised government laws and regulations, changes in consumer preferences, and technical advances in information networks. Besides clarifying the company's consumer-oriented approach, the revised Code includes articles on the protection of personal information and directions on how to use the Corporate Ethics Help Line. Special attention was also paid to make the policy on environmental preservation more complete. The grammatical subject was also unified as "we," emphasizing how all employees take the initiative in following the content of the Code. To promote a better understanding of the Code, moreover, a terminology list is appended to it and an index has also been added to help readers find specific sections that answer personal questions. The opinions of a wide range of persons inside and outside of the company are reflected in the revised Code. Internally, it includes opinions that Code Leaders gathered at worksites, the results of discussions among employees with various job descriptions, and the opinions of the Shiseido Labor Union.

Externally, the Code reflects the opinions of consumer groups, experts on corporate ethics, legal advisers, and Japanese language experts. The overall process took the Corporate Ethics Committee about one and a half years of continued discussions before the revised Code was completed. The Code has been publicized widely to inform society that Shiseido behaves properly in its corporate activities.



Members of the Corporate Ethics Committee discuss revisions to
The Shiseido Code



The new Shiseido Code

Code Leaders are standard bearers at worksites

About 600 Code Leaders located throughout Shiseido are the standard bearers who promote The Shiseido Code. Split evenly between men and women, and 60% to 40% between managers and ordinary employees, their duties include worksite education activities and discussing Code-related problems with employees.

The Code Leaders are appointed from a variety of different positions, and they conduct their duties as good citizens of local communities. If they feel some ethical or behavioral doubt in terms of commonly accepted social norms, they make proposals to the Corporate Ethics Committee through

Meetings with Code Leaders and other opportunities. This networking system is unique to Shiseido and has a self-cleansing effect.



Members of the Corporate Ethics Committee travel around Japan
to hold Meetings with Code Leaders

Corporate Ethics Help Line contributes to building a system for easy discussion on any topic

Shiseido established the in-house Shiseido Consultation Office in 2000 for employees to discuss matters related to sexual harassment. The functions of the Office were expanded in 2002 so that employees could also consult the Office about matters related to The Shiseido Code, and problems related to

their regular work. In 2003, the Office handled and took prompt action on 106 cases.

Shiseido also established the Shiseido External Consultation Office in a lawyer's office as part of efforts to create an environment for employees to discuss their problems.

New gender-equal activities allow balance between work and private life

Everybody has their own distinctive and interesting personality.

Regardless of gender, it is natural for employees to want to put all their capabilities into their work. When two organizations are compared, one in which males play the central role and the other in which males and females cooperate and play equal roles, which organization has the greater potential for growth?

Shiseido promotes gender-equal activities as one of the central pillars of its CSR activities.

Two slogans that express the company's basic thinking are:

"Nurture and promote female leaders," and "Realize a balance between work and private life in ways such as making it possible to manage work alongside childcare."



Receiving the Best Company Award from the Minister of Health, Labour and Welfare encourages support of female employees

In 2000 and 2004, Shiseido received awards from the Minister of Health, Labour and Welfare for Commendation for Enterprises Promotion Equal Employment to allow all employees to realize their maximum potential. The company introduced Five Positive Action Goals in 2000 with participation by male and female employees and implemented the Gender Equal Committee from 2001 to 2003 chaired by the Vice President.

Various programs are provided to prepare female candidates for managerial positions. Specifically, female employees are becoming more aware of their potential for building a career for themselves and of how to obtain the management knowledge they need. One result is that the percentage of

female managers in Shiseido rose from 5.3% of the total workforce in 2000 to 10.4% in 2004.

Women still, however, account today for only a small percentage of managers participating in the business policy decision-making process. Shiseido will therefore support female employees, in particular, but also continue assisting all employees to become more willing to, and capable of, taking on managerial positions. In order to continue providing employees the opportunity to realize their maximum potential, the company introduces measures from various perspectives, including childrearing assistance.

→ See page 31 for details about the Five Positive Action Goals



Receiving 2004 the Best Company Award from the Minister of Health, Labour and Welfare
Minister Chikara Sakaguchi (left)
President Morio Ikeda (right)



Commemorative trophy

Support of female employees

● From viewpoints of CSR and energizing the company

With women accounting for 70% of all of Shiseido's employees and 90% of its customers, the company makes an effort to support women in the company. Since its founding Shiseido has taken good care of the skin of its customers and provided support for women's lifestyles.

In manufacturing cosmetics, one must reflect the varying values and sensibilities of women. Assisting female employees to realize their maximum potential and have their opinions reflected in business and management decision-making contributes to energizing the company and is

important for carrying out the company's social responsibilities.

Important points in supporting female employees in 2004

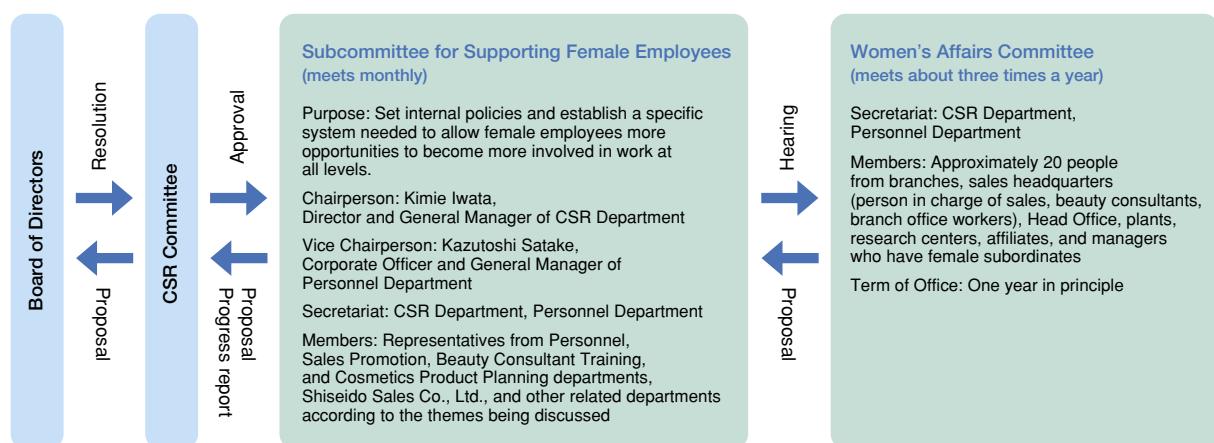
1. Continuous development of female leaders
2. Assisting beauty consultants to realize their potential, and expanding opportunities for them to be more active
3. Establishment of a corporate culture where all female employees can balance their private commitments with their career

● Structure for promoting support activities

The Subcommittee for Supporting Female Employees, under the CSR Committee, has been established to promote support of female employees. It liaises with related divisions and business offices to prepare action plans for resolving problems regarding both systems and lack of awareness. Two focuses are nurturing and promoting female leaders, essential for company-wide gender-equal participation, and maintaining a balance between

work and private life, including a review of male employee work habits and of their possibility to participation in childrearing. The company also established a Women's Affairs Committee, consisting of 20 male and female members from various division and offices. Their opinions ensure that the direction of discussions in the Subcommittee for Supporting Female Employees does not veer too sharply away from the actual situation at the worksites.

Structure for Promoting Support of Female Employees



Meaningful steps toward realizing a society that supports both childrearing and a career at the same time

Shiseido's "Kangaroom Shiodome" childcare center, which opened in September 2003, allows employees to have their children cared for so they can work without worrying about them. To have the issue of raising children and working at the same time discussed more widely, some slots at the center are open to employees of other companies. We hope that if companies jointly implement in-house childcare environments and expand their activities to support childcare, such action will lead to a general social movement in this direction.

The childcare center networks with similar company facilities in the same neighborhood, and children from both facilities now play and take guided walks together. Shiseido will continue such efforts to realize a society supporting employees who want to raise children and work at the same time.



Tetsuo Ando
Facility Manager
Kangaroom Shiodome
CSR Department, Shiseido Company, Limited

To create beautiful cultural lifestyles



Shiseido is a manufacturer but is also proud to be a trading company, and has promoted many activities for meeting people ever since the company was founded. The aesthetic sense the company carefully nurtured over the years and that customers see in Shiseido's cosmetic products is also clearly visible in its social contribution activities as well as business activities. And we are proud to say that the creation of beauty in daily life is one of Shiseido's important roles.

Principles behind social activities

To create beautiful cultural lifestyles, Shiseido promotes social contribution and business activities utilizing the unique know-how and technology that it has nurtured up to now.

Areas of social activities

- Activities that help to create beautiful cultural lifestyles
- Activities that utilize corporate assets (know-how, corporate culture, human resources) nurtured up to now
- Activities that help resolve problems at both local community and general society levels



Some features of Shiseido's social activities

1. Shiseido earmarks approximately 3% of ordinary profits for use in supporting social activities; one-third of that total is applied to support of artistic and cultural activities.
2. Shiseido supports activities of employees who participate in the "Social Studies Day" program, and considers the time they spend as working hours.
3. In addition to volunteer activities by employees, Shiseido also promotes other social contribution activities which are particularly fitting for a manufacturer of consumer goods, such as the "Matching Gift" program which involves the giving away of company products to welfare facilities.
4. Shiseido is a member of the Keidanren 1% (One-percent) Club and Association for Corporate Support of the Arts.

Pleasant space with modern and refined taste — House of Shiseido

Shiseido opened the House of Shiseido at its Head Office in Tokyo's Ginza area on April 8, 2004, its 132nd Founding Day. The company previously opened the Shiseido Art House in 1978 and the Shiseido Corporate Museum in 1992, both in Kakegawa, Shizuoka Prefecture. These two facilities collect, organize, store, and research Shiseido historical archives and art objects, and open them to the public. Located in a verdurous setting, the facilities attract around 100 visitors a day. Gradually, calls grew louder for a similar facility in Tokyo. Shiseido chose to build the House of Shiseido in the Ginza area because that's where the company was founded and flourished and because the new facility would help revitalize the area. Many Head Office functions had already been moved to the

Shiodome site, so the Ginza building had extra space. Displays at the House of Shiseido are in two categories: Ginza and Shiseido, and Society and Shiseido. Visitors can learn about Shiseido, Ginza's culture, the history of women, and Shiseido's approach to beauty. A multi-purpose space on the first floor is for exhibitions and presentations. There is additional display space on the second floor plus archives with databases of information on Shiseido's cultural and intellectual assets. As exhibitions change every few months, the company hopes the facility will help visitors learn more about Shiseido, and will contribute to development of the local community and customers.



Eudermine, 1897



Shiseido Cold Cream, 1918



Modern Color Face Powder 1932

Rpaying a debt of gratitude to the Ginza area

It was encouraging to know that many local people and Ginza aficionados welcomed the House of Shiseido to the area. To house the facility, the first two floors of the former Head Office building were completely remodeled, with exhibits open even on Saturdays and Sundays. Visitors to the first exhibition now totaled 21,134 people. Actually, the forecast, based on a survey conducted of passersby in the area, was roughly 80 visitors a day, initially causing some consternation. However, visitors

have increased, even on Saturdays, pleasing local restaurant owners. The Ginza area traditionally welcomes new ideas and fuses them into a new culture. Shiseido's corporate culture was, in fact, nurtured in the Ginza area. Attractive exhibitions will continue to be planned that welcome visitors back again and again.

Yasutoshi Nishimura
Deputy Director
House of Shiseido



As a beacon on Ginza — Tokyo Ginza Shiseido Building

On March 1, 2001, the Tokyo Ginza Shiseido Building was opened at Ginza 8-chome. This high-rise tower block fuses intelligence, sensibilities, and cuisine, creating a new kind of two-way, interactive culture. Comprised of five zones, the building is already becoming a Ginza landmark.

It houses the Shiseido Gallery, the oldest art gallery in Japan; the Plaza, a shopping area, including original pastries and a window display arranged according to the season; the Shiseido Parlour, a restaurant with a history of over 100 years, offering traditional tastes and fond Ginza memories;

the Word Shiseido, hosting cultural programs with guests from various fields; and Faro Shiseido, a top-floor restaurant offering fine cuisine and a panoramic view. The building is expected to shine a fresh light on Ginza and act as a venue for the creation of new culture in the 21st century.



For a beautiful global environment

Shiseido pursues “beauty” through cosmetics. While manufacturing cosmetics, the company considers beauty from the viewpoint of customers and in terms of the global environment. Shiseido believes that only when there is “beauty” in the global environment does the “beauty” in cosmetics assume significance. Shiseido also believes that consideration of the global environment is a social responsibility it must fulfill.



Shiseido Eco Policy

The Shiseido Way outlines three approaches in its “With our society” section; one of them states that “safety and preservation of the natural environment are our highest priorities.” The foundation for the above approach is expressed in the Shiseido Eco Policy, introduced in January 1992 as the company’s basic environmental management policy.

In moving to preserve the global environment while conducting its business activities, Shiseido:

1. Considers the ecological system and uses natural resources and energy with great care;
2. Promotes the development and application of new technology that does not burden the environment;
3. Promotes programs for raising the level of awareness among its employees of environmental preservation; and
4. Makes efforts to work closely with local communities and society at large.

Shiseido Global Eco Standards

Shiseido tackles environmental issues in the six phases of product development, R&D, manufacturing/procurement, distribution, sales, and in its offices. Activities are conducted within each phase in a systematic manner.

Between 1997 and 2001, Shiseido formulated in-house Global Eco Standards for each of the above phases as action guidelines for carrying out the Shiseido Eco Policy. Based on the spirit contained in the Shiseido Eco Policy, the standards

cover basic direction, design and action standards for clarifying the basic direction, and operational standards for putting the design and action standards into practice. The current standards take account of recent transitions in the natural and social environments, as well as of recent revisions made to respective laws reflecting those transitions.

Shiseido Global Eco Standards

	Product Development Eco Standards	R&D Eco Standards	Manufacturing/Procurements Eco Standards	Distribution Eco Standards	Sales Eco Standards	Office Eco Standards
Basic Direction	Promote highly effective product planning and design gentle to nature and society	Promote R&D activities that reduce environmental impact and give highest priority to global environmental considerations	Promote more efficient production while achieving a balance between manufacturing/purchasing costs and environmental costs	Promote more efficient distribution and maintain a balance between service costs and environmental protection costs	Promote efficient sales activities and reduce sales losses from unsold goods resulting in waste materials	Promote energy conservation, resources conservation, and recycling in company offices

Achieving zero emissions at plants

The Kuki Plant achieved zero emissions* in fiscal 2003, thus successfully reaching goals it set in fiscal 2001. The accomplishment also meant that all seven domestic cosmetics plants have now achieved zero emissions.

The know-how accumulated at these seven plants will be shared with domestic research centers, distribution centers, and branch offices. It will also be shared with overseas facilities to expand further the number of zero emissions facilities.

→ Examples of how the Kuki Plant recycles waste materials can be found on page 49

*Zero emissions refer to the reusing or recycling of all waste materials. Sometimes, however, the overall environmental impact actually increases if all waste materials are reused or recycled, such as when waste materials must be transported long distances or when excessive chemical processing is required. Shiseido, therefore, defines zero emissions as 99.5% reuse or recycling of waste materials.

Zero Emissions Status at Domestic Cosmetics Plants



**Although Shiseido Honeycake Industries Co., Ltd. is not a consolidated subsidiary, it achieved zero emissions in fiscal 2003 in line with Shiseido policies.

Recycle Together — Recycling of used cosmetics glass bottles

If limited natural resources are to be used effectively it is important to devise recycling systems for all conceivable materials. Shiseido, holding itself responsible for even used cosmetics containers, began introduced a system throughout Japan for collecting and recycling such used glass cosmetics bottles in April 2001.

Since Shiseido wanted to emphasize how recycling was a cooperative effort with its stakeholders, including customers, retail outlets, and glass bottle manufacturers, it named its bottle recycling initiative "Recycle Together." Currently, over 10,000 cosmetics outlets are cooperating with this program. Customers are also becoming more familiar with the program, and the amount of collected used glass cosmetics bottles is increasing steadily.

→ See page 51 for details

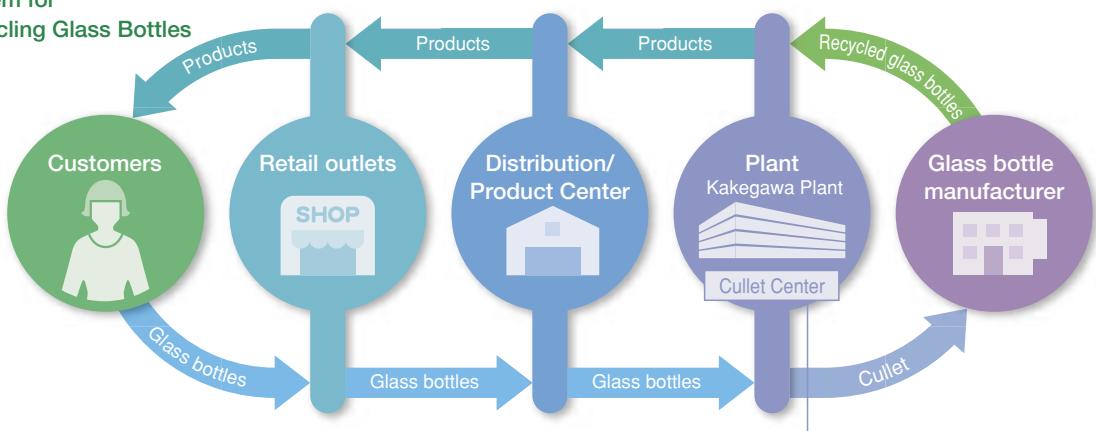
Trends in number of outlets participating in the "Recycle Together" initiative

2003	SHOP	11,107 outlets
2002	SHOP	11,000 outlets
2001	SHOP SHOP SHOP SHOP SHOP SHOP SHOP SH	7,464 outlets

Trends in amount collected

2004	120 tons (target)
2003	97 tons
2002	65 tons
2001	28 tons

System for Recycling Glass Bottles



Second Shiseido Stakeholders' Meeting

At the Second Annual Stakeholders' Meeting, Shiseido asked a wide range of people representing customers, an environmental NPO, the mass media, corporations, analysts, and research institutes to comment on the *2003 Sustainability Report*, and discuss how Shiseido should view its social responsibility and what society expects from Shiseido.



Date/time: July 6, 2004; 14:00 - 17:00

Place: Shiseido Head Office (Conference Room, 6th Floor)

- Details:
1. Tour of the House of Shiseido
 2. Outline review of Shiseido CSR activities
 3. Exchange of opinions
 - How should Shiseido view its social responsibility?
 - What does society expect from Shiseido?

Reflections on *2003 Sustainability Report*

Many of the opinions received emphasized how Shiseido should disclose information. Specifically, those concerning the importance of the information disclosing process were as follows: “Releasing information is important, but so is the dialogue process behind the activities. If recipients know the background they will better appreciate the activities” (Ito). “The main aim is not so much to create a report as to ensure that the report reaches a wide audience” (Uemura). Regarding the role of the report: “Although Shiseido conducts social activities related to senior citizens and disabled people, more efforts could be made in the report to raise the awareness of society in general” (Sakurai). Concerning the

relationship between the environment and business activities: “It might be helpful to establish an order of priority for tackling issues in terms of the environment and business” (Kanaya). “Japanese corporations seem to be quite active in philanthropy and environmental activities but could do more concerning human rights and discrimination against women. Shiseido should introduce its unique activities in these areas to the public in more specific terms” (Takenobu). “In the context of corporations and society constantly changing, Shiseido should make greater efforts to grasp the changes and clarify the direction in which it is moving” (Takahashi).

What does society expect from Shiseido?

Two themes emerged from the discussion regarding what society expects of Shiseido: new consumer viewpoints and the need for coexistence with stakeholders. It was explained that although Shiseido continues its efforts to recycle used cosmetics containers, some containers are oily and not easily cleaned, and the fact that it is difficult to provide clean and safe containers to customers. “Corporations must play a leading role in society, however, and if the main concern is not technical but is about customers not buying products in recycled containers, Shiseido might offer new recycling proposals and concepts instead.” (Nomura). Meanwhile, other comments were: “Since CSR is conducted in

collaboration with stakeholders, and since corporations and consumers both gain benefits, Shiseido should define for consumers exactly what satisfaction means. It might even be necessary to say ‘no’ to unreasonable consumer demands” (Furuya), and “Perhaps Shiseido has not yet sufficiently nurtured their stakeholders and thus cannot appreciate their thinking. Care should be taken in not becoming complacent about providing information. I recommend devising a system for receiving messages from stakeholders and for evaluating the company’s outgoing communications” (Kanaya).

CSR activities a need more global, longer-term perspective

Participants discussed several points regarding developing countries. "Since the source of many of the world's problems is found in the advanced countries, often tied to business activities, society expects companies to have a global vision in their CSR activities" (Uemura). "An important raw material in cosmetics is palm oil, mostly procured in developing countries. Corporations must recognize the boundaries of their responsibility concerning procurements and prepare relevant measures" (Uemura). "Stronger calls can be expected in the future concerning human rights and ecological issues in developing countries" (Nomura). "It would be good to see Shiseido proposing a new concept

espousing that corporations should take for granted consideration of issues such as the environment and human rights, both in Japan and other countries in which Shiseido is active" (Sakurai). "Instead of only outlining goals and issues for the coming year, Shiseido might consider studying what the world will be like ten to twenty years from now and discuss what the company itself plans to be like then" (Hishiyama). Such thoughts relate to the need for a long-term road map, and a stronger call is thus expected for CSR activities from a more global, longer-term perspective.

Aiming for sustainable society

Basic questions asked at this year's Stakeholders' Meeting were: "How should Shiseido define a sustainable society?" "What role should Shiseido play in realizing such a society?" and "What kind of road map is needed?"

To make even clearer the direction in which Shiseido should develop, more in-house discussion on CSR activities is needed as they relate to the company's main business interests, and a closer dialogue with the company's

stakeholders is also essential. And most importantly, it is also crucial to recognize how the company's direction has changed in the process of those dialogs. It was quite beneficial to be able to discuss where the CSR Report should be heading. It is important not simply to prepare a valuable report but to conduct strategic activities through reporting.

Participants in the Stakeholders' Meeting



Toshihiko Ito

Corporate Ethics Committee Secretariat
Ito-Yokado, Co., Ltd.



Noriko Sakurai

Planning and Survey
Global Environment Forum



Koichi Nomura

Environment Communication Team
Environment Management Group
Corporate Quality & Environment Management
Fuji Xerox Co., Ltd.



Takehiko Uemura

Chief Researcher
CSR Institute, Inc.



Yoko Takahashi

Chief Director
Japan Philanthropic Association



Takaji Hishiyama

Director
Center for Research on Corporate Behavior



Ogi Kanaya

Analyst
Environmental Policy Consulting Department
UFJ Institute Ltd.



Mieko Takenobu

Journalist
Lifestyle and Welfare News Department
Asahi Shimbun



Yukiko Furuya

Board of Directors
Nippon Association of
Consumer Specialists (NACS)

Participants touring the House of Shiseido

The participants toured the current Man Ray Exhibition and the permanent exhibition of corporate cultural assets. They also viewed products and nostalgic television commercials from the earliest days of Shiseido, thus coming directly in touch with the sense of beauty nurtured over Shiseido's 132 years of history.



With our customers

The Shiseido Way

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

The Shiseido Code Chapter 1

1. We will always try to see things from our customers' perspective and do our best to research, develop, manufacture, and sell products and services of excellence that can truly meet our customers' needs.
2. We will provide necessary 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 enhance the brand value of the Shiseido Group.

Approach to “safety” and “peace of mind”

Shiseido conducts various types of research to meet customer expectations. For example, in order to resolve skin problems, it is important to have a proper understanding of skin, and by using cutting edge technology and conducting joint research projects with universities, we strive to achieve better understanding of the skin. Shiseido strongly believes that such steady efforts will lead to the development of products that catch customer interest, produce solid results, and offer customers peace of mind.

Approach at the design stage

Since cosmetics are applied directly onto skin, Shiseido's manufacturing efforts begin with the rigorous selection of top quality raw materials. Materials are analyzed carefully to see if they contain impurities or have the potential to adversely affect the skin. Only materials proven to be safe are used in our products.

Preservatives and other ingredients are sometimes used to guarantee the quality of cosmetics for a set period of time. When Shiseido does employ preservatives, it makes every effort to use the minimal amounts necessary. The company also conducts exhaustive safety tests to confirm the safety of its products.



Vaseline: raw material for cosmetics

Compared to material in regular products (right), material that Shiseido uses (left) has a high level of purity



Patch test

Various raw materials are affixed and observations confirm whether or not they harm the skin

Approach at the manufacturing stage

Formulas confirmed to be safe at the design stage must be manufactured properly during the mass-production process. For that, production is carried out under strict manufacturing standards to guarantee the proper quality of all Shiseido products.

In manufacturing processes such as the weighing of raw materials, content production, filling, and final processing, skilled workers visually confirm product quality. To confirm the safety of the products, they are then tested under stricter conditions than those under which customers will use them.

Prior to shipment from the plant, specialized sensory experts

inspect the products to confirm their condition, odor, color, and how they feel when applied. Only products that pass these inspections are shipped.



Lipstick durability test simulating product inside a handbag



Strict visual checks not dependant on equipment



Experts conduct rigid visual checks as final quality evaluation prior to shipment

Approach at the use stage

Product quality continues to be confirmed even after delivery to customers. To ensure customers' peace of mind when using Shiseido products, identical products from the same production batch are stored at the plants for over three years; experts can thus conduct strict checks on identical products over an extended period of time to ensure unchanged quality even after their delivery to customers.



Product storage room inside plant

Color Order Cosmetics — Certain to satisfy your color preferences

In order to satisfy customers and win their trust, Shiseido makes efforts to reflect the wishes of customers in the manufacturing stage of products.

Color Order Cosmetics are cosmetics created specifically for individual customers after consultation with Shiseido beauty consultants.

Customers enjoy discovering their own lipstick. Watching the smile on their faces when discovering the color they were looking for is an unforgettable experience. (Ms. Kakei)

Our customers' attraction to Shiseido is frequently directed towards our service in addition to our products. We keep in mind that our job is to help create the feeling of satisfaction in our customers. (Ms. Nagai)



Yumi Kakei, Assistant Manager
Mitsukoshi Nagoya Sakae Store (right)
Atsuko Nagai, Shop Manager
Sales Headquarters, Nakanihon Department Store
Shiseido Sales Co., Ltd. (left)

Therapy Makeup services

● Ties between cosmetics and the hearts of customers

For people with facial blemishes such as birthmarks, burns, or scars, not only physical “cure” but spiritual “care” is important as well. Shiseido calls its cosmetics consulting activities and its makeup application recommendations for people with blemished skin “Therapy Makeup.” Such people tend to be reserved and Therapy Makeup is an effective method in boosting self-confidence.

In recent years, doctors have discovered that makeup relieves the tension and anxiety felt by patients with skin disorders. Makeup heightens their confidence and leads to improvement in their quality of life.

At Shiseido, we believe that we have had sufficient experience with cosmetics and the hearts of our customers to be able to conduct Therapy Makeup services. The service is still somewhat restricted but future plans call for making it available on a more regular basis.

● Activities only Shiseido can perform

Therapy Makeup services are a part of Shiseido’s overall social contribution activities. They help people with blemished skin to overcome their handicap, to recover psychologically, and to return as full-fledged members of society. Common feedback received by Shiseido from customers who have experienced Therapy Makeup include: “I became confident in showing myself,” “I am beginning to enjoy putting on makeup”, and “I have become more outgoing and feel much better.”

● Development of cosmetics for use in Therapy Makeup

Apart from consulting with people with blemished skin and recommending makeup application to them, Shiseido has developed a foundation that makes it easier to apply makeup.

Shiseido Perfect Cover, launched in 1995, adjusts the color of Ota’s nevus and hemangioma resulting in a natural facial color that hides blemishes.

Shiseido will continue its research into makeup that serves diversified purposes.



Shiseido Perfect Cover

No better feeling than when seeing smiles on customers' faces

After joining Shiseido I was involved in makeup activities, from sales promotion and advertising to preparing and sending out beauty-related information, and even did work in the Paris Collection. Meanwhile, meeting a customer with a facial burn led me to become involved with Therapy Makeup.

As there are a variety of skin problems, there are a variety of concerns that our customers face. Some people cannot bear others looking at their faces and become extremely introverted. Seeing such people learning how to apply makeup and becoming more confident and happier with themselves, I feel an immense sense of joy. The customers regain their former composure and seem filled with energy.

Although Therapy Makeup may not immediately lead to an increase in sales, the good feelings that result from makeup resolving facial skin problems impress customers so deeply that they become loyal customers. This approach to makeup is unique to

Shiseido, and the company will continue Therapy Makeup as a link in its CSR activities. Naturally, I also want to hear as many customers as possible say, “This is exactly what I expected from Shiseido” when they experience Therapy Makeup.



Kimiko Ohshiro
Chief Beauty Therapist
Shiseido Beauty Creation Center

Fine Rice for people suffering from rice allergy

Shiseido developed *Fine Rice* jointly with two universities. The product allows individuals allergic to globulin, the protein found in rice, to enjoy eating rice without concerns about atopic dermatitis.

In 1993, this was the first food product designated by the Ministry of Health and Welfare (currently the Ministry of Health, Labour and Welfare) as a Food for Specified Health Use (FOSHU). In 1997, the Ministry approved the product as

a food that may improve specific health conditions.

Fiscal 2003 saw 6.8 tons of *Fine Rice* produced. It is supplied to patients with rice allergies mainly through introductions by doctors.



Fine Rice after globulin is reduced and extracted in enzyme processing

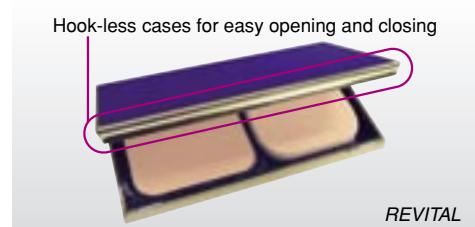
Universal product design

Universal design refers to the design of products or environments that can be used by anyone without special remodeling or redesigning. It reflects the major trend in recent years of considering the daily living environments of the elderly and disabled.

Shiseido closely considers the needs of minority groups, and based on the ideal of providing easy-to-use products for as many people as possible, it has been promoting product development that incorporates the concept of universal design. Products resulting from universal design reflect considerations for such things as bottle design, ease of opening and closing, and easy-to-read writing. The first Shiseido products reflecting this concept were the *Actea heart* line. Shiseido will continue to provide society with universal design products.



Actea heart



REVITAL

Providing information to the visually impaired

● Providing beauty-related information

Since 1987, Shiseido has distributed gratis quarterly audiotapes called "Osharena Hitotoki" (A Time for Beauty) to 99 Braille libraries throughout Japan. The tapes contain beauty-related information for the visually impaired. Wide-ranging themes on the tapes include information on beauty, fads, fashion, health, and music. Shiseido also distributes booklets on skin-care and makeup in both Braille and large print, and issues Braille stickers to attach to cosmetic containers for easier recognition.



Beauty information in Braille for the visually impaired

● Additional pages providing integrated beauty information on the corporate website

Shiseido added the *Listeners' Cafe* to its official website in November 2002; its content is compatible with text reading software and provides high-quality speech output of the "Osharena Hitotoki" tape containing beauty-related information as well as basic skin care, makeup, and other information. Also, the website's composition, design, and font size reflect considerations for the elderly and visually impaired, making it easier to be used and read.



First page of *Shiseido Listeners' Cafe*: www.shiseido.co.jp/listener
(Japanese only)

Acquisition of the Privacy Mark

To handle personal data with care is a corporate social responsibility. Interest in protecting personal data has increased in recent years with the Personal Data Protection Law coming into force from April 2005 due to incidents of customer information leakage from major corporations.

In March 2004, Shiseido acquired the Privacy Mark of the Japanese Standards Association, issued to companies that implement adequate personal data protection systems. Shiseido is the first company in Japan's chemical industry to acquire the Privacy Mark.

To bolster the trust that stakeholders have placed in the

company, Shiseido strives to strengthen its internal structure and promote internal education related to protecting personal data in all Group companies.



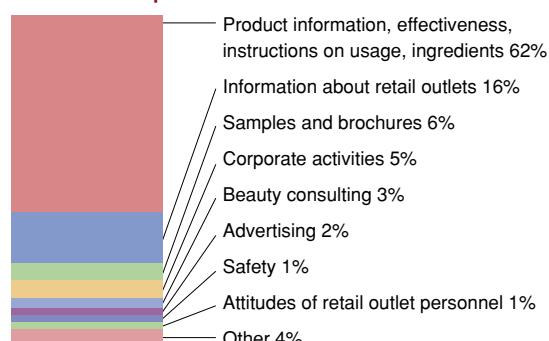
The Japan Information Processing Development Corporation awards the Privacy Mark to organizations with systems in place for protecting personal data in conformity with guidelines set by the Ministry of Economy, Trade, and Industry. The organizations are allowed to refer to and use the Privacy Mark in their business activities.

Communication with customers

Customer Center

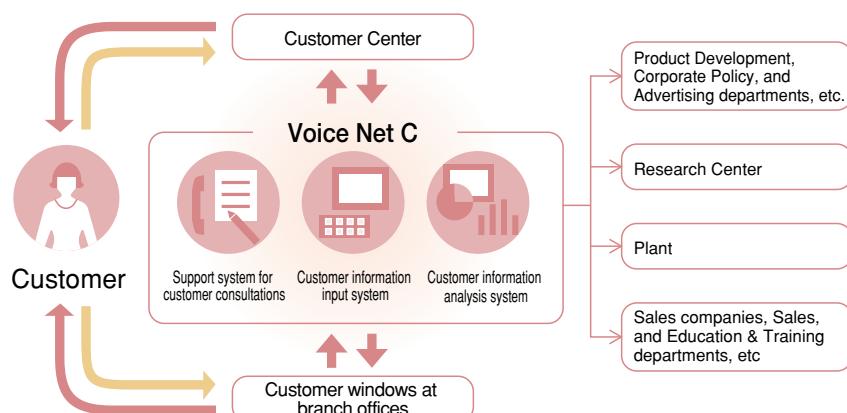
About 140,000 customers contact Shiseido each year through the company's Customer Center. Shiseido received the Minister of Economy, Trade and Industry's Outstanding Consumer Orientation Award in 1998 and again in 2004. The company was recognized for its excellence in reflecting consumer demands in its products, providing a 24-hour-a-day, 365 days a year system for customer care, taking concrete steps toward safety and environmental protection, and cultivating consumer-oriented values in its employees.

Details of Inquiries



Customer Information System "Voice Net C"

"Voice Net C" is comprised of a database of inquiries made to Shiseido's Customer Information System, responses to those inquiries, and advice provided to customers during consultations. The database is shared widely throughout the company.



Examples where customer information was utilized for improving products

1. BÉNÉFIQUE Nutrient Hair Color

Comments received from customers concerning hair-coloring products were analyzed and negative comments were divided into three categories: hair damage, ineffective coloring, and odor. The results were reflected in all-new hair color products launched in November 2003.

2. MAJOLIKA MAJORCA (makeup line)

After analyzing comments on eye makeup products from teenage women, an eyebrow product with a hard-to-break core and a makeup product that realized a color tone selection satisfying the tastes of teenagers were launched in July 2003.

R&D of alternatives to animal experiments

● Shiseido's social responsibility

Designing alternative safety experiments that do not use animals is an important social issue from the viewpoint of ensuring both product safety for customers and the protection of animals. Taking this issue seriously as one of our social responsibilities, Shiseido has been promoting related R&D since 1981, about a decade prior to the guidelines for safety experiments related to cosmetics issued in the early 1990s by the Ministry of Health and Welfare (currently Ministry of Health, Labour and Welfare), and has been achieving numerous favorable results.

● Returning results of R&D to society

A safety-related method replacing animal experiments is used in regular cosmetics experiments* and is actively being introduced via professional conferences to return R&D results to society for wider use. For its efforts, in 2003 Shiseido won the Golden Presentation Award of the Japanese Society of Alternatives to Animal Experiments for the tenth time, representing more wins than any other organization. In fiscal 2004, Shiseido presented research at the annual Society of Toxicology Meeting in the U.S. for developing the world's first alternative to sensitivity experiments**, attracting widespread attention.

● Seeking official recognition of alternative experimental methods

Shiseido is making great efforts to have its alternative experimental methods accepted as industry standards. The company is playing a leading role in domestic and overseas validation research*** and research group activities, sponsored by scientific research groups under the Ministry of Health, Labour and Welfare as well as the Japanese Society of Alternatives to Animal Experiments. Shiseido will continue these activities to fulfill its social responsibility.

* The experiments predict eye or skin irritability. Cells are cultivated in a test tube containing the raw materials to be evaluated. After a set period of time the survival rate of the cells is measured.

** The experiment evaluates the safety of chemical substances by evaluating the allergic (sensitivity) response of skin to the substances.

*** This refers to research into scientifically proving whether or not a new alternative experimental method is truly effective.



Golden Presentation Award certificate

Leading the world in research into alternative experimental methods

It has been about 10 years since I joined Shiseido. My current research is developing alternatives to animal experiments, especially for experiments related to skin allergies. Similar research into alternative experiments was conducted well before my time, with my predecessors having accumulated substantial research results. I am proud of their serious research stance, and have inherited the traditions and spirit of their research. I will continue the efforts needed to assure that Shiseido maintains a leading position in this field. Although my research does not tie directly to product development, it is a focus of much social interest, and I am certain that, and Shiseido has to ensure that, everyone involved appreciates our stance of facing issues head on. Since announcing specific research results is good for the whole industry, we work on our research fully realizing our responsibility as a leading company.

While continuing to conduct serious research in this

area, we hope to gain relevant recognition from researchers around the world. Since I work with cosmetics, I feel a special responsibility to conduct research that meets social expectations. I also feel it is my good fortune to be a researcher.



Takao Ashikaga

Alternative Experimental Methods Development Project Office
Safety and Analysis Center, Shiseido Research Center

With our business associates

The Shiseido Way

Joining forces with associates who share our aims
we act in a spirit of sincere cooperation and mutual assistance.

The Shiseido Code Chapter 2

1. We respect all our business associates 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.

Good partnerships — a key to create new values

Clients and suppliers are important business associates and should always be viewed as being on a level with Shiseido. The company and its associates share the same passion: meeting the expectations of customers by providing them with new value backed by an awareness of beauty. Through good partnerships both parties aim to realize this common goal.

Strengthening partnerships as part of supply chain

Shiseido's suppliers of raw materials, perfumery, packaging, and sales promotion items are partners for creating new values.

In its Basic Procurement Policies, the company states that it will expand the network of these partners in order to create beautiful cultural lifestyles on a global level, thereby achieving close harmony with society, growing together with its supply chain, and discovering new value through procurements.

For Shiseido, it is essential to understand and cooperate closely with partners in order to enhance our CSR activities. As for the reduction of environmental impact, the company is proactively promoting the green procurement of materials that are resource conserving and easy to recycle, while accepting specific ideas from many of our associates for reducing environmental impact further.

To respond to social demands in the future, Shiseido will promote further an appreciation among our associates of the company's CSR philosophy, and move forward together in manufacturing activities with a sincere stance toward society. At the annual Meeting with Suppliers, Shiseido clarified its attitude about the social aspects of our business and confirmed how the company would cooperate with suppliers in CSR activities. Seven essential items were set for tackling environmental issues as a precondition for doing business together. By the end of March 2003 all suppliers were in conformance with the seven items.

Shiseido will continue to strengthen the partnership with suppliers in its supply chain. The company will monitor supplier CSR activities and host seminars to ensure that they are familiar with the company's corporate stance.

→ See page 48 for details

Access *Shiseido Website* for the company's Basic Procurement Policies

www.shiseido.co.jp/purchasing (Japanese only)

Shiseido Online

The Shiseido On-line network, tying together the company, its customers, and business associates, is accessed through the SCOPE21 and Partner21 information terminals located in retail outlets. This network promotes mutual communication and allows the sharing of customer information among

designated parties. Using this network, Shiseido is improving its customer services through reforms in the Hanatsubaki Club, a membership club for customers, and assist its business associates through continually advancing activities at outlets.

Trust — A key to ties with business associates

It has been five years since I joined Shiseido; Six months ago I was placed in charge of sales for the drug store chain ZAGZAG. In the past when I was in charge of sales for chain stores and large-volume retail outlets, I emphasized the importance of communication with beauty consultants and among the members of my sales team.

Three main differences mark my new position. First, I deal with many more people, such as the product merchandisers in the headquarters as classified according to product items, the employees in ZAGZAG's branches, and the people in retail support.* Second is the surprising number of competitors. Here, the ability to provide solutions counts. Third is the difficulty of convincing customers to remain loyal. Everything bewildered me at first, but I decided to take the initiative. Female sales personnel with experience in beauty consulting possess beauty treatment techniques, while male sales personnel have self-confidence backed by marketing knowledge. For my part, I have a wide knowledge of Shiseido products gained from personal use as a customer. Therefore, I provide comments from the customer's viewpoint to the product merchandisers in the headquarters whenever a new product is introduced. I also prepare monthly, quarterly, and annual sales activity plans for discussing goals with sales personnel in detail. Four times a month I also hold in-house

seminars, and I have been hosting grooming discussions with customers. Customer loyalty has increased as a result and this year I was elected to be the regional representative from Chugoku and Shikoku at a company's conference for presenting case studies of sales activities.

The credit for my success is mainly due to the people at ZAGZAG's headquarters, and the branch managers and staff who backed my sales proposals and implemented them together with their own ideas.



Akiko Misawa
Manager, Sales Headquarters
Okayama Branch, Shiseido Sales Co., Ltd.

Comments from a business associate

Strong will to win is compelling virtue

Akiko hates to lose, and refuses to budge until she closes a deal. Compared to competitors, she meets customers three times more often and spends triple the time in sales talks as a matter of course. And she prepares unique plans with solid content, which are always helpful. Besides having three different ideas for each product, she is always thinking one step ahead. Because developing customer loyalty is an important task of drug stores, we would like to see more attention paid to that area. Anyway, Akiko's strong presence and ever-present smile always rubs off on us.



Chiaki Shinozaki
Merchandiser, ZAGZAG

* Retail support: Company which provides support for product display and management in chain retail outlets.

With our shareholders

The Shiseido Way

We aim to win the support of our shareholders by retaining earnings for future investment and paying dividends which come from sound business results, and to uphold shareholder trust through transparent management practices.

The Shiseido Code 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).

Responding to trust and expectations of shareholders

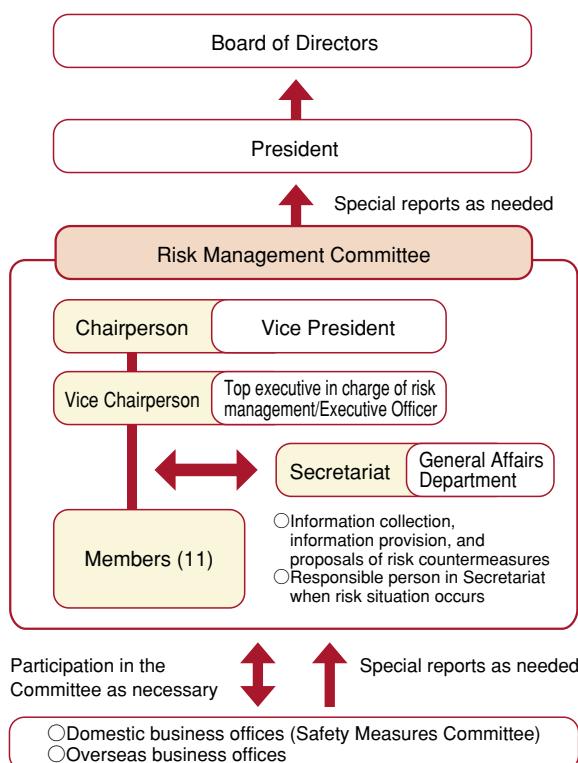
Shiseido strives to gain the understanding and trust of its shareholders by making great efforts to disclose accurate information and by emphasizing the importance of dialogue with investors and shareholders. The company also responds to the expectations of long-term shareholders contributing to the company's continued growth by applying 60 % of its consolidated net income to dividends and buying back blocks of its own shares to increase the corporate value for shareholders. Those steps show Shiseido's basic stance on promoting returns to shareholders.

Philosophy on risk management and Risk Management Committee

In today's world, a corporation's value can be lost in an instant, making risk management an essential corporate activity. Shiseido's four basic risk management policies are: (1) assuring the safety of employees and their family members; (2) protecting corporate assets; (3) continuing the company's business operations; and (4) securing the trust of stakeholders.

Together with the Corporate Ethics Committee (established in 1997) the Risk Management Committee (established in 2001) plays a central supporting role in CSR activities within the entire Shiseido Group. Established as one of the Group Policy Committees reporting directly to the Board of Directors, the Risk Management Committee handles risk in ten categories, including product, environment, sales, and disaster, with subcommittees established to promote relevant countermeasures.

Organization of Risk Management Committee



Shares status (as of March 31, 2004)

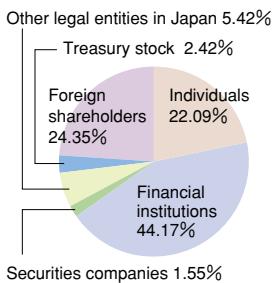
● Total shares issued

424,562,353 shares
(of which 10,275,377 shares are treasury stock)

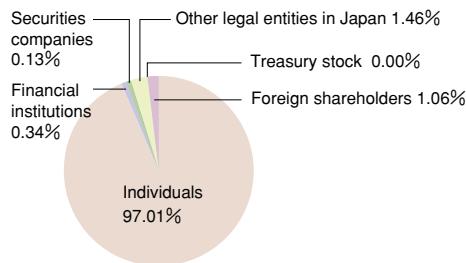
● Number of shareholders

41,180

● Percentages of total shares held



● Breakdown of shareholders by type



Providing individual investors with up-to-date information

I was assigned to the IR Department three years ago. My most important duty today is fair disclosure, providing institutional and individual investors the same information at the same time.

As part of this initiative we have been holding regular investor meetings in Japan's largest cities since fiscal 2001. Meetings were held in 13 cities in 2003, attended by over 800 individual investors. We also provide information on financial results and investor briefings via the Shiseido website.

We are also moving to increase the number of female shareholders. For example, we invite customer service ladies at securities companies, who deal with individual investors directly, to special investor meetings, which include a tour of research facilities. Partly because these presentations include a session on makeup guidance by expert beauty consultants, they always have a large attendance. At the investor meeting following the General Meeting of Shareholders in fiscal 2003, three professional models staged a show to the delight of female shareholders in attendance. In such ways, we will

continue our proactive efforts to raise the percentage of individual shareholders, especially female shareholders. Another area we would like to focus on is listening to investors' opinions about Shiseido. As a company, of course, we are constantly distributing information, and with respect to this information we feel it is important to collect opinions from the investors and have them reflected in management. By doing so, I would like to accomplish our vital role as a bridge between investors and the company.



Hirofumi Takakura
IR Department, Shiseido Company, Limited

SRI and Shiseido

● What is SRI?

Socially Responsible Investment (SRI) is a method for deciding on companies in which to invest. SRI not only applies investing standards based on financial analyses but also evaluates environmental initiatives and a company's involvement in social contribution activities. Companies meeting these standards and fulfilling their social responsibilities, such as from the ethical standpoint of strict compliance with laws and regulations, are expected to grow steadily over the long term. The SRI market is steadily expanding in Europe and North America and is expected to start affecting Japan in the near future.

● Shiseido's shares included in SRI funds

The more faithfully a company performs its CSR activities, the higher the market rates it, resulting in increased corporate value. Shiseido's CSR posture is rated highly and its shares are currently included among those which comprise the Socially Responsible Investment Index of Morningstar Japan K.K., a leading investment trust rating institution. Shiseido's shares are included in several other SRI funds as well. The company will augment its CSR activities further from the perspective of "creating beautiful cultural lifestyles" as it remains loyal to its stakeholders, thus raising its corporate value and responding to shareholder expectations.

With our employees

The Shiseido Way

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

The Shiseido Code Chapter 4

1. We will identify ourselves with each other and will respect each individual 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 the greatest care.
5. We will distinguish between private and business affairs to create a pleasant work environment.

Employees are important stakeholders along with customers, business associates, shareholders, and society

Shiseido's basic personnel management policies are outlined in The Shiseido Way, first articulated in 1997. In moving to realize those policies and for all employees to work comfortably, Shiseido makes energetic efforts to create healthy working environments where each and every employee can maximize his or her potential while mutually respecting each other's rights and individuality. In aiming to create new values, moreover, the company promotes the cultivation of diverse and creative human resources, conducts fair personnel evaluations, and supports the self-realization of employees.

Respect for diversity

Shiseido aims to create worksites where employees mutually respect each other's diverse values and where all employees, regardless of gender, age, or disability, can work independently and actively.

● Creating gender-equal worksites where employees can work together

The gender-equal activities Shiseido introduced in 2000 promote reforms in awareness and action for creating worksites where both male and female employees can realize their individuality. When employees work enthusiastically and fully realize their strengths, capabilities, and individuality, the company becomes more vigorous and better able to provide information and products beneficial to customers and society. To promote such activities, Shiseido has prepared behavioral guidelines clearly outlining Five Positive Action Goals.

Gender Composition of Employees in the Shiseido Group (as of April 1, 2004)

Female 9,910	Male 4,220	Total 14,130
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(Other employees include 9,659 part-time, contract, temporary and other nonpermanent workers)

Five Positive Action Goals

1. Shiseido's gender-equal activities allow employees to realize their individual capabilities regardless of gender.
2. Managers stand at the forefront in implementing awareness and behavioral reforms within the management of the company.
3. Change the pessimistic thinking of female employees who say they "Can't do it" because they are women.
4. Reconsider personnel systems from a gender-equal, neutral viewpoint.
5. Exert efforts to develop female employees, and promote all motivated, capable personnel fairly and positively.

● Support employees who manage work alongside parental care

In 1990, Shiseido introduced a system allowing employees to take parental leave up to the time their child reaches the age of three. Fiscal 2003 saw 627 employees in the Shiseido Group utilize the system. A future task is to encourage more male employees to utilize it.

A new system introduced in 1991 allows employees to take time-off for childcare until their child enters elementary school. Fiscal 2003 saw 424 employees in the Shiseido Group utilizing the system. In order for beauty consultants working at retail outlets to use the system, Shiseido introduced a new “Frontlines support” system in June 2004 whereby retired employees temporarily replace beauty consultants when the latter are utilizing the childcare systems.

Approach toward greater awareness of human rights

Shiseido, in pursuit of one of its basic policies, “aspiring to be a discrimination-free corporation by providing cheerful working environments with heightened awareness of human rights,” the company is promoting human rights education activities among its employees, including company officers. One activity involves human rights awareness seminars conducted annually for all employees. The aim is to have employees discuss relevant themes and become aware of the issues themselves. Fiscal 2003 marked the twenty-fifth seminar. The theme for fiscal 2004 is “Normalization—Working together with disabled people.”

● Creating worksites friendly to disabled employees

Shiseido has been promoting the employment of disabled people as a part of its social responsibility. As one link in the company’s overall goal of “creating worksites that allow all employees to work enthusiastically regardless of gender, age, or disability,” Shiseido is promoting education activities and working environment improvements for both disabled and non-disabled employees by setting up a project in fiscal 2003 to support disabled employees to fully realize their potential. As of June 30, 2004, disabled personnel accounted for 2.33% of all Shiseido employees and 1.47% of all Shiseido Group employees. To achieve the 1.8% employment rate set by law, the Group established a goal of employing one or more disabled people in each business office by the end of fiscal 2005, as a first step.

Approach to preventing sexual harassment

Since 2000, Shiseido has been working to prevent sexual harassment at workplaces. It distributes guidebooks to educate all employees, including part-time and temporary workers, while establishing a counseling office in its Head Office, and had each business office appoint a person responsible for sexual harassment counseling. As part of the company’s all-out approach to prevent sexual harassment, Shiseido requires all counselors in the business offices to undergo special education and training on effective counseling methods.

Agreement for Creating a Gender-equal Society between Kobe Office of Shiseido Sales and Hyogo Prefecture

In April 2002, an ordinance came into effect in Hyogo Prefecture for creating a gender-equal society. The ordinance stipulates a system whereby the prefecture and companies enter an agreement for businesses to promote independent initiatives geared toward creating a gender-equal society through their business activities. The ordinance also stipulates the responsibilities of companies within the system.



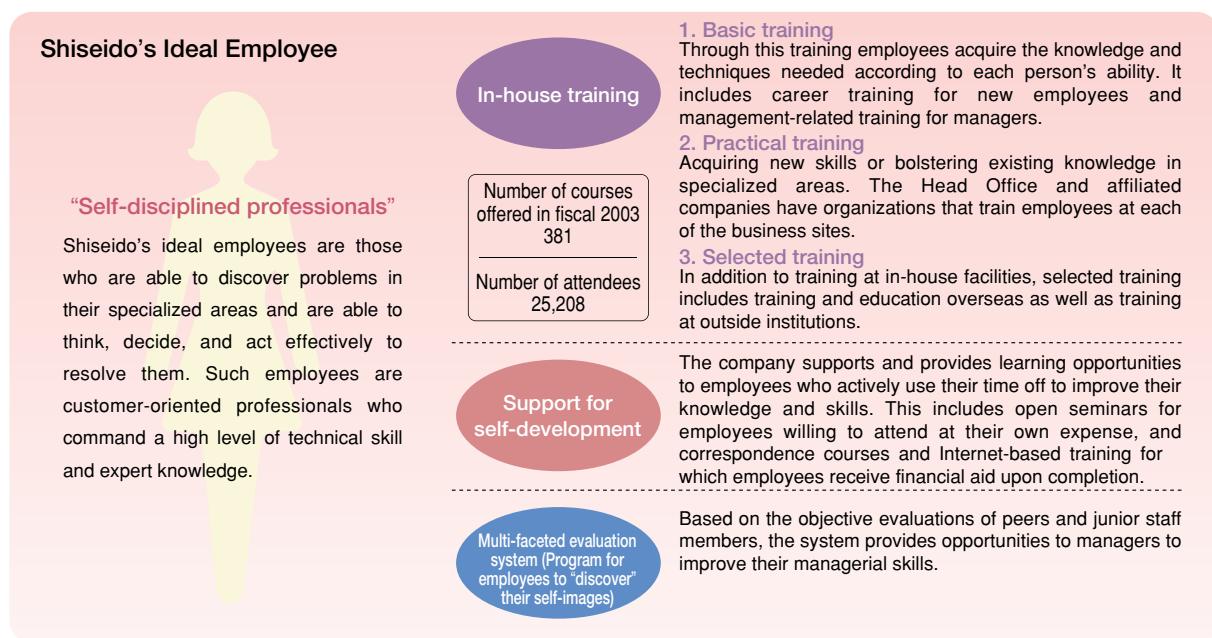
Under the agreement, Hyogo Prefecture will widely publicize the stance of companies that are actively engaged in the creation of a gender-equal society. The prefecture also supports the business offices of the companies in various ways, such as providing related information. The Kobe Office of Shiseido Sales Co., Ltd., signed an agreement with Hyogo Prefecture in July 2004.



President Nishikawa of Kobe Office signs agreement with Hyogo Prefecture

Personnel development

The principal aim of Shiseido's personnel development is to have each employee better understand their own personality and potential so as to help achieve their career goals. The company prepares various programs to accomplish this aim, assisting employees in the pursuit of their careers.



Approach to mental health

Shiseido prepares and distributes *Mental Health Care Booklets* to all employees, and promotes a system of mental care based on realization of problems by each individual and those around them. In-house counselors and medical specialists are also available for consultation, with an emphasis on safeguarding privacy.



Mental Health Care Booklet

“wiwiw” program to support employees on parental leave

Shiseido's online wiwiw program provides child-rearing information to employees on leave to raise their children, and offers courses to assist them in returning to work.



Comments from a user of the online program

I was surprised when I tried the program because I didn't feel any sense of anxiety about being on leave to take care of my child. I was also able to maintain my identity as a Shiseido employee. It's not easy to maintain work contacts while on leave and you feel anxious as if you were drawing further away from your work. But exchanging information regularly with your supervisor through

wiwiw makes you feel that you haven't been forgotten and are still a part of the team. The online courses actually make you want to contribute more after returning from leave. Knowing you'll be able to work again later also encourages you to do better in giving birth to raising your child. The program provides tremendous support for those who want to manage work together with parenting.



Kanako Hosoi

As of June 2004, 64 other companies purchased and introduced the wiwiw system from Shiseido

Sales Department, Metropolitan Area Department Stores
Shiseido Sales Co., Ltd.

For details on wiwiw system see www.wiwiw.com (Japanese only)

Beauty consultants tell the “now” from the frontline of retail outlets

Beauty consultants play an important role as the point of contact between Shiseido and its customers. They transmit information about Shiseido and collect opinions from customers.

Based on the concept that business begins and ends at the retail outlets where the products meet the customers, reforms were initiated in 2001 to make retail outlets the “starting point”. To change everyone’s awareness, the company’s pyramid structure was rotated 180 degrees; beauty consultants were placed at the pinnacle, and the President at the base. The company-wide “SiDO” network was also introduced, using terminals to transmit and share various types of information from beauty consultants in an aim to put the information to use as efficiently as possible. The SiDO network has three goals as listed below.

Three Goals of the SiDO Network

- To have the entire company support the beauty consultants in their frontline sales activities and have the Head Office respond quickly to questions that arise in everyday business.
- To share customer opinions throughout the company in order to be put to good use in business situations such as responding to customers and business associates, creating retail space, developing products, and preparing advertising and sales promotions.
- To improve the efficiency of reporting and compilation of the activities and achievements of the consultants, thereby creating an environment that allows the beauty consultants to concentrate on responding to customer needs.

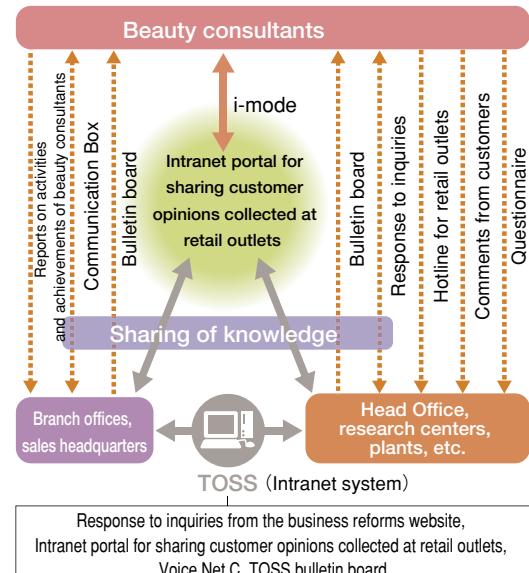
■ Origin of name “SiDO”

The name “SiDO” comes from the word “seed,” suggesting great potential. When seeds are given proper care, they grow into fruitful trees. Applying this concept to the beauty consultants at Shiseido, the “SiDO” system is designed to provide proper assistance that ties to fruitful sales of Shiseido products. The name “SiDO” also combines the “S” of Shiseido with the corporate slogan “I do.”



Through the implementation of the SiDO network, the beauty consultants now provide about 15,000 items of information each month. This data is accessed about five million times every month. The network has also contributed to speeding up the company’s response to inquiries from customers and business associates. It has also made possible real-time access by employees in Shiseido’s branch offices of the latest information concerning other manufacturers and the current situation in retail outlets. The SiDO network is extending its roots throughout the Shiseido Group as a new system for “shared knowledge.”

In-house SiDO Network



Labour-management partnership

● Labour Union activities

The Shiseido Labour Union carries out vigorous, wide-ranging activities related to bettering the daily lives of its members in areas such as improvement of labor conditions and the working environment, an enhanced health and welfare system, unique support activities (long-term support of families and bereaved family members as well as union loans), and lively internal and external communications. The union also helps its members to lead fuller lives through lifelong education, acquisition of qualifications, and support of social exchanges among members, and provides opportunities for social contribution activities. Additionally, unique activities such as sponsoring seminars to assist union members in planning for their future and childcare seminars for members with children, are conducted.



A childcare seminar



Booklet for new union members

With our society

The Shiseido Way

We respect and abide by all laws in all regions in which we do business. Safety and preservation of the natural environment are our highest priorities. In cooperation with local communities and in harmony with the international community, we call on our cultural resources in creating a global, beautiful, cultured lifestyle.

The Shiseido Code 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 as well as our own stringent environmental standards.
3. We will actively involve ourselves in society.

Always communicating to create new cultural lifestyles

Since its founding Shiseido has created cultural lifestyles appropriate for each period through business activities related to beauty and health. The company continually listens to people through exchanges with local communities and grows with society, and in its own special ways returns to society the things it needs. The company also gladly embraces new technology and ways of thinking and fuses them with its traditions to form a unique corporate culture. This culture, though, is not merely internal. Shiseido also feels that the company should communicate widely throughout society to serve a large number of people.

Successful Aging activities for retaining beauty in later years

Shiseido defines Successful Aging as accumulating years gracefully and becoming increasingly attractive as a human being. In this regard the company supports the lifestyles of people of all generations who want to age gracefully. Since starting business in 1872 as Japan's first Western-style pharmacy, Shiseido has achieved impressive research results across a wide spectrum of fields, including not only general

medicine and dermatology but also psychology and the social sciences. Besides accruing leading-edge scientific knowledge, the company also initiated the concept of accumulating years gracefully through Successful Aging. Shiseido will continue to take advantage of wide-ranging opportunities to communicate its ideas regarding Successful Aging.

●Successful Aging forum

Since 1989 Shiseido has sponsored a forum every other year as a venue for providing up-to-date research results and basic knowledge to foster Successful Aging. The company continues to conduct research and provide information across a wide range of areas, so that adding years to life will mean adding joy to life. Among the new products developed from discussions at this forum are *Actea heart*, based on the relationship between female hormones and skin; *qiora* derived from the relationship between the spirit and skin; and the anti-aging cosmetic *REVITAL*.



Shiseido Forum 2003
Successful Aging: "How to add years and control aging"
(October 2003)

Outline of Successful Aging Forums Held to Date

Forum No.	Year held	Title	Theme	Venue
1st	1989	Shiseido International Forum 1989 “Successful Aging”	“Successful Aging” —Solutions for aging gracefully	Yurakucho Asahi Hall
2nd	1991	Shiseido International Forum 1991 Successful Aging: “Relationship between the body and spirit”	“Relationship between the body and spirit,” as viewed from psychological and psycho-neuroimmunological perspectives	Yurakucho Asahi Hall
3rd	1993	Shiseido Science Forum 1993 Successful Aging: “Stimulation of the spirit—Creativity, and self-expression”	“Stimulation of the spirit—Creativity and self-expression” reaches into brain physiology	Yurakucho Asahi Hall
4th	1995	Shiseido Forum 1995 Successful Aging: “My fragrance”	Theme of “My fragrance” focuses on aging, the sense of smell, and scents	International Conference Hall of United Nations University
5th	1997	Shiseido International Forum 1997 “Frontline of Successful Aging”	“Frontline of Successful Aging” introduces results of leading-edge research related to aging	Yurakucho Asahi Hall
6th	1999	Shiseido International Forum 1999 Successful Aging: “Rejuvenated sense of touch—The feel of youthful skin”	Clarifying the relationship between sense of touch and successful aging, “Rejuvenated sense of touch—The feel of youthful skin”	Tokyo International Forum
7th	2001	Shiseido Forum 2001 Successful Aging: “Time refines humans—21st century views on aging”	21st Century views on aging: “Time refines humans” considers views on humanity	Yurakucho Asahi Hall
8th	2003	Shiseido Forum 2003 Successful Aging: “Between adding years to life and growing older—How to add years and control aging”	Reconfiguring modern-day knowledge and reconsidering the purpose of cosmetics, “How to add years and control aging”	Marunouchi Building Hall (with live web cast of the lecture)

●Successful Aging lecture

This lecture provided hints to the participants about how to age gracefully. The guest speaker and participants discussed ways to design one's own way of aging. A total of 621 people attended the lecture in fiscal 2003.

→ See page 55 for details concerning each theme



“Practicing sports, and ‘sports & leisure’
—Visionary sports recommendations” (March, 2004)

●Publishing activities

Publications also provide information on Successful Aging, including three books published based on dialogues at Successful Aging forums. The first was Edo no Iki (The Spirit of Edo) edited by Yuko Tanaka. The other two, published in fiscal 2004, were Shiawase na Dezain (Happy Design) edited by Toshiharu Itoh, and Ginza Jojo (Best of Ginza) edited by Noriko Harada.



Successful Aging book series

●Successful Aging seminars

Beauty consultants play a central role in hosting Successful Aging seminars, which are held at the request of local communities, companies, and organizations. They talk directly with customers, provide information about cosmetics, and introduce makeup hints for greater enjoyment of daily life.

●Distributing information via the corporate website

Special pages were added to the *Shiseido Website* to provide comprehensive information on Successful Aging.

www.shiseido.co.jp/successful/html/index.htm (Japanese only)

Philanthropic activities of Shiseido

The roots of Shiseido's philanthropic activities trace back to 1919 when the Shiseido Gallery was opened. Since then, under the corporate position of creating beauty in daily life, Shiseido has continually supported artists who strive to create

new forms of expression. The company's philanthropic activities center on providing support for experimental expression and providing a venue for avant-garde artists to introduce their work.

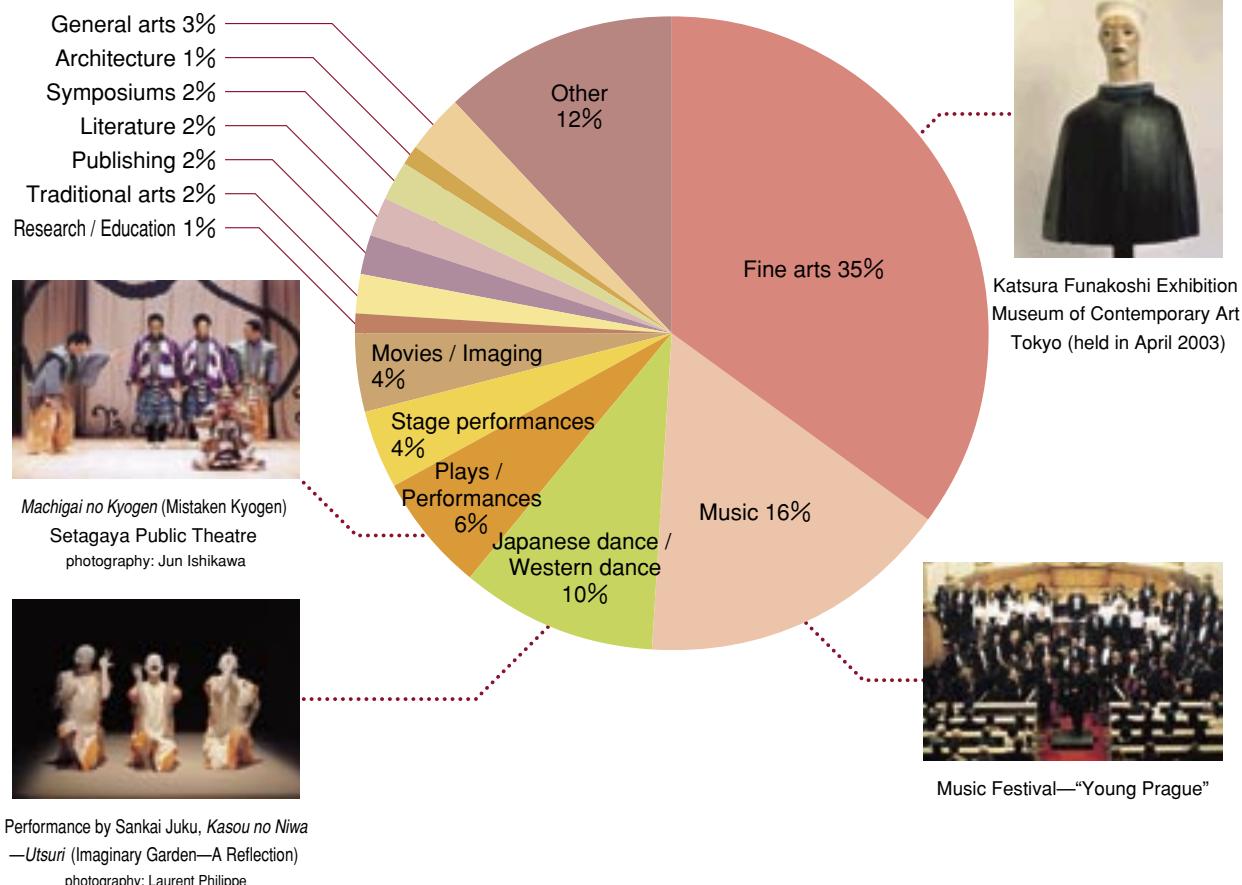
● Activities supporting the arts

Shiseido supports the arts and culture more through its progressive attitude than its established traditions. Support is centered on modern art and emphasizes the activities of avant-garde artists, radical, contemporary, and experimental expression, and the nurturing of new talent, in Japan and

overseas. The company provides much of its support for the introduction of new art while cooperating closely with the Association for Corporate Support of the Arts.

As part of its corporate policy, Shiseido annually earmarks roughly 1% of its ordinary profits to a budget for its philanthropic activities.

Total of support activities: 156



● Art Documents Support Program by Shiseido (ADSP)

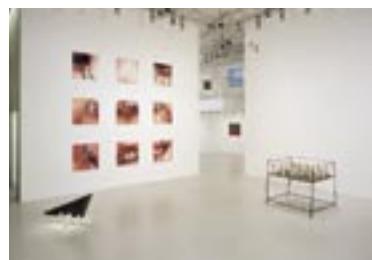
Since 2000, ADSP has supported the production of catalogues for exhibitions by budding artists in Japan. Awardees are selected twice a year in public solicitations for applicants. The aim is to retain printed records of the exhibitions. Shiseido not only provides financial support but also assists the artists in catalogue production based on its long years of art gallery experience and the publishing expertise of Kyuryudo Art Publishing Co., Ltd., an affiliated publisher of books on fine arts.

● Word Friday

Since March 2001, Shiseido has sponsored a cultural program, "Word Friday" every Friday at Word Shiseido in the Tokyo Ginza Shiseido Building, featuring guests invited from various fields. Designed to be an interactive "talk event," the guests are asked a variety of questions. Their answers reflect their thoughts on life, emotions, and intellect. As of March 2004, Word Friday has been held 144 times, with participation by a total of 7,482 people.

●Shiseido Gallery

Opened in 1919, the Shiseido Gallery is Japan's oldest existing art gallery. It introduces next-generation artists who express themselves in innovative ways. Regular exhibits are held six or seven times a year. The gallery was remodeled in 2001, and the ceiling is over five meters high, making the gallery one of the most spacious buildings in Ginza. Japanese and overseas artists regard the gallery as a place to find inspiration for their own art.



Tsubakikai Exhibition 2003 (Shiseido Gallery)

●Hanatsubaki Award for Contemporary Poetry

The Hanatsubaki Award for Contemporary Poetry, presented to the author of the most outstanding collection of poetry published during the year, was established in 1982, making 2004 its twenty-second year. Poetry is widely considered the most difficult literary genre, and the award encourages poets to continue writing. The 2003 award went to Kiwao Nomura for his poetry collection *New Inspiration*.

●Hanatsubaki

Hanatsubaki is a monthly magazine designed to deliver information directly to customers. First published in 1937, the 650th issue since its revival after World War II was published in August 2004. Introducing Shiseido's cultural assets to Japanese society, the magazine plays an important role in stimulating interest in cosmetics and makeup as well as a yearning for prosperous lifestyles.

●Shiseido Art House / Shiseido Corporate Museum

The Shiseido Art House exhibits works of art that Shiseido has collected in the process of supporting the arts and culture. The Shiseido Corporate Museum is an archival museum that introduces the history of the company's activities and corporate culture. Located in Kakegawa, Shizuoka Prefecture, both museums had about 30,000 visitors in 2003. Plans call for upgrading them as institutions for research and dissemination of information.



Shiseido Corporate Museum

→ See page 55 for details about exhibitions at the Shiseido Art House

Helping visitors understand Shiseido's corporate culture

We are always thinking of ways to make our visitors understand that today's Shiseido rests on a foundation of corporate cultural traditions.

Compared to Tokyo, Japan's provincial cities have fewer cultural facilities and exhibitions, and the quality of the exhibitions cannot be compared to those held in large, metropolitan areas. The Shiseido Art House, however, has sponsored outstanding art exhibitions in Kakegawa, Shizuoka Prefecture, for 25 years, contributing toward raising awareness of the arts and culture in provincial areas.

We want many people to visit our museum and return home with lasting memories of the exhibitions they have viewed. Some visitors say to us: "Thank you, Shiseido" and "Shiseido certainly takes good care of culture". As the curator of the Shiseido Art House, nothing makes me happier than to hear those kinds of comments.

Besides the exhibitions, we are kept busy managing, preserving, and restoring the artwork. Truly fine artwork lasts

for many lifetimes, and I realize I am only one of the many people to take care of such pieces during their entire life span. If we want people 100 or 200 years from now to enjoy the artwork that Shiseido collected in the 20th century, we must store these pieces in the finest possible condition, while still putting them out on public display. We will continue doing our best to maintain Shiseido's art collection in perfect shape.



Masako Fukushima, Curator
Shiseido Art House

Activities to support academic research

As a company involved in human science, dermatology, and life sciences, Shiseido energetically provides support for leading-edge research in related scientific fields.

●Holding symposiums and seminars

Shiseido hosts symposiums and seminars mainly on themes related to dermatology. The company provides experts with opportunities to present the results of leading-edge research, thus promoting further research and contributing to the area of dermatological therapy.

In May 2003, Shiseido jointly sponsored a seminar entitled "Satellite Seminar: Quality of Life (QOL) and Cosmetics" with the Japanese Dermatological Association. Lectures by four experts at the seminar promoted a proper understanding of QOL. A paper was also presented about the beneficial effects of cosmetics in raising peoples' quality of life.



●Grants for research institutions

Shiseido energetically subsidizes leading-edge research in dermatology, cosmetic science, and science and engineering, thus contributing widely to the development of various scientific fields.

Grants Provided in Fiscal 2003

Name	Description of grant	Number and size of grant
Japanese Dermatological Association basic medical research expenses (Shiseido donation)	Support basic medical research in the area of dermatology jointly with the Japanese Dermatological Association	12 grants 6 million yen
The Japanese Society for Investigative Dermatology Fellowship Shiseido Award	Support basic research in dermatology jointly with The Japanese Society for Investigative Dermatology	2 grants 2 million yen
Shiseido Science Research Grant	Support research related to science and engineering, cosmetic science, and dermatology	10 grants 10 million yen

See *Shiseido Website* for details about support for academic research

www.shiseido.co.jp/e/science/html/index.htm

System for supporting social contribution activities of employees

Shiseido supports employees in their social contribution activities, believing that looking closely at society and becoming more involved will enhance the personal growth of employees. In addition, Shiseido believes that the company as a whole will benefit with the help of each employee's development.

●Awards for social contribution activities

In 1992, Shiseido introduced a program that awards employees for social contribution activities. Besides giving out awards, the company also donates funds to the Shiseido Social Welfare Foundation on behalf of the awardees. Twenty-four employees received awards in fiscal 2003.



Employees invite mentally disabled people to concerts

●Social Studies Day

Under this program, which started in 1993, employees receive paid absences for up to three days while they participate in social contribution activities. They use the opportunity to acquire skills to participate in volunteer or social contribution activities, as well as for donor registrations. The company is promoting wider use of the program, which attracted 13 employees in 2003.

●Program for sending employees overseas for volunteer activities

In 1997, Shiseido established a program to send employees to countries in Asia as volunteers, where they experience life at welfare facilities and gain an understanding of local conditions. One such welfare facility is the "Second-Chance School" in Kanchana Buri Province in Thailand, where Shiseido employees have conducted volunteer activities since fiscal 2002.



Employees take care of children at a Thai welfare facility as part of the overseas volunteer program

●“Matching Gift” program

Since 1998, Shiseido has donated products such as shampoo and soap to welfare facilities in proportion to the volunteer activities of employees. The program covers activities by current employees, former employees, and family members. Matching products were donated to 201 facilities during fiscal 2003.

Welfare and local community activities

Shiseido continually conducts welfare and local community activities while making use of the proprietary technology, expertise, and assets that the company has accumulated during its many years in business. Shiseido fine tunes these activities to respect the special features of each community and makes best use of the company's assets.

● Personal appearance lectures at welfare facilities

Since 1949, Shiseido employees have conducted beauty lectures for aged and disabled people as part of their volunteer activities. Proper makeup has a rehabilitative effect, improving the confidence and enthusiasm of participants in their daily lives. The medical field is also closely observing these activities. Retired Shiseido beauty consultants also volunteer as lecturers. Some 1,909 of these lectures were given in Japan in fiscal 2003, with over 36,000 participants.



Personal appearance lectures at a facility for elderly citizens

● Joint community activities with local NPOs and other companies

Shiseido plans local exchange programs jointly with local NPOs and with Chuo Planet, a liaison organization consisting of companies located in Tokyo's Chuo Ward and the Chuo Ward Volunteer Center. In 2003, for example, Chuo Ward residents and families from companies located in Chuo Ward enjoyed an exhibition of modern art called "Puddles" held in a former elementary school building in the ward. Afterward the participants competed in creating artwork of thei



Children learn about contemporary art at the Jisshi Square in a former elementary school building

● Shiseido Art House concerts

Since 1992, the Shiseido Art House in Kakegawa, Shizuoka Prefecture, has invited local residents free of charge to charity concerts twice a year. Donations by the residents are collected at each concert, and are then given to social welfare organizations.



Gift from Heaven—Spiritual Guitar Concert (December 2003; attendance of 119 people)

Social contribution activities in Thailand

Employees in Shiseido's overseas subsidiaries and affiliated business offices in over 70 countries and regions worldwide energetically conduct social activities at the grassroots level that contribute to local communities. Shiseido Thailand Co., Ltd., for example, set up an in-house social contributions group in 2001 and since then employees have continuously visited orphanages and temples that shelter terminal-stage AIDS patients. Food, clothing, and money are collected from employees for donation to the orphanages and temples.



At a center for underprivileged children



Activities at Pak Kred rehabilitation and education center for disabled children

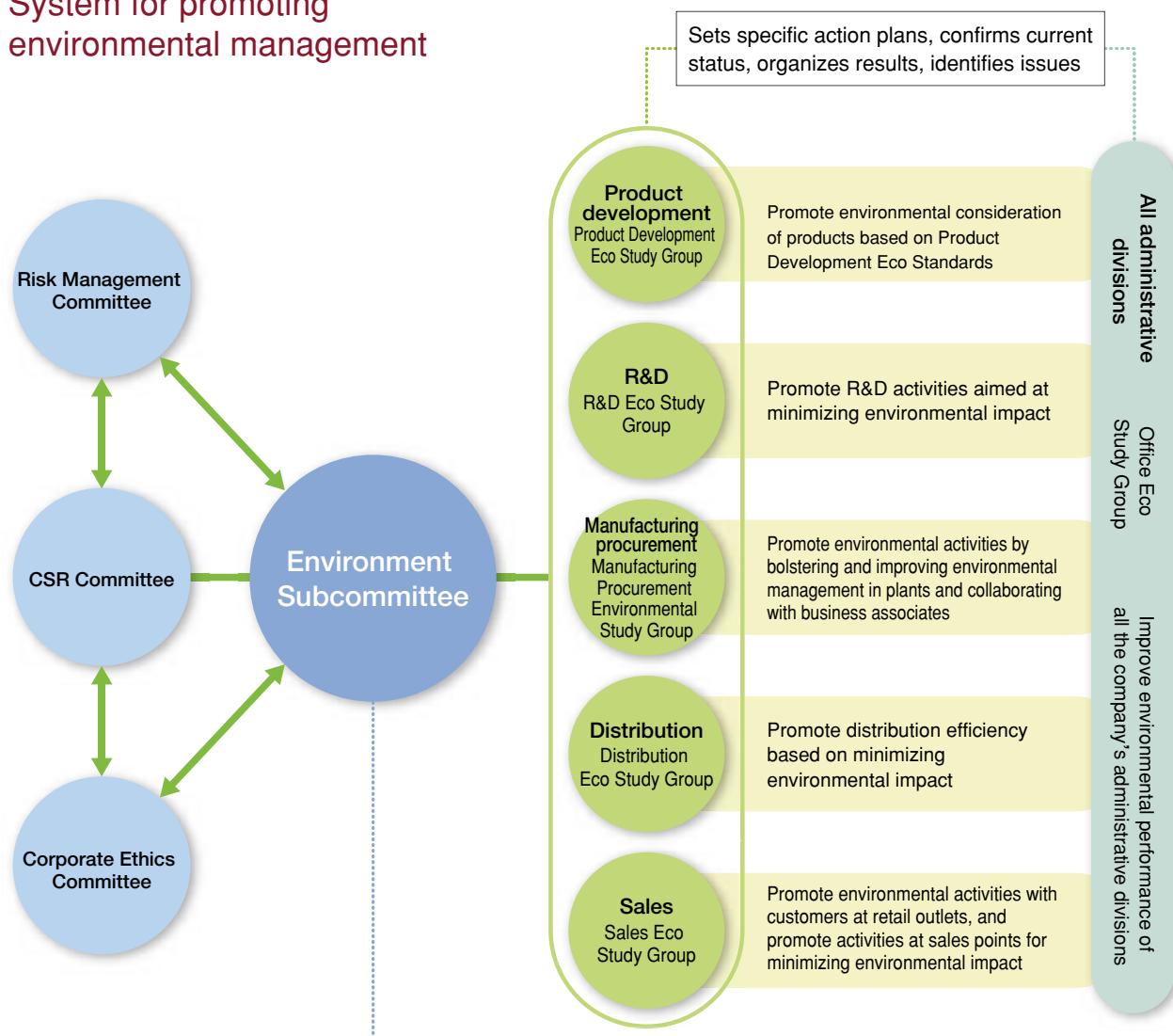
Preservation of the environment

For Shiseido, assisting in creating “beauty” through its products, there can be no true beauty without global environmental beauty. The company positions the environment as one of its important stakeholders, giving precedence over all else to considerations of safety and the environment.

Environmental management

Shiseido promotes environmental activities principally through the CSR Committee's Environment Subcommittee. The subcommittee has environmental study groups for each of the company's business domains, and works closely with the Risk Management and Corporate Ethics committees in terms of environmental risk and corporate ethics.

System for promoting environmental management



Environment Subcommittee (meets semiannually)

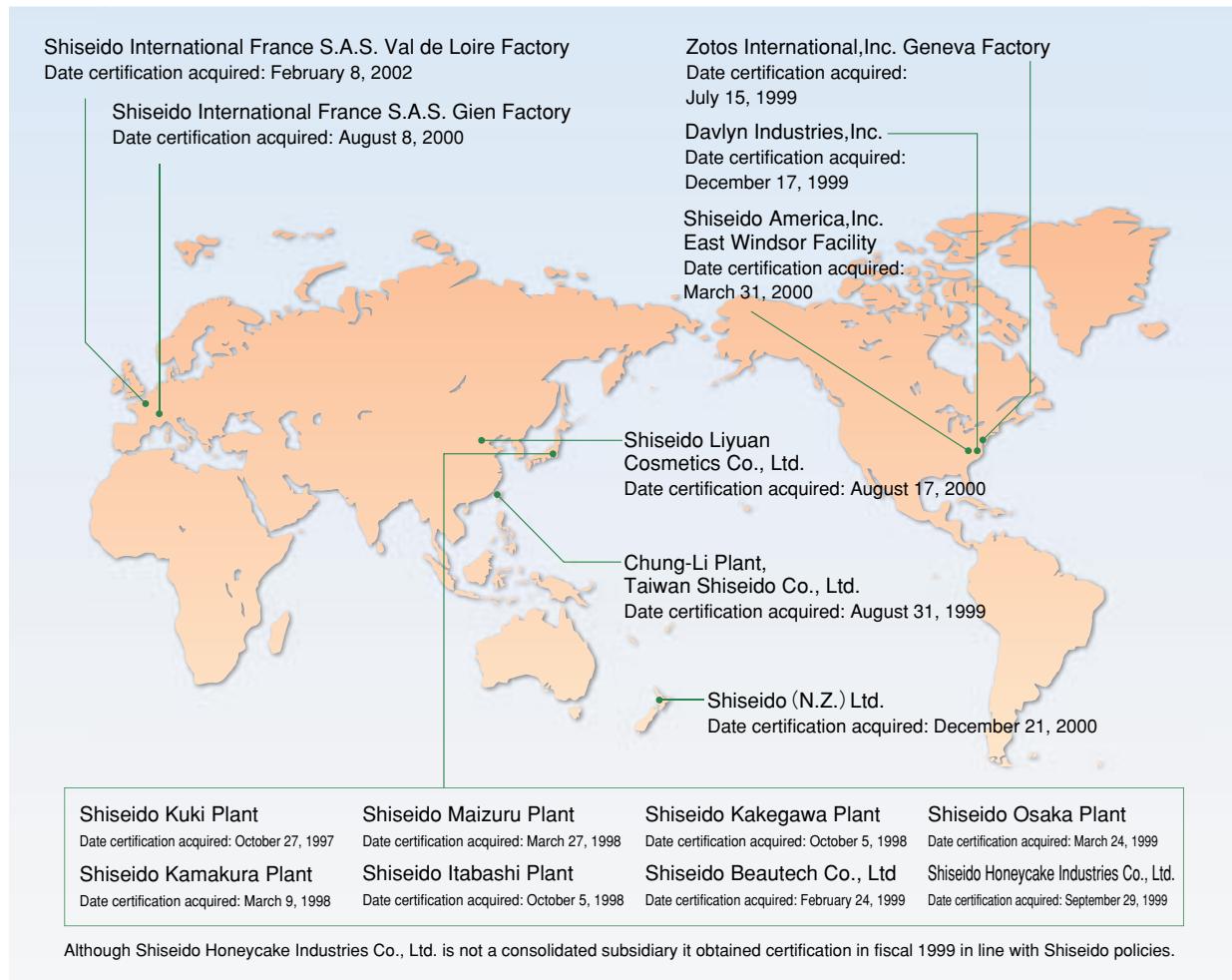
Tasks: Preparation and submission of company-wide environmental action plans to the CSR Committee for discussion, and management of promotional activities (including evaluation of results)
 Subcommittee Chairperson: Masami Hamaguchi, Corporate Executive Officer
 Vice-Chairperson: Kiyoshi Nakamura, Corporate Officer, General Manager of Technical Department
 Members: 12 people from manufacturing, distribution, product development, sales, and other business domains
 Secretariat: CSR Department, Technical Department

Status of ISO 14001 certification

Since 1996, when the ISO 14001 standards were published, Shiseido has been acting to minimize the company's environmental impact by having its manufacturing sites acquire the certification. By February 2002, a total of seven domestic and eight overseas sites had acquired the certification, starting with the Kuki Plant in 1997 followed by

other sites every year since. Those sites later also passed three-year inspections for renewing their certification, and continue making efforts to improve their environmental management systems.

The two domestic and three overseas manufacturing sites not yet certified are promoting environmental management using in-house standards much like those of ISO 14001.



Expanded environmental audits

Besides internal and external audits of manufacturing sites based on ISO 14001, Shiseido carries out additional audits of its business offices through the Safety Inspection Office in the Technical Department of the Head Office. The Safety Inspection Office conducts comprehensive audits covering not only the environment but also product quality as well as labor safety and hygiene to improve the workplace environment. Implementation of these audits is gradually being expanded to cover product centers, the sales companies, and overseas facilities.



Inspection for recertification of ISO 14001 at the Kuki Plant

Environmental education and development activities

For regularly promoting environmental preservation activities and achieving favorable results, environmental education and development activities are important to make employees more aware of environmental concerns. Shiseido offers wide-ranging opportunities from environmental education at manufacturing sites to training of people responsible for waste management at all facilities, training of new employees, and special courses for managers. Vigorous efforts are also made to distribute feature articles and news related to environmental subjects to all employees in the Shiseido Group through the in-house monthly publication *Shin-Tsubaki no Tomo*.



This issue features "Shiseido's approach to the environment, and exchanges with local communities"

Environment-related risk management—Response to environmental laws and regulations

Environment-related laws and regulations are becoming increasingly stricter worldwide, and a most important task in environmental activities is responding to such new laws and regulations. The Head Office's Technical Department is mainly in charge of collecting and analyzing information on environmental laws and regulations, and shares its results with related departments. The manufacturing division

complies with all laws, based on the ISO 14001 standards; non-manufacturing divisions closely follow a management system equivalent to the ISO standards.

The status of Shiseido's response to the main laws and regulations recently introduced or revised in Japan is as follows.

Stricter management of waste materials

Illegal industrial waste disposal is a serious social problem. As more violators were exposed, Shiseido reviewed all contracts between its domestic business offices and waste disposal firms to prevent illegal disposal. The company also appointed people at each business office from 2002 to enable stricter management of waste disposal and provided them with special training. From April 2003, appointed personnel have been required to submit waste disposal management reports to validate the proper management and disposal of waste. Shiseido also hosts waste disposal seminars for its materials suppliers and requests them to do their utmost in managing their own industrial waste.

Thoroughgoing management of chemical substances

After promulgation of the PRTR (Pollutant Release and Transfer Register) Law in April 2001, all facilities covered by the law (in fiscal 2003, this included the Kakegawa, Osaka, Kuki, Itabashi, and Shiseido Beautech plants) file reports by June each year. All Shiseido plants and research centers also have effective management systems for using and disposing of chemical substances, including raw materials. The facilities have developed materials safety data sheet (MSDS) databases for workers to access the data easily via computers, resulting in improved safety when handling raw materials and in faster responses to emergencies.

Response to emergency situations

Through an environmental management system based on the ISO 14001 standards, the companies in the Shiseido Group have prepared systems and rules for response to emergency situations. Manufacturing sites, in particular, conduct periodic training for responding to emergency situations such as those related to fire and chemical substances leakage.

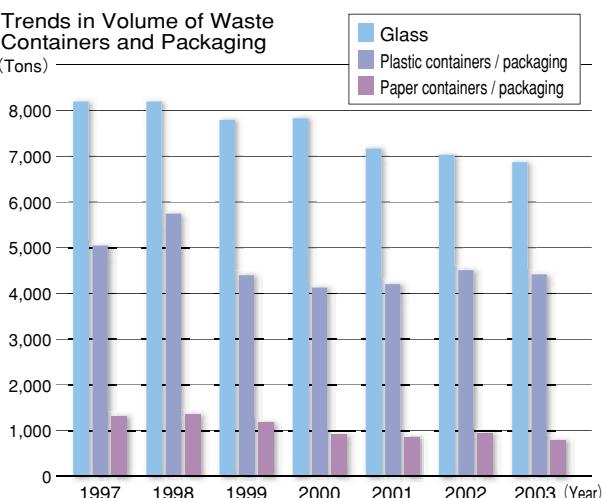


Emergency response training at the Kuki Plant

Promotion of minimizing waste from containers and packaging

Since the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging went into effect in 1997, Shiseido has contracted The Japan Containers and Packaging Recycling Association to recycle product containers for reuse. Shiseido has been making a continuous effort to limit the volume of containers and packaging materials, resulting in reduced usage compared to at the time the law was implemented. From 2000, the scope of materials covered by the law was widened to include all plastic and paper containers and packaging. Accordingly, the unit cost for recycling was also revised, increasing overall contract expenses. Shiseido expects this recycling burden for fiscal 2004 to reach 268 million yen, an increase of 24 million yen year-on-year.

Trends in Volume of Waste Containers and Packaging
(Tons)



Management of waste PCB materials

Polychlorinated biphenyl (PCB) was used widely in transformers and condensers for its outstanding heat resistance and insulation qualities. After its harmful qualities became known, however, its manufacture, import, and new use have been prohibited. All 62 of Shiseido's business sites (plants, branch offices, distribution centers, research centers, and the Head Office) pay strict attention to storage of PCB waste material and prepare reports to the government as stipulated in the Law Concerning Special Measures Against PCB Waste. Thorough management of PCB waste includes listing it as an important item in reports on the management of waste materials.

Measures to prevent soil contamination

In fiscal 2002, prior to enactment of the Soil Contamination Countermeasures Law which came into force in February 2003, Shiseido conducted an initial phase screening survey of its nine domestic manufacturing sites. The company also conducted a similar survey of its non-manufacturing sites, such as product centers and branch offices, in fiscal 2003. Neither survey found contamination that negatively affects the human body.

Shiseido started its activities to minimize environmental impact with the declaration to eliminate the use of chlorofluorocarbons in 1989.

The company thereafter halted its use of polychloride vinyl for containers and packaging materials, and from fiscal 2001 began recycling used glass cosmetic containers nationwide.

To help prevent global warming, the company also introduced cogeneration systems into its operations.

At the same time, regarding the recycling of waste materials and the reduction of CO₂ emissions as crucial tasks, the company has been promoting the activities with specific targets set for each plant through implementing an ISO 14001-based environmental management system.

Environmental goals (1)

Shiseido's principal environmental goal was to achieve zero emissions at its domestic cosmetics manufacturing sites by fiscal 2003.

Achievements in fiscal 2003

Zero emissions were achieved at all domestic cosmetics manufacturing sites

With the Kuki Plant achieving zero emissions, all seven domestic cosmetics manufacturing sites have now achieved this goal. Shiseido thus realized one of the environmental goals the company set in fiscal 2001.

The know-how gained through activities to achieve zero emissions at these domestic manufacturing sites will be applied at Shiseido's research centers, distribution centers, branch offices, and overseas business offices.

Environmental goals (2)

Reduce CO₂ emissions at all domestic plants by 15% per manufacturing unit by fiscal 2010, compared with the fiscal 1990 level.

Achievements in fiscal 2003

CO₂ emissions worsened by two points; now considering strategic capital investment

With fiscal 1990 indexed as 100, CO₂ emissions (per manufacturing unit) from electricity and fuels used at Shiseido's plants were calculated at a value of 140 in fiscal 2003, a two-point increase from fiscal 2002. Total manufacturing volumes decreased with a shift toward small-lot manufacturing, such as cell manufacturing and made-to-order manufacturing, but the fixed amount of energy consumed (energy consumed regardless of manufacturing volumes) remained even, thus worsening the index per manufacturing unit. Total emissions of CO₂ have therefore stayed at the 37,000-38,000 tons per year level for the past few years.

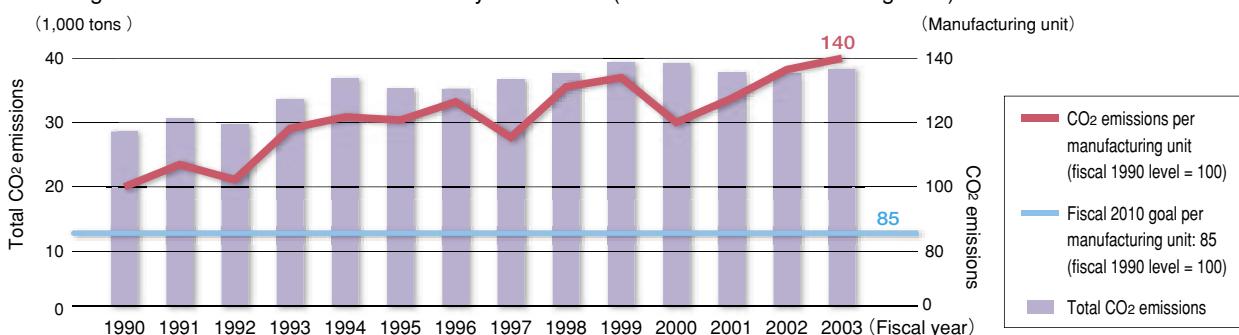
As countermeasures to overcome the above situation, Shiseido will install cogeneration systems in other plants similar to the one installed in fiscal 2001 at the Kuki Plant, and will streamline its domestic plants (planned for 2006) with closures and mergers to reduce fixed energy

consumption and raise manufacturing efficiency. Keeping up with rapidly advancing technologies in the energy conservation field, Shiseido will promptly consider and implement various measures to reduce CO₂ emissions, such as introducing cogeneration systems, switch fuels, participating in CO₂ emissions rights trading, and planting trees, with due consideration to their cost-effect relationships while responding to the tightened energy conservation laws and changing social trends brought on by the Kyoto Protocol.

▶ See page 49 for details on Shiseido's approach to energy conservation

* Cogeneration system: System that uses a single energy resource to simultaneously generate different types of energy (i.e. electricity and heat), recognized for its high energy-saving effects.

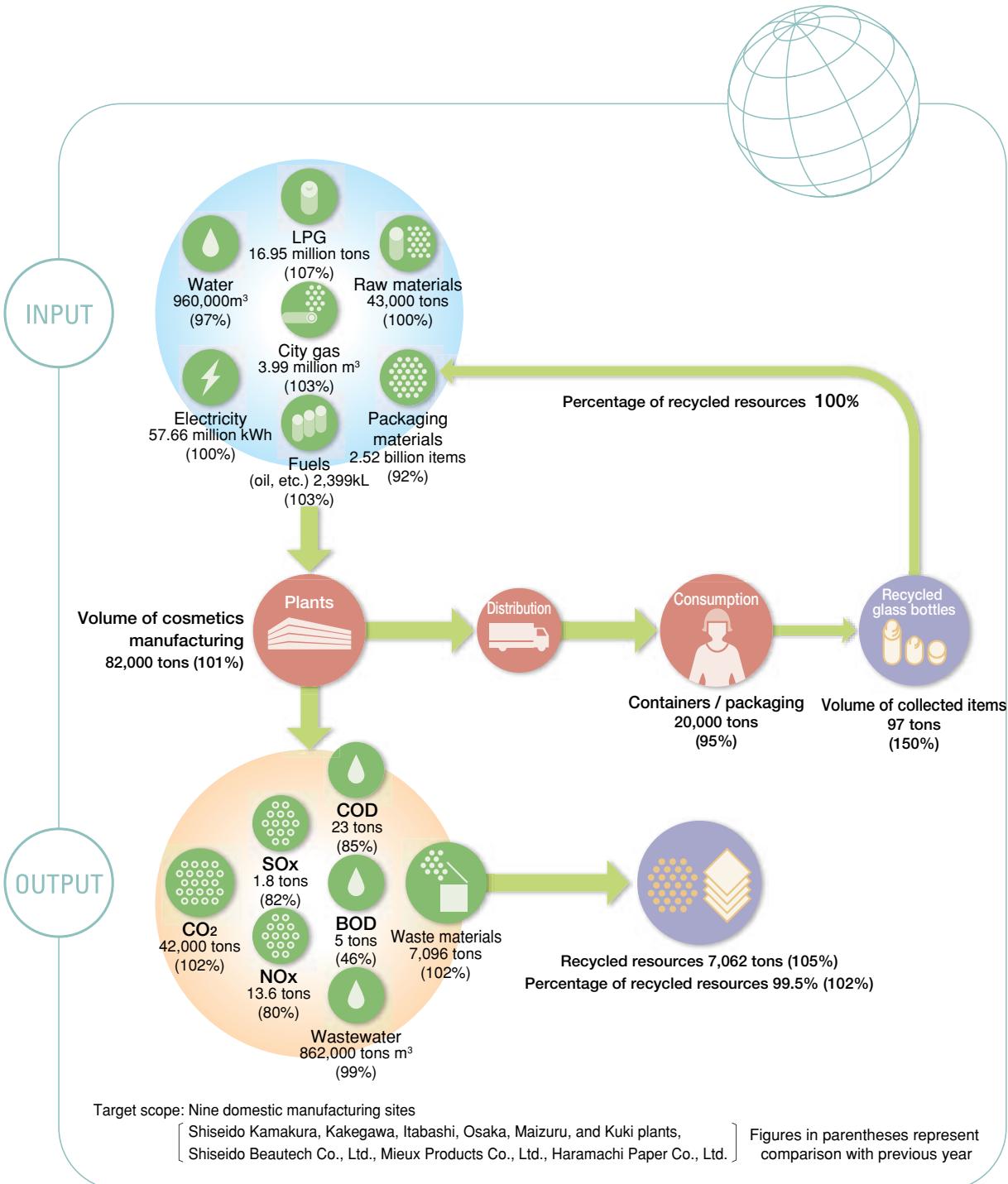
Changes in Emissions of CO₂ from Plants by Fiscal Year (six domestic manufacturing sites)



Flow of materials and products at Shiseido

Shiseido traces the overall flow of products and materials at all stages from manufacture to consumption and recycling. Regarding output, recognizing that the manufacturing plants have the largest environmental impact among all its business operations, the company has been working on waste material recycling and energy conservation by setting specific environmental targets.

→ See page 44 for details on Shiseido's environmental goals



Glossary of Terms

Packaging material (units) Total number of containers, cases, caps, etc., used with products.	SOx Sulfur oxides (SOx) are colorless gases with a strong irritating odor generated during the combustion of heavy oil and coal; they are known to cause acid rain.	NOx Nitrogen oxides (NOx) are generated during the combustion of oil and gas; NOx is one of the substances which causes photochemical smog.
COD Chemical oxygen demand (COD) is the amount of oxygen needed to oxidize pollutants in water and other effluents. COD is used to estimate the amount of a pollutant in a sea area or a lake. The higher the COD value, the greater the amount of the pollutant in the effluent.	BOD Biochemical oxygen demand (BOD) is the amount of oxygen needed for biodegradation of pollutants (organic matter) in water. BOD is an index for measuring the level of pollution in rivers and streams. The higher the BOD value the greater the amount of the pollutant in the effluent.	

Environmental considerations before product development

Shiseido's departments of Product Development, R&D, and Design work closely to promote the design of environment-conscious containers and packaging through the use of environmentally-friendly materials, the reduction of excessive packaging, and the design of easily recycled containers at the product development stage.

2003 Eco Tree

Shiseido has developed an Eco Tree diagram to make its environmental considerations reflected in its products developed to date easier to understand. The main considerations comprise the trunk of the tree while specific measures appear in the tree's roots and branches.



Development of new technology that takes the environment into consideration

Shiseido provides new value to customers and is working on manufacturing products that are “friendly to the earth” with little impact on the environment. Shiseido is advancing its research to make not only the contents of its cosmetics but also materials used in containers, and after-use disposability “kinder” to the environment.

New environment-conscious technology utilizing results from basic research

Research into cosmetics containers made from plants

Shiseido is moving ahead of other companies in promoting research into polylactic acid, a substance drawing public attention as a plastic made from plants, for use in cosmetic containers.

Polylactic acid is formed by bonding lactic acid resulting from fermentation of starch rich plants such as corn. Plastic materials made from polylactic acid are referred to as “biodegradable plastic,” which shares many of the same properties as petrochemical plastic while being readily decomposed by microorganisms in soil or compost, ultimately returning to nature. These plastics also produce less CO₂ in the manufacturing processes and are thus highly recognized for causing little impact on the environment.

Adding more sophisticated features to polylactic acid

Shiseido has been advancing research on adding more sophisticated features to polylactic acid. Conventional biodegradable plastics display poor performance with regard to water resistance, hardness, and water permeability, making it difficult for their practical use as cosmetics containers. By utilizing powder processing and dispersal technology, however, Shiseido recognized the possible use of polymer nano composite technology for compounding a small volume of inorganic matter with polylactic acid on a nano-size scale (1 billion parts per meter) to overcome the previous shortcomings. That led to successful development of biodegradable plastic containers with greater heat resistance and less water permeability.



Container using newly developed biodegradable plastic

Joint research with Toyota Motor Corporation

In a joint research project, Shiseido's two research institutes—Production Technology Development Center and Research Center—and Toyota Motor Corporation have developed a highly functional bio-plastic for use with cosmetics. Reforming technology was used with the polylactic acid biodegradable resin that occurs naturally in plants to overcome the substance's previous shortcomings, such as poor heat and shock resistance and poor durability, as well as to improve the molding property of the resulting bio-plastic.

Shiseido applied this technology in cosmetics trays for sales promotion in the spring of 2004.



Cosmetics tray for sales promotion

Alliances in using biodegradable plastics technology

I joined Shiseido 10 years ago and assumed my present position in 2002. In my regular work I am aware of how natural it is for corporations to provide products that reflect environmental considerations. Shiseido has been paying close attention to such considerations for many years, proving that the company is fulfilling its social responsibility concerning the environment.

Our next goal is to promote the use of this biodegradable plastic technology widely in and with other industries. Efforts should be made to promote the excellent qualities of polylactic acid technology. Shiseido can set an example by gradually introducing the biodegradable plastics to replace the annual 6,000 tons of plastic containers the company uses. But the benefits will be limited if only

Shiseido uses this technology, so we are energetically urging other companies and industries to join us in its utilization.

By spreading the use of environmentally friendly biodegradable plastics, I believe that we are contributing toward enabling our children, when they become adults, to live on a beautiful planet and breathe fresher air.

Shun Takahashi
PC Development Office
Product Development Center
Shiseido Research Center



Activities for reducing environmental impact in procurement

Shiseido collaborates with its business associates to promote preservation of the global environment

Setting conditions with business associates based on results of environmental survey

To reduce environmental impact, Shiseido realized that the company must not only make efforts itself but also collaborate with the business associates supplying it with raw materials, fragrances, packaging, sales promotion tools, and so forth.

In February 2001, Shiseido conducted an environmental survey of its business associates based on the Green Procurement Standards. Based on

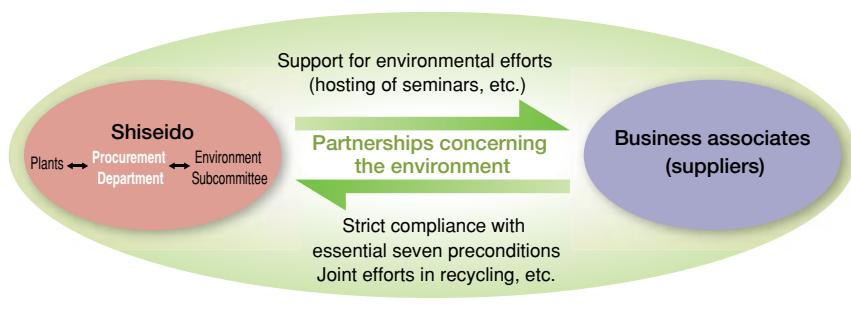
the survey results, the company established seven essential items as preconditions for doing business together, asked its business associates to meet the preconditions, and offered to assist them as needed.

As of April 2003, all its business associates had met the preconditions. Shiseido will continue working with them to strengthen their activities related to the preconditions, while emphasizing the importance of teamwork.

Seven Preconditions for Collaborating with Business Associates

1. Establishment of environmental policies
2. Establishment of written guidelines for strict compliance with laws and regulations
3. Thorough management of PRTR substances
4. Establishment of management rules for industrial waste disposal
5. Careful scrutiny of industrial waste disposal companies
6. Thorough management of manifesto
7. Thorough management of PCB

Collaboration between Shiseido and Business Associates



Overseas efforts related to the environment

The Shiseido Group conducts environmental activities globally

Hosting of overseas environmental conferences

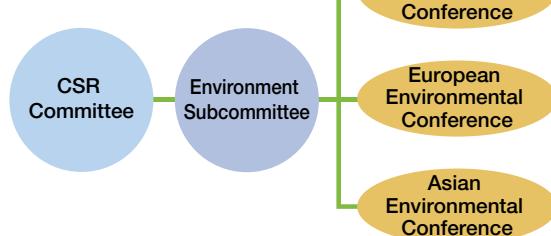
Shiseido has hosted environmental conferences since fiscal 2002 in the U.S., Europe, and Asia to promote environmental preservation activities globally for the overall Shiseido Group.

The First Asian Environmental Conference was held in Beijing in October 2003. The second conferences in the U.S. and Europe were both held one after the other in July 2004. Discussions covered only the manufacturing sites initially but were expanded to cover distribution centers and sales offices. The results of past environmental activities were discussed, as were the goals set for the following year. Each office shared its expertise to assist in resolving various issues.

Through such management and exchange of information, the Shiseido Group is moving toward achieving its environmental goals worldwide.



Organization for Promoting Global Environmental Activities



Integrated ISO 14001 certification acquired at overseas manufacturing sites

Davlyn Industries, Inc. and Shiseido America, Inc.—manufacturing sites of Shiseido in the U.S.—acquired ISO 14001 certification in December 1999 and March 2000, respectively. In addition, in aiming for greater efficiency in their environmental management systems both companies acquired integrated ISO 14001 certification in 2003.

Specific measures at plants for achieving environmental goals

To reduce the impact on the environment, emphasis is placed at each stage in the manufacturing process on promotion of recycling industrial waste and conserving energy.

Examples of recycling waste—Kuki Plant

The Kuki Plant is one of Shiseido's largest domestic manufacturing bases, annually manufacturing over 200 million units of toiletry products, primarily shampoo, conditioner, and body soap. Although the plant achieved zero emissions in August 2003, it generates about 2,500 tons of industrial waste each year. Sludge accounts for over 50%, with plastic, oil, metal, and other waste accounting for the rest; they are sorted into 51 types and disposed of accordingly. The plant has a recycling subcommittee and conducts activities to raise the awareness level of employees by energetically promoting preservation of the

environment.

Besides its all-out efforts to divide waste by category, the plant has also introduced various measures to reduce the overall volume of waste to reduce cost and the environmental impact.

While continuing its vigorous waste separation to bolster the foundation for supporting its zero emissions, the Kuki Plant will reduce the overall volume of waste and aim for a qualitative improvement in recycling through activities listed below.

Rate of Recycling Waste by Type (Fiscal 2003) (Unit: kg)

Waste Type	Total volume	Main methods of recycling	Volume of landfill waste	Rate of recycling
Sludge	1,520,530	Fermentation / use as fertilizer	0	100%
Waste metal	288,988	Reprocess as material for manufacturing steel	0	100%
General waste	283,258	Turn into material for manufacturing recycled paper	0	100%
Waste oil	210,386	Solid fuel, reprocess as material for manufacturing pig iron	0	100%
Waste plastics	198,379	Pulverizing into raw material	0	100%
Other	11,203	Turn into ferti lizer	0	100%
Waste glass	1,820	Process into cullet for use as raw material	0	100%
Waste under special management*	249	————	249	0%
Total	2,514,813		249	99.9%

*Waste under special management refers to general or industrial waste harmful or possibly harmful to the environment or to human health due to its toxic, contagious, or explosive nature.

Five Ways to Reduce Overall Volume of Waste

1. Reduce volume of sludge by installing drying facilities
2. Turn garbage into fertilizer through in-plant compost processing (used for gardens in plant grounds)
3. Reduce volume of waste by repairing one-way wooden pallets in-house or recycling them into raw materials
4. Reduce volume of waste plastics and metals through in-house compression processing
5. Reduce volume of waste by separating copper wire and other metals, and recycling them into raw materials

Examples of energy conservation

Cogeneration system at Kuki Plant

The Kuki Plant installed a cogeneration system in October 2001, and with it the plant is achieving the reduction and more efficient use of energy. Compared to fiscal 2000, the year before the system was installed, fiscal 2003 saw an overall reduction of energy equivalent to 1,631 tons of CO₂.



Cogeneration system

Boiler waste heat collection equipment at Kamakura Plant

To help reduce the volume of fuel being consumed at the Kamakura Plant, equipment was installed to recover and reuse waste heat from its boilers. Compared to fiscal 1999, the year before the system was installed, fiscal 2003 saw an overall reduction of energy equivalent to 970 tons of CO₂ or 36,000 liters of heavy oil.



Boiler heat recovery equipment

Steam boilers at Itabashi Plant

When the Itabashi Plant replaced its boilers in 1999, steam boilers were installed to reduce the amount of energy being consumed. The new boilers utilize city gas, which has a much lighter impact on the environment than heavy oil. Compared to fiscal 1998, the year prior to installation of the new boilers, an overall reduction in energy consumption equivalent to 525 tons of CO₂ was realized in fiscal 2003.



Steam boiler

Activities in distribution and sales for reducing impact on the environment

In distribution, efficiency is being promoted while maintaining a balance between preservation of the environment and the quality of service to customers. In sales, efficiency is being promoted while reducing sales losses resulting to which would otherwise result in more waste.

Approach during distribution

Reduction/recycling of packaging material

Shiseido is using more foldable plastic containers to transport freight between plants, distribution centers, and clients locations, thus helping to reduce the volume of packaging materials used. The recycling of cardboard is also being promoted. The recycling rate in fiscal 2003 was 99.8%.

Response to diesel-engine emission controls

To comply with emission controls on diesel engines implemented in October 2003 in Tokyo and three surrounding prefectures, Shiseido regularly confirms that the transportation companies whom the company commissions work to are complying with the new regulations.

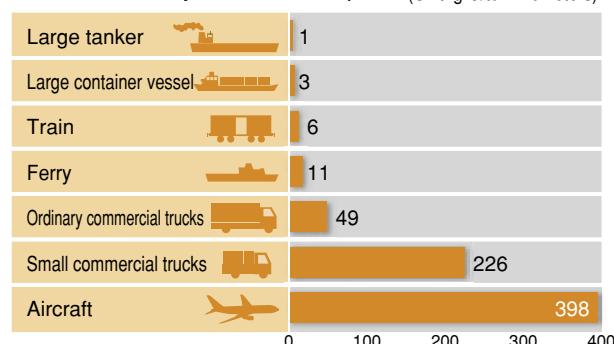
Joint delivery

To increase convenience to stores, reduce energy consumption, and cut delivery costs, Shiseido and other cosmetics manufacturers agreed on the joint delivery of their products to cosmetics retail outlets. Since 1997, four companies—Shiseido, Kanebo, Ltd., Kao Corporation, and KOSÉ Corporation—have been using the system in Hokkaido; since 1999 it has been used in Okinawa by Shiseido, Kanebo, MAXFACTOR, and KOSÉ

Modal shift

Modal shift is a shift in transportation mode either from trucks to more environmentally friendly transportation modes with the ability to ship large volumes such as ferryboats and trains, or to a combination of truck and ferry/railway. Shiseido is steadily promoting a modal shift and currently ships 12% of its total volume by ferry.

CO₂ Emissions by Mode of Transport (Unit: g-C/ton-kilometers)*



* CO₂ emissions unit: Amount of CO₂ emitted when one ton of freight is transported one kilometer (g-C/ton-kilometers; calculation based on carbon)

Source: *Kotsu Energy Yoran* (Transportation Energy Handbook), 2001-2002 edition, Ministry of Land, Infrastructure, and Transport

Approach during sales

Based on Sales Eco Standards, Shiseido Sales Co., Ltd., which is in charge of the sales of Shiseido cosmetics, works with Shiseido's marketing section to promote environmental

approaches, primarily on regarding the conservation of natural resources and energy, proper disposal of waste, and recycling.

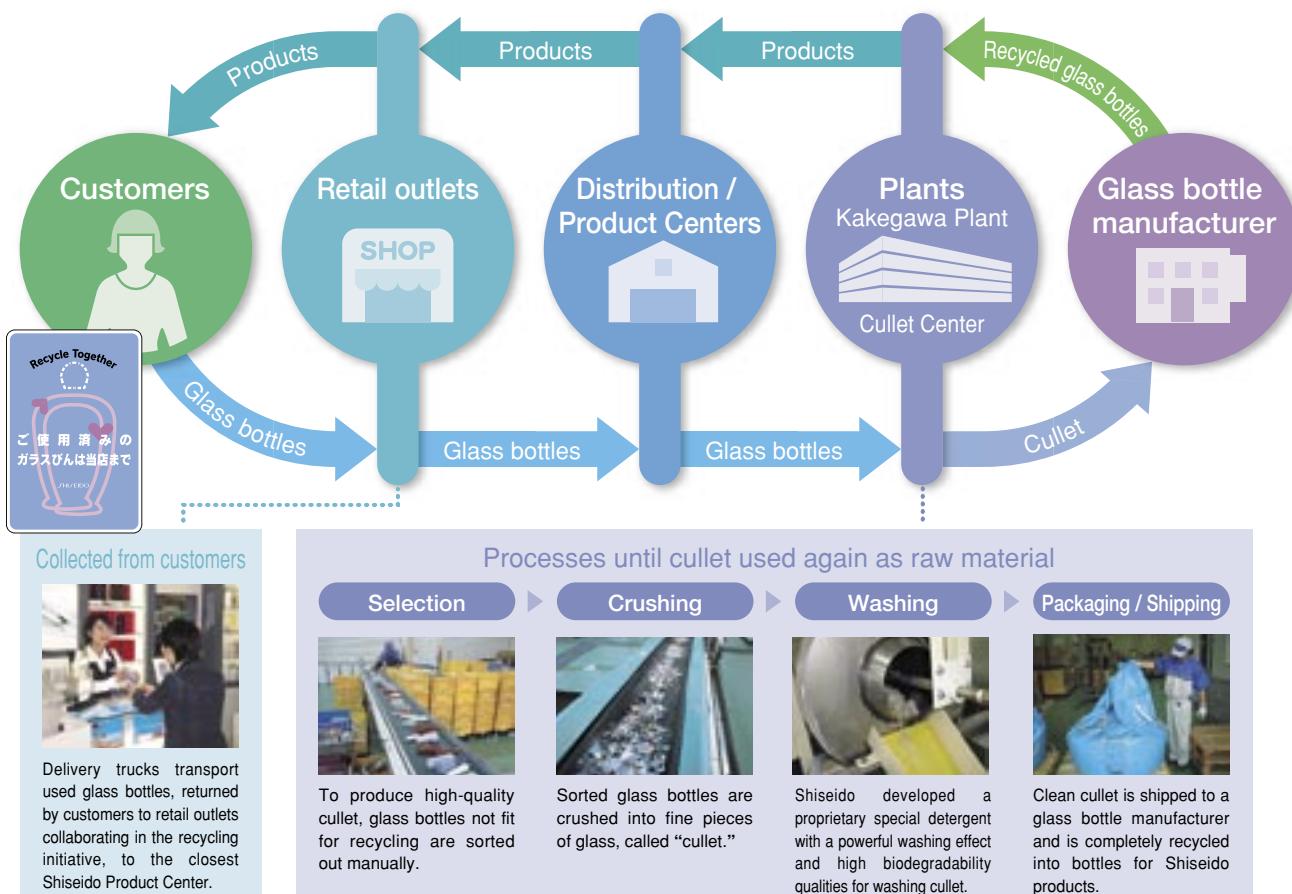
Examples of Unique Measures by Branch Offices of Shiseido Sales

Asahikawa	Complete elimination of OHP film by using document projectors
Sendai	Emphasis on green procurement of stationary (items with either Eco Mark or Green Mark); no more idling of sales vehicle engines
Gunma	Raise employee environmental awareness by reporting monthly electricity costs at monthly sales meetings
Nagoya	Halt use of disposable paper cups by asking employees to use personal cups for drinking
Mie	As an environmental model office, improve environmental awareness by having employees transport waste to incinerator and dispose of it themselves
Kyoto	All-out recycling of printer toner cartridges
Tottori	Environmental protection by participating in total clean up of Tottori Sand Dunes
Yamaguchi	Install automatic lighting system in toilets
Fukuoka	Implement zero loading of unnecessary items aboard sales vehicles (achieved 99%), halt employee use of elevators, thorough use of cards for operating copy machines
Kumamoto	For conserving electricity, switch all fluorescent lights from 40W to 32W, and clean all lighting equipment

Recycling of used glass bottles

Since April 2001, Shiseido has developed a system for recycling used Shiseido glass bottle cosmetic containers nationwide. In promoting its stance for recycling natural resources, Shiseido looks at what the company must do, and what the company can do.

System for recycling glass bottles



A list of retail outlets collaborating in the recycling initiative can be found at the following website:

www.shiseido.co.jp/eco/recycle (Japanese only)

Comments from Cullet Center

We recycled 97 tons of glass bottles in fiscal 2003, 3.5 times greater than in fiscal 2001, the year we began the bottle recycling system. I feel the circle of customers and retail outlets that understand what this system is about and collaborate with us is widening. We certainly hope that more customers and outlets will participate in this recycling system.



Recent visitors to our plant include local preschoolers and schoolchildren, and other students from elsewhere in Shizuoka Prefecture. It's also no longer unusual to have overseas visitors from China and Taiwan either.

Masao Igarashi, Manager
Cullet Center, Shiseido Kakegawa Plant

Comments from glass bottle manufacturer

All the cullet brought here from Shiseido's Cullet Center is used as raw material for manufacturing new glass bottles. The cullet is melted at extremely high temperatures so from the hygiene viewpoint customers can use the bottles with peace of mind. Also, glass is a perfect material for recycling because it can be recycled repeatedly without a decrease in its overall volume. Shiseido's

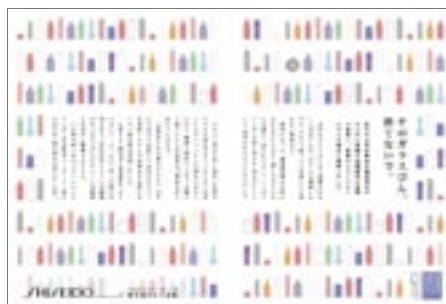
bottle recycling system involving customers and retail outlets is a great undertaking. It pleases us knowing that the glass bottles we manufacture return to us without being thrown away.

Kazuhiro Mariko, Manager
Manufacturing Section
Ichikawa Plant, Koa Glass Co., Ltd.

Shiseido believes that the disclosure of environment-related information is a social responsibility of corporations. In order to have stakeholders gain a broad understanding of Shiseido's environment-related activities, the company will continue to actively distribute information at every opportunity and via various media.

Advertising environmental activities

Shiseido advertises its environmental activities in newspapers and magazines to have as many people as possible know about them.

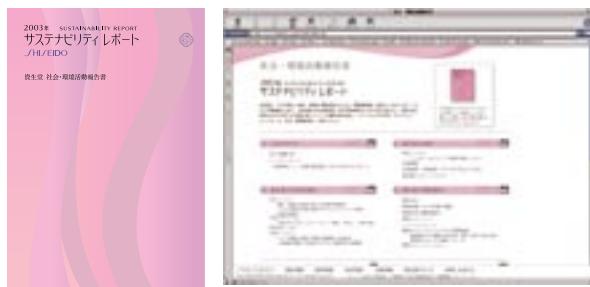


"Don't throw away that glass bottle."

Received the Outstanding Advertisement Award in Division Two
at the 56th Dentsu Magazine Advertisers Awards (2002)

Environmental Reports / Website

Every year since fiscal 1997, Shiseido has published an environmental report (*Sustainability Report* in 2003, and *CSR Report* in 2004). The company also publishes environmental information in both Japanese and English on the *Shiseido Website*.



Participation in symposiums, and publication of articles in books and magazines

In order to provide information on Shiseido's approach to environmental issues to people outside the company, other than through this *CSR Report* and the *Shiseido Website*, articles are published in books and magazines, and lectures are frequently given as well.



Special lecture at Toyo University

Environment exhibitions

Shiseido actively introduces its environment-related activities through exhibitions. Doing so allows the company to listen directly to comments from its stakeholders, in a bid to achieve two-way communication.



Shiseido booth at environment exhibition



Environmental Month Conference for Residents of Shizuoka Prefecture, and environment exhibition (in Kakegawa)

Cooperation in environmental education

Since 1999, the Shiseido Kamakura Plant has been cooperating with Kamakura Jogakuin Junior and Senior High School in providing environmental education. In fiscal 2003, for example, the plant introduced its initiatives to students studying about waste recycling and energy conservation. The students were also invited to tour the plant's environment-related facilities.



Students touring the Kamakura Plant



Environment-related lecture



Special lecture at Tokyo University of Science

Third party evaluation

This year's *CSR Report* introduces in great detail the efforts Shiseido made during the year to express its Corporate Ideals in specific ways. The company's clear posture of proactively reporting wide-ranging activities related to its direct ties with society must be evaluated highly.

Points in *CSR Report* worth high evaluation

- President Ikeda talks very specifically about Shiseido's responsibilities in his statement introducing the report. He also reflects candidly on the incident in which the company wrote off and disposed of old product inventories two years ago, displaying top management's deep and wide-ranging commitment to carrying out the company's responsibilities.
- Revision of The Shiseido Code (Corporate Ethics and Behavior Standards), created to realize the company's Corporate Ideals, was carried out with participation from a wide range of employees, such as those involved directly in the revision project and those in the Shiseido Labor Union.
- Specific figures are used to introduce the current situation concerning the use of internal systems such as the Corporate Ethics Help Line and childcare support.
- Given that 70% of Shiseido's employees and 90% of its customers are women, the company helps female employees become more active in their work.
- The company regularly provides information by voice and Braille to the visually impaired. (Please expand this program in the future to include schools for the blind.)
- Mention should be made of Shiseido's proactive promotion of alternative safety tests that do not involve animals.
- In addition to the systems that allow employees to take parental leave and time off for childcare, the "frontlines" support system allows retired beauty consultants to temporarily replace beauty consultant employees, promoting the utilization of childcare support systems. Also, the online "wiwiw" program supports the future return to work of employees who take parental leave. Shiseido developed and operates the "wiwiw" service and also sells it to other companies.
- Lectures offered since 1949 at welfare facilities encourage the aged and physically disabled to improve their personal appearance for greater enjoyment of daily life. Last year 1,909 lectures were held, an average of over 150 lectures each month.

Areas needing further efforts

- Besides moving forward with supporting female employees so they will become more actively involved at work, Shiseido should become a model for other companies by clarifying the background to and reasons for female employees not being able to continue working or not being promoted, and then taking steps to remove the identified obstacles.
- The goals related to the recycling of used glass cosmetic bottles should be raised higher, and further efforts should be made to solicit more cooperation from customers and cosmetics retail outlets.
- The disclosure of data about environment-related accomplishments should be expanded to allow confirmation of achievement at each plant and affiliated company.
- Concerning zero emissions, additional efforts should also be made to utilize products recycled from waste.
- The central focus when numerical figures are introduced is on current and past accomplishments. More efforts should be made to specify future goals and the direction of future efforts.

Areas requiring stronger efforts

- For three consecutive years the overall volume and volume per manufacturing unit of CO₂ emissions at the plants have not improved. That means that either the action policies set in 2001 and 2002 have not been accomplished or else they were not effective. Detailed information about the reasons and causes for that situation should be disclosed. In addition, as a managerial issue Corporate Officers in charge should disclose such information on the corporate website and through other means, to show how seriously the company is concerned with this issue. The specific grounds for making certain that future responses will be effective should also be clarified.



Hideto Kawakita

CEO

IIHOE

Social contributions and environmental activities over the years

Management	Social contribution activities	Environmental activities
1872 Establishes as Shiseido Drug Store in Ginza, Tokyo		
1888 Markets Japan's first toothpaste, <i>Fukuhara Hygienic Tooth Brushing Soap</i>		
1897 Enters cosmetics market with <i>Eudermine</i> skin lotion		
1915 Registers trademark <i>Hanatsubaki</i>	1900 1919 Opens the Shiseido Gallery	
1921 Establishes "Shiseido Five Guiding Principles"	1924 Publishes inaugural issue of <i>Shiseido Geppo</i> (Shiseido monthly newsletter)	
1923 Adopts chain store system	1928 Holds the first Shiseido Art Exhibition	
1927 Changes from limited partnership to joint-stock company	1933 Publishes inaugural issue of <i>Shiseido Graph</i>	
Adopts system of sales companies	1937 Establishes Shiseido Hanatsubaki Club, publishes inaugural issue of <i>Hanatsubaki</i>	
1939 Establishes Shiseido Research Laboratory	1947 Hosts the first Tsubakikai Exhibition	
1949 Lists shares on Tokyo Stock Exchange	1949 Begins "personal appearance lectures" for disabled and elderly people	
1953 Establishes Shiseido Institute of Beauty Science	1950 1964 Supports Paralympic Games Tokyo	
1972 Celebrates 100th Anniversary	1970 1972 Establishes Shiseido Social Welfare Foundation	
1974 Begins beauty salon classes for new college graduates	Hosts Shiseido International Conference: "Seminar on Light and the Skin"	
1983 Issues first convertible bonds	1977 Hosts "Six Designers in Paris"	
Signs technological collaboration agreement with Beijing City	1978 Opens Shiseido Art House (Kakegawa, Shizuoka)	
1985 Establishes Institute of Beauty Sciences	1980 1980 Hosts Shiseido International Conference: "The Skin and Science of Cosmetics"	
	1983 Establishes Hanatsubaki Award for Contemporary Poetry	
	1984 Prepares and distributes cosmetic booklet for skincare in Braille	
	1985 1985 Hosts Shiseido International Conference: "Aging and the Skin"	
	Hosts Shiseido Exhibition of Advertising Art in New York	
	1986 Prepares and distributes cosmetic booklet for makeup in Braille	
	Musée de la Publicité hosts exhibition entitled "Beauty and Advertising at Shiseido: 1872 - 1986"	
	1987 Prepares and distributes audio tape of cosmetic information for visually impaired	
	Supports Shiseido Musical "Les Misérables"	
	1989 Establishes MGH/Harvard Cutaneous Biology Research Center and begins joint research	1989 Declaration to eliminate the use of chlorofluorocarbons
	Hosts Shiseido International Forum 1989: "Successful Aging"	
1988 Liberalizes dress code and usage of compellations among colleagues	1990 1990 Establishes Corporate Culture Department	1990 Completes elimination of chlorofluorocarbons
1989 Establishes Corporate Ideals	1991 Markets hypoallergenic rice, <i>Fine Rice</i>	1991 Inaugurates Environmental Policy Committee
Announces Corporate Slogan, "Science of making people more beautiful"	Establishes Shiseido Research Fund for Skin Aging	(organ for company-wide deliberation of environmental issues and setting direction of company's environmental policies)
1990 Introduces selection-type system for developing human resources	Hosts Shiseido International Forum 1991:	
Introduces parental leave system	Successful Aging: "Relationship between the body and spirit"	
Introduces system of time off from work for personal revitalization	1992 Develops makeup method for hiding birthmarks and dark skin blemishes	1992 Establishes Shiseido Eco Policy
Introduces system of consecutive days leave	Introduces Social Contribution Awards for employees	(business policies related to the environment)
1991 Introduces system of childcare during work hours	Hosts Shiseido Art House Charity Concert	
	Hosts Science Symposium commemorating Shiseido's 120 th Founding Anniversary: Human Health Sciences and the Skin	
	Opens Shiseido Corporate Museum (Kakegawa, Shizuoka)	
1993 Introduces system of taking leave to care for family members	1993 Adopt Social Studies Day program	1993 Establishes Product Planning Eco Guidelines
	Hosts Shiseido Science Forum 1993:	(guidelines for planning and designing products that give due consideration to the environment)
	Successful Aging: "Stimulation of the spirit—creativity and self-expression"	1994 Initiates environmental audits by Corporate Auditors
1997 Announces "The Shiseido Way"	1994 Opens Cosmetics Garden C Omotesando (Tokyo)	
—Declaration of Corporate Behavior	1995 Provides recovery assistance after the Great Hanshin Earthquake	
Establishes Corporate Ethics Committee	Markets <i>Shiseido Perfect Cover</i>	
Announces "The Shiseido Code"	Hosts Shiseido Forum 1995:	
(Corporate Ethics and Behavior Standards)	Successful Aging: "My fragrance"	1996 Initiates public disclosure of environmental data
2000 Announces new Corporate Message, "Work together—Art de Vivre"	1997 Supports Paralympic Games Nagano	1997 Acquires ISO 14001 certification at Kuki Plant
	Institutes program for sending employees overseas to experience volunteer work	(the first in domestic cosmetics industry)
	Hosts Shiseido Science Symposium 1997:	Establishes Shiseido Global Eco Standards
	"Skin—interface of the body. A new era of skincare"	(for product development)
	Hosts Shiseido Forum 1997: "Frontline of Successful Aging"	
	Hosts corporate culture exhibit in Paris:	
	"Paris-Tokyo-Paris Shiseido 1897-1997 la Beauté"	1998 Publishes <i>Shiseido 1997 Environmental Report</i> (published annually thereafter)
	1998 Introduces "Matching Gift" program	Announces "Four Promises to Society" concerning the environment
	Hosts corporate culture exhibit in Tokyo: Shiseido Meme Exposition	1999 Begins using recycled PET fiber for uniforms of beauty consultants
	1999 Hosts Shiseido International Forum 1999: Successful Aging: "Rejuvenated sense of touch—the feel of youthful skin"	Hosts Environmental Symposium
	2000 Hosts Shiseido Science Symposium 2000 Skincare Millennium: "The Skin and Genes—Making the Connection"	2000 Receives Director General of Environment Award in Global Environmental Awards of FujiSankei Business i
	Hosts "Face to Face—Shiseido and the Manufacture of Beauty 1900-2000" at Grey Art Gallery, New York University	Completes ISO 14001 certification acquisitions at all domestic and overseas cosmetics plants (15 plants)
	2001 Hosts Shiseido Forum 2001: Successful Aging: "Time refines humans"	Completes elimination of polychloride vinyl in containers/packaging
	2002 Receives "Business Ethics Most Outstanding Effort Award" from Business Ethics Research Center	2001 Develops nationwide system for recycling used glass bottle containers
	2003 Receives "Survey on Corporate Contributions to Society 2003" award from Asahi Shimbu Foundation	Announces new environmental goal:
	Hosts Shiseido Forum 2003: Successful Aging: "How to add years and control aging"	"Zero emissions at all domestic cosmetics plants by fiscal 2003"
	2004 Acquires the Privacy Mark	Installs cogeneration system at Kuki Plant
	Receives the Minister of Economy, Trade, and Industry Outstanding Consumer Orientation Award	2002 Receives Minister of Education, Culture, Sports, Science, and Technology Award in Global Environmental Awards of FujiSankei Business i
2002 Implements "wiwiw" program to support employees on parental leave	Receives the Best Company Award from the Minister of Health, Labour, and Welfare for Commendation for Enterprises Promotion Equal Employment	Achieves zero emissions at all domestic cosmetics plants
2003 Opens in-house childcare center	Opens House of Shiseido	Publishes 2003 <i>Sustainability Report</i>
Revises "The Shiseido Code" (Corporate Ethics and Behavior Standards)		
2004 Establishes CSR Department (reports directly to President)		
Establishes CSR Committee		

Reference data

Data on social contribution activities

1. Exhibits at Shiseido Art House and number of visitors in fiscal 2003

Period	Name of exhibit	Number of works exhibited	Visitors
2003 3/28～6/29	Oil paintings from Shiseido Art House collection: "Art of the Showa Period"	23	8,079
7/4～9/23	Fifth Tsubakikai Exhibition	35	4,898
10/3～12/23	Kosei Matsui Memorial Exhibit	17	6,975
2004 1/9～3/7 (1st half year)	Shiseido Collection: "Paintings / Sculptures / Handicrafts"	67	6,234
3/11～5/5 (2nd half year)	Shiseido Collection: "Paintings / Sculptures / Handicrafts"	48	5,903

2. Exhibits at Shiseido Art Gallery and number of visitors in fiscal 2003

Period	Name of exhibit	Artwork	Visitors
2003 4/8～5/25	Tsubakikai Exhibition	Paintings / sculptures	5,450
6/3～7/20	Tomoko Yoneda, Beyond Memory and Uncertainty	Photographs	4,772
8/5～9/21	Happy Trail	Video / installation	3,623
11/11～12/14	Fukuhara Collection Tetsuro Komai Exhibition: "Form of Yet Unfulfilled Dream"	Prints	5,917
2004 1/9～2/22	life/art '03	Installation / sculptures / other	5,661
3/2～3/28	Pink Vacancy: Live Drawings by Minako Nishiyama	"Live drawing"	3,623

3. Outline of the Successful Aging lectures in fiscal 2003

●Coordinator : Noriko Harada (National Science Museum, Tokyo)

Date Held	Title	Lecturer	Participants
1/23/2003	"Longed-for ginza seen in movies"	Saburo Kawamoto	60
2/19/2003	"The spirit of Shimbashi geisha"	Kokimi Kikumoriwaka	68
3/19/2003	"Footwear comfort is a form of beauty"	Tsuneo Yashiro	63
4/22/2003	"Seeing experienced sales techniques in Ginza"	Tatsuo Sekine	70
5/20/2003	"Traditional Japanese confectionery made and sold in Ginza"	Motohiko Yamaguchi	70

●Coordinator : Toshiharu Itoh (Professor, Tokyo National University of Fine Arts and Music)

Date Held	Title	Lecturer	Participants
6/9/2003	"Age of reform and renovation"	Masashi Sogabe (MIKANGUMI)	50
27/14/2003	"Behavior and environment: Hidden design"	Naoto Fukazawa	55
8/20/2003	"A Home for the single and elderly"	Sei Takeyama	60
9/24/2003	"Images and archeology of the spirit"	Chihiro Minato / Toshio Yamagata	46
10/20/2003	"Concepts and creation: Power that moves self"	Tadashi Kawamata	52
11/24/2003	"Future of communication design"	Keiji Uejima	47

●Coordinator : Taniko Nakamura (Professor, Tokai University)

Date Held	Title	Lecturer	Participants
12/18/2003	"A beautiful body and spirit is the spring of health—Sports is self-expression"	Chie Matsuda	50
1/22/2004	"Thinking about lifelong sports—Exercise and growing up / maturing / growing old"	Miyuki Arakawa	29
2/23/2004	"Modern bodies and attraction of traditional Japanese performing arts —Aesthetics of movement as seen in form"	Tokijo Hanasaki / Satoshi Tanaka	64
3/29/2004	"Practicing sports, and 'Sports & Leisure' —Visionary sports recommendations"	Yachiyo Mitsuya / Kazuyuki Taketani	28
4/28/2004	"Future of sports culture —Looking at the origin of sports and latter modern day sports"	Masahiro Inagaki	35

Data on environmental activities

1. Response to PRTR Law*

Fiscal 2003 data (9 domestic manufacturing sites and research centers)

Shiseido plants: Kamakura, Kakegawa, Itabashi, Osaka, Maezuru, and Kuki

Shiseido Beautech Co., Ltd., Mieux Products Co., Ltd., and Haramachi Paper Co., Ltd.

Unit: tons

Legal number	Name of substance (legal designation)	Use	Amount transported as product	Released amount			Transferred amount		Other (chemical decomposition, etc.)	Total (= amount handled annually)
				Atmosphere	Public-use water	Soil	Sewage water	Waste disposal		
1	Zinc water-soluble compounds	Raw material	1.2	0.0	0.0	0.0	<0.1	<0.1	0.0	1.2
12	Acetonitrile	Solvent	0.0	<0.1	0.1	0.0	0.2	1.7	0.2	2.1
16	2-aminoethanol	Raw material	8.8	0.0	0.2	0.0	<0.1	0.1	0.2	9.3
42	Ethylene oxide	Sterilization	0.0	0.3	<0.1	0.0	0.5	0.0	2.9	3.7
47	Ethylenediaminetetraacetic acid (EDTA)	Raw material	4.7	0.0	0.0	0.0	<0.1	<0.1	<0.1	4.7
95	Chloroform	Solvent	0.0	0.3	0.0	0.0	<0.1	7.0	0.0	7.3
307	Poly (oxyethylene) alkyl ether	Raw material/detergent	4.9	0.0	<0.1	0.0	0.5	1.6	0.1	7.1

*PRTR (Pollutant Release and Transfer Register) Law: Law concerning reporting, etc. of release of specific chemical substances to the environment and promotion of the improvement of their management

The above chemicals are PRTR Specified Class I Chemical Substances and are reported when a single facility annually handles one ton or more. (Specified Class I Designated Chemical Substances are reported when 0.5 tons or more is handled.)

2. Environmental accounting

●Environmental preservation costs (fiscal 2003)

Category	Amount invested (million yen)	Expenses (million yen)	Principal measures and specific details
1. Operational			
(1) Pollution prevention	117.50	216.01	Wastewater treatment, atmospheric pollution prevention, etc
(2) Global environment preservation	34.10	1.46	Promoting energy conservation, etc.
(3) Recycling-related	20.97	669.19	Processing waste, recycling, reducing materials, etc.
2. Upstream/downstream	0	278.60	Financial burden of Law for Promotion of Sorted Collection and Recycling of Containers and Packaging, expenses related to Cullet Center, etc.
3. Management activities related	0	280.53	Personnel expenses (excluding R&D), expenses for environmental management (ISO-related, etc.)
4. R&D costs	0	138.81	R&D of products reflecting consideration for environment (including personnel expenses)
5. Social contribution activities	0.38	72.93	Disclosure of environmental information (CSR Report, environmental advertising), beautification activities, support for external groups, etc.
6. Other	0	0	
Total	172.95	1657.53	

●Economic effects of environmental preservation measures (fiscal 2003)

Category	Economic effect (million yen)	Materials reduction effect	Principal content
1. Energy related	64.39	30,000 (m ³) : Water	Savings in electricity, fuel, and water
2. Waste related	23.20	138 (tons) : Final disposal amount -164 (tons) : Total amount of waste 8,000 (m ³) : Wastewater	Sales of valuable resources, reduction of waste
3. Resource savings	36.39	—	Materials savings
4. Other	67.25	—	Reduction of transport costs
Total	191.23		

Basis for environmental accounting calculations

●For "Environmental preservation costs" and "Economic effects," reference was made to the *Environmental Accounting Guidelines* issued by the Ministry of the Environment of Japan concerning categories and calculation methods

●Scope of calculations: Calculations covered domestic plants (9), overseas plants (10), domestic research centers (Shin Yokohama, Kanazawa Hakkei), domestic distribution (cosmetics, toiletries), and Head Office departments (General Affairs, Technology)

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