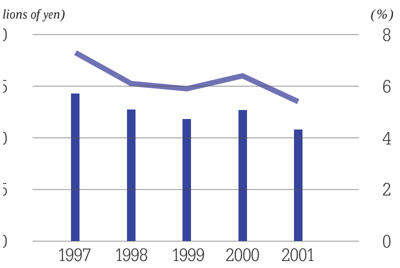
Financial Section

Six-Year Summary

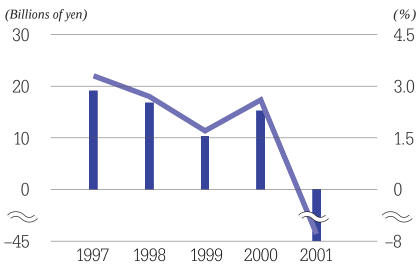
	Millions of yen						Thousands of U.S. dollars
	1996	1997	1998	1999	2000	2001	2001
For the Year:							
Net sales	¥560,821	¥588,572	¥620,910	¥604,295	¥596,643	¥595,152	$5,410,477
Cost of sales	183,887	197,803	208,763	203,380	196,760	202,510	1,841,003
Selling, general and administrative expenses	340,012	347,996	374,034	365,553	361,887	360,351	3,275,918
Income from operations	36,922	42,773	38,113	35,362	37,996	32,291	293,556
Net income (loss)	17,507	19,152	16,868	10,332	15,294	(45,092)	(409,927)
At Year-End:							
Total current assets	¥283,894	¥299,043	¥340,500	¥314,283	¥323,305	¥319,075	$2,900,684
Total assets	580,444	610,054	626,429	613,970	657,425	665,247	6,047,702
Total current liabilities	188,189	161,868	149,643	143,162	188,415	162,314	1,475,586
Short-term bank loans (incl. bonds redeemable within 1 year)	50,055	13,736	6,361	6,056	34,123	16,642	151,296
Long-term debt	2,551	27,911	28,102	30,138	6,021	50,544	459,491
Shareholders' equity	357,791	388,067	413,794	408,839	431,721	361,696	3,288,141
Per Share Data (in yen and U.S. dollars)**:**							
Net income (loss)	¥43.8	¥47.5	¥40.1	¥24.5	¥36.7	¥(106.8)	$(0.97)
Cash dividends	12.5	12.5	13.25	14.0	16.0	16.0	0.15
Weighted average number of shares outstanding during the period (in thousands)	399,766	402,823	420,181	420,877	416,752	422,097	
Key Financial Ratios:							
Operating profitability (%)	6.6	7.3	6.1	5.9	6.4	5.4	
Return on sales (%)	3.1	3.3	2.7	1.7	2.6	(7.6)	
Return on assets (%)	3.1	3.2	2.7	1.7	2.4	(6.8)	
Return on equity (%)	5.0	5.1	4.2	2.5	3.6	(11.4)	
Equity ratio (%)	61.6	63.6	66.1	66.6	65.7	54.4	
Current ratio (times)	1.51	1.85	2.28	2.20	1.72	1.97	
Debt/equity ratio (times)	0.15	0.11	0.08	0.09	0.09	0.19	
Payout ratio (%)	28.6	26.5	33.3	56.8	43.5	—	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥110=US$1.

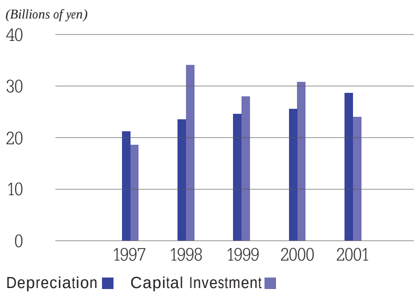
Income from Operations/Operating Profitability



Net Income (Loss)/Return on Sales



Depreciation/Capital Investment



Management's Discussion and Analysis

Revenues and Earnings

For the fiscal year ended March 31, 2001, Shiseido Company, Limited, and its 89 consolidated subsidiaries recorded a net sales decline of 0.2%.

In Japan, the Company's core cosmetics business weakened slightly against a background of persistently lackluster personal consumption. The toiletries business, meanwhile, bore the effects of a reorganization of its transaction system. As a result, overall domestic sales were down 4.0%. This decline would have been 1.3% if the toiletries business' transaction system had not been reorganized.

Benefiting from steady market share gains and some reversal in the yen's appreciating trend, overseas sales jumped 21.5% and accounted for 17.9% of net sales, up from 14.7%. On a local-currency basis, overseas sales rose 19.8%.

Income from operations fell 15.0% mainly owing to a drop in gross profit stemming from declines in domestic cosmetics sales and in toiletries business revenues, as well as to aggressive spending on sales promotions.

Other expenses amounted to ¥91.9 billion, owing to a number of factors, including ¥69.1 billion in net obligation at transition immediately expensed for post-employment benefits stemming from the introduction of retirement benefit accounting, a ¥13.2 billion write-down of goodwill related to Zotos International, and ¥8.7 billion in restructuring expenses. As a result, the Company recorded a ¥59.6 billion loss before income taxes and a ¥45.1 billion net loss.

Sales, by Segment

Domestic sales of cosmetics were down 1.3%. In an environment of continued market weakness, we implemented our global multibrand strategy by concentrating on mainstay product lines and revitalizing sales channels through channel-specific line specialization. At the same time, we resolutely pursued increased customer benefit generally. At the prestige end of the market, where we focus on counseling services, sales of channel-specific and other dedicated lines grew sharply. Conversely, sales of skin-care and makeup products among our highest-volume lines were unsteady, with over-the-counter sales declining moderately. As a result, shipments by our sales subsidiary were down. The middle market, centering on self-selection products, saw a strong gain in sales of mainstay skin-care and makeup lines. Products sold only in convenience stores struggled, however, preventing a gain in self-selection cosmetics sales in Japan.

Overseas sales of cosmetics jumped 22.0% in local-currency terms, while yen-based sales rose 23.1% as the yen's appreciation faltered. Healthy demand for SHISEIDO-brand products, especially mainstay skin-care lines, supported steady market share gains, with *SHISEIDO The Skincare* leading the way. In addition, the fragrances of Beauté Prestige International posted significant sales growth.

Sales of the toiletries segment fell 16.6% during the year under review. This decrease would have been 2.0% if the toiletries business' transaction system had not been reorganized. In October 2000, the Company separated off its entire toiletries business into an independent subsidiary, FT Shiseido.

In the year under review, we aggressively developed our toiletries business through the acquisition of the *Sea Breeze* brand and the entry into Asian markets. Also, we worked toward effecting a transition from price competition to value competition in the domestic market. The trend toward lower prices in the market was stronger than anticipated, however, causing business to stumble. That much said, in the second half of the term we noted signs of recovery due to such factors as the introduction of *Villefranche*, a new lifestyle-oriented power brand, and innovations to our mainstay *Super Mild* brand.

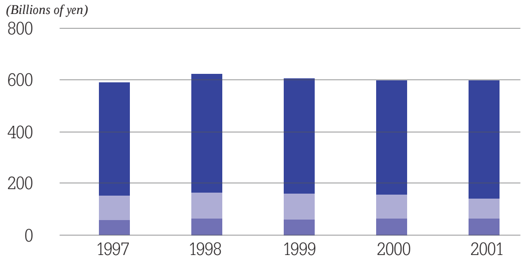
Domestic sales of the others segment were up 0.4% during the year. Beauty salon products performed solidly and pharmaceuticals registered double-digit growth. Sales from our health and beauty foods, fashion goods, and boutique businesses declined.

In the beauty salon business, sales were strong of both *Zotos Fuente Medicated Vita Voltage BL*, a women's hair-growth treatment launched in July 2000, and a straight-hair perm agent. The *DeAGE* hair-coloring line, acquired in October 1999, also contributed to sales in this business.

In the pharmaceuticals business, both over-the-counter drugs and prescription drugs performed well. In the over-the-counter category, focused marketing of *Ferzea*, a urea-based treatment for corns, was particularly successful. In addition, the number of stores handling *Whisis*, a freckle-reduction treatment that we reinforced in the year under review, increased sharply.

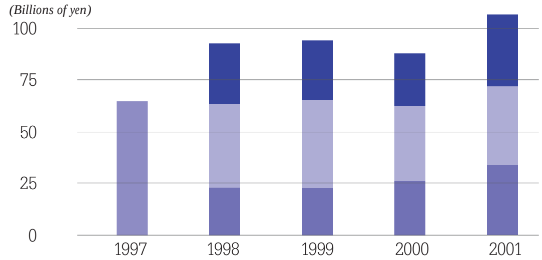
During the year, Zotos International, a U.S. subsidiary in the beauty salon business, focused on management reforms, including the elevation of a local professional to the position of president in June 2000. Zotos International's sales began to recover in the second half of the year. Overseas sales of the others segment were up 6.2%, while sales in local-currency terms rose only slightly.

Net Sales, by Segment



	1997	1998	1999	2000	2001
Cosmetics	437	457	444	441	454
Toiletries	95	99	99	92	76
Others	57	64	61	64	65
Total	589	621	604	597	595

Overseas Sales, by Geographic Area



	1997	1998	1999	2000	2001
Americas		29	28	25	34
Europe		40	43	36	38
Asia / Oceania		23	23	26	34
Total	65*	92	94	87	106

*Prior to the year ended March 31, 1998, overseas sales were not broken down by geographic area.

Financial Position

At March 31, 2001, Shiseido's total assets were ¥7.8 billion higher than the figure at the previous year-end. Current assets decreased ¥4.2 billion, mainly because a ¥41.8 billion decline in short-term investments in securities offset increases of ¥14.9 billion in notes and accounts receivable and ¥13.8 billion in inventories.

Intangible assets and deferred charges grew ¥7.4 billion owing partly to the acquisition of goodwill and trademark rights associated with the purchase of new brands. By contrast, the Company reported a loss on the write-down of goodwill in Zotos International.

Deferred tax assets increased ¥27.2 billion as a result of the tax effect caused by the write-off of difference arising from accrued post-employment benefits due to the introduction of retirement benefit accounting.

Beginning from the fiscal year under review, adjustments on foreign currency statement translation are reported in minority interests and shareholders' equity in line with the adoption of the new Japanese accounting standard for foreign currency translations.

Current liabilities declined ¥26.1 billion owing largely to the redemption of bonds. Long-term liabilities leapt ¥112.1 billion as a result of a number of factors, including the increase in accrued post-employment benefits, as well as issues of straight bonds in Japan and medium-term notes in the Euromarket.

Total shareholders' equity fell ¥70.0 billion. Factors behind this decline included the net loss of ¥45.1 billion and return of profit to shareholders (¥7.1 billion for payment of cash dividends and ¥7.5 billion for retirement of treasury stocks), in addition to foreign currency statement translation adjustments for the year amounting to ¥18.3 billion. These and other factors led to a ¥59.0 billion decrease in retained earnings and offset a ¥12.2 billion gain in common stock and capital surplus due to the exercise of warrants.

Cash Flows

Net cash provided by operating activities was ¥475 million. Chief cash outflows during the year included the loss before income taxes. Main cash inflows included depreciation, write-down of goodwill, and increase in accrued post-employment benefits.

Net cash used for investing activities was ¥26.6 billion. Major cash outflows consisted of acquisition of investments in securities, acquisition of property, plant and equipment, and acquisition of intangible assets. These factors outweighed proceeds from sale of investments in securities, the primary cash inflow during the year.

Net cash provided by financing activities amounted to ¥18.4 billion owing largely to proceeds from exercise of warrants and proceeds from long-term debt, the two major cash inflows. Main cash outflows included repayment of long-term debt and return of profit to shareholders.

As a result of the above, cash and cash equivalents at end of year amounted to ¥62.0 billion, ¥6.5 billion lower than at the previous year-end.

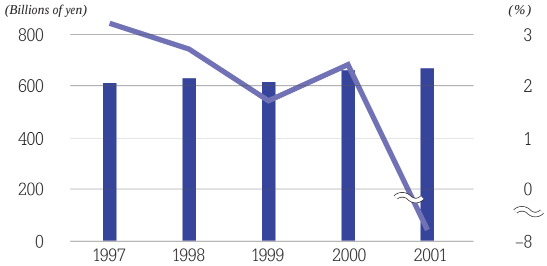
Outlook*

During the fiscal year ending March 31, 2002, Shiseido will continue cultivating brands and sales channels in line with its global multibrand strategy. In Japan, we will pursue marketing, supply-chain, and organizational reforms aimed at strengthening the sales-counter focus of our cosmetics business. The fiscal year currently under way will be another year of transition toward growth recovery in domestic sales. Accordingly, our plans call for substantial investments in reform activities.

For the fiscal year ending March 31, 2002, the Company forecasts a 1% increase in consolidated net sales, to ¥600 billion, and a 38% decrease in income from operations, to ¥20 billion. Also, we forecast net income of ¥10 billion.

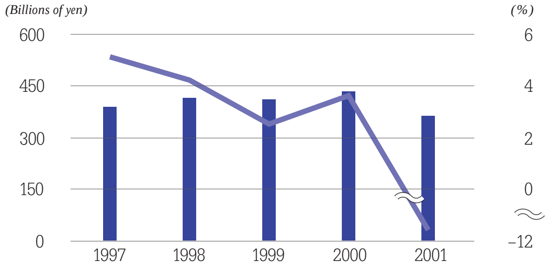
**This section includes statements concerning the Company's expected future performance. For this and other future-oriented information contained in this annual report, please refer to the note addressing forward-looking statements, at the bottom of page 35.*

▶ Total Assets / ROA



	1997	1998	1999	2000	2001
Total Assets	610	626	614	657	665
ROA	3.2	2.7	1.7	2.4	(6.8)

▶ Shareholders' Equity / ROE



	1997	1998	1999	2000	2001
Shareholders' Equity	388	414	409	432	362
ROE	5.1	4.2	2.5	3.6	(11.4)

Consolidated Financial Statements

Consolidated Balance Sheets

Shiseido Company, Limited, and Subsidiaries—March 31, 2000 and 2001

	Millions of yen		*Thousands of U.S. dollars (Note 1. (1))*
	2000	2001	2001
Assets			
Current Assets:			
Cash and time deposits	¥ 29,700	¥ 34,160	$ 310,545
Short-term investments in securities (Note 3)	75,290	33,530	304,819
Notes and accounts receivable:			
Trade	110,894	125,767	1,143,341
Unconsolidated subsidiaries and affiliates	44	279	2,535
	110,938	126,046	1,145,876
Less: Allowance for doubtful accounts	(780)	(975)	(8,868)
	110,158	125,071	1,137,008
Inventories (Note 4)	77,423	91,261	829,652
Deferred tax assets (Note 8)	21,360	16,742	152,197
Other current assets	9,374	18,311	166,463
Total current assets	323,305	319,075	2,900,684
Investments and Advances:			
Investments in securities (Note 3)	50,029	48,776	443,415
Investments in and advances to unconsolidated subsidiaries and affiliates	1,875	4,653	42,298
Other investments	18,613	24,240	220,365
Total investments and advances	70,517	77,669	706,078
Property, Plant and Equipment, at Cost:			
Buildings and structures	160,060	173,572	1,577,929
Machinery and equipment	156,164	162,817	1,480,158
	316,224	336,389	3,058,087
Less: Accumulated depreciation	(215,878)	(224,637)	(2,042,159)
	100,346	111,752	1,015,928
Land	67,363	62,990	572,635
Construction in progress	11,203	2,120	19,277
Total property, plant and equipment	178,912	176,862	1,607,840
Intangible Assets and Deferred Charges (Note 5)	44,501	51,908	471,893
Deferred Tax Assets (Note 8)	12,551	39,733	361,207
Adjustments on Foreign Currency Statement Translation	27,639	—	—
	¥657,425	¥665,247	$6,047,702

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 1. (1))
	2000	2001	2001
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans	¥ 8,642	¥ 16,642	$ 151,296
Current portion of long-term debt (Note 6)	25,481	—	—
Notes and accounts payable:			
Trade	48,662	56,491	513,554
Unconsolidated subsidiaries and affiliates	1,305	1,117	10,150
Other	45,184	46,544	423,131
	95,151	104,152	946,835
Accrued income taxes	21,539	2,637	23,969
Accrued expenses	23,345	23,876	217,053
Deferred tax liabilities (Note 8)	20	26	241
Other current liabilities	14,237	14,981	136,192
Total current liabilities	188,415	162,314	1,475,586
Long-Term Liabilities:			
Long-term debt (Note 6)	6,021	50,544	459,491
Accrued post-employment benefits (Note 7)	3,807	70,139	637,627
Deferred tax liabilities (Note 8)	1,259	1,646	14,962
Other long-term liabilities	2,960	3,786	34,416
Total long-term liabilities	14,047	126,115	1,146,496
Difference between Investment Costs and Equity in Net Assets Acquired	1,805	2,860	26,002
Minority Interests in Consolidated Subsidiaries	21,437	12,262	111,477
Contingent Liabilities (Note 9)			
Shareholders' Equity:			
Common stock, par value ¥50 per share;			
Authorized: 790,573,000 shares and 784,561,000 shares at March 31, 2000 and 2001, respectively			
Issued: 415,118,613 shares and 418,587,199 shares at March 31, 2000 and 2001, respectively	58,963	64,507	586,425
Additional paid-in capital	58,387	66,094	600,854
Retained earnings	314,377	255,370	2,321,545
Unrealized losses on available-for-sale securities, net of tax	—	(3,352)	(30,474)
Adjustments on foreign currency statement translation	—	(18,315)	(166,496)
	431,727	364,304	3,311,854
Less: Treasury stock, at cost	(6)	(2,608)	(23,713)
Total shareholders' equity	431,721	361,696	3,288,141
	¥657,425	¥665,247	$6,047,702

Consolidated Statements of Income

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 1999, 2000 and 2001

	Millions of yen			*Thousands of U.S. dollars (Note 1. (1))*
	1999	2000	2001	2001
Net Sales	¥604,295	¥596,643	¥595,152	$5,410,477
Cost of Sales	203,380	196,760	202,510	1,841,003
Gross profit	400,915	399,883	392,642	3,569,474
Selling, General and Administrative Expenses	365,553	361,887	360,351	3,275,918
Income from operations	35,362	37,996	32,291	293,556
Other Income (Expenses):				
Interest and dividend income	2,982	3,160	2,663	24,206
Interest expense	(367)	(384)	(1,169)	(10,624)
Gain on sales of marketable securities	1,324	3,159	2,109	19,177
Gain on sales of property and equipment	1,326	1,657	2,306	20,959
Gain (loss) on revaluation of securities	(3,267)	1,147	—	—
Exchange loss	—	(2,182)	(1,308)	(11,892)
Restructuring expenses	(7,560)	—	(8,718)	(79,251)
Net obligation at transition immediately expensed for post-employment benefits (Note 2. (12))	—	—	(69,072)	(627,929)
Write-down of goodwill (Note 5)	—	—	(13,226)	(120,236)
Write-down of investments in securities and other investments	—	—	(1,606)	(14,600)
Equity in earnings of affiliates (Note 1 (4))	104	190	(540)	(4,907)
Others, net	(893)	(3,073)	(3,368)	(30,619)
	(6,351)	3,674	(91,929)	(835,716)
Income (loss) before income taxes	29,011	41,670	(59,638)	(542,160)
Income Taxes (Note 8):				
Current	15,540	29,002	9,605	87,314
Deferred	2,463	(4,086)	(19,057)	(173,245)
	18,003	24,916	(9,452)	(85,931)
	11,008	16,754	(50,186)	(456,229)
Minority Interests in Net Income of Consolidated Subsidiaries	(676)	(1,460)	5,094	46,302
Net income (loss)	¥ 10,332	¥ 15,294	¥(45,092)	$(409,927)

	Yen			*U.S. dollars (Note 1. (1))*
Per Share (Note 2. (9)):				
Net income (loss), adjusted—primary	¥24.5	¥36.7	¥(106.8)	$(0.971)
—fully diluted	24.5	36.5	—	—
Dividends	14.0	16.0	16.0	0.145
Weighted Average Number of Shares (in thousands)	420,877	416,752	422,097	

The accompanying notes are an integral part of the statements.

Consolidated Statements of Shareholders' Equity

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 1999, 2000 and 2001

	Number of shares of common stock (thousands)	Millions of yen: Common stock	Capital surplus	Retained earnings	Unrealized losses on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance as of March 31, 1998	423,373	¥58,223	¥57,488	¥298,090	¥ —	¥ —	¥ (7)
Net income for the year ended March 31, 1999	—	—	—	10,332	—	—	—
Cash dividends	—	—	—	(5,910)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(146)	—	—	—
Increase due to exclusion of subsidiaries and affiliates from application of equity method	—	—	—	158	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(365)	—	—	—
Decrease due to exclusion of subsidiaries from application of consolidation	—	—	—	(123)	—	—	—
Other decrease	—	—	—	(77)	—	—	—
Retirement of treasury stocks	(6,400)	—	—	(9,152)	—	—	—
Exercise of warrants	236	149	181	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	(1)
Balance as of March 31, 1999	417,209	58,372	57,669	292,807	—	—	(8)
Net income for the year ended March 31, 2000	—	—	—	15,294	—	—	—
Prior year adjustments for retroactive recognition of deferred tax (Note 2. (1))	—	—	—	17,449	—	—	—
Cash dividends	—	—	—	(5,844)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(105)	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(36)	—	—	—
Other increase	—	—	—	4	—	—	—
Other decrease	—	—	—	(193)	—	—	—
Retirement of treasury stocks	(3,027)	—	—	(4,999)	—	—	—
Exercise of warrants	937	591	718	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	2
Balance as of March 31, 2000	415,119	58,963	58,387	314,377	—	—	(6)
Net loss for the year ended March 31, 2001	—	—	—	(45,092)	—	—	—
Cash dividends	—	—	—	(7,117)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(118)	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(1)	—	—	—
Decrease due to exclusion of subsidiaries from application of consolidation	—	—	—	(10)	—	—	—
Other increase	—	—	—	811	—	—	—
Other decrease	—	—	—	(29)	—	—	—
Retirement of treasury stock	(6,012)	—	—	(7,451)	—	—	—
Exercise of warrants	8,726	5,506	6,692	—	—	—	—
Shares issued in exchange for the common stock of Osaka Shiseido Co., Ltd.	754	38	1,015	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	(1)
Purchase for stock option plan	—	—	—	—	—	—	(2,601)
Unrealized losses on available-for-sale securities for the year	—	—	—	—	(3,352)	—	—
Foreign currency statement translation adjustments for the year	—	—	—	—	—	(18,315)	—
Balance as of March 31, 2001	418,587	¥64,507	¥66,094	¥255,370	¥(3,352)	¥(18,315)	¥(2,608)

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 1. (1)): Common stock	Capital surplus	Retained earnings	Unrealized losses on available-for-sale securities	Adjustments on foreign currency statement translation	Treasury stock
Balance as of March 31, 2000	415,119	$536,027	$530,789	$2,857,978	$ —	$ —	$ (55)
Net loss for the year ended March 31, 2001	—	—	—	(409,927)	—	—	—
Cash dividends	—	—	—	(64,703)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(1,072)	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(9)	—	—	—
Decrease due to exclusion of subsidiaries from application of consolidation	—	—	—	(91)	—	—	—
Other increase	—	—	—	7,368	—	—	—
Other decrease	—	—	—	(259)	—	—	—
Retirement of treasury stock	(6,012)	—	—	(67,740)	—	—	—
Exercise of warrants	8,726	50,055	60,838	—	—	—	—
Shares issued in exchange for the common stock of Osaka Shiseido Co., Ltd.	754	343	9,227	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	(10)
Purchase for stock option plan	—	—	—	—	—	—	(23,648)
Unrealized losses on available-for-sale securities for the year	—	—	—	—	(30,474)	—	—
Foreign currency statement translation adjustments for the year	—	—	—	—	—	(166,496)	—
Balance as of March 31, 2001	418,587	$586,425	$600,854	$2,321,545	$(30,474)	$(166,496)	$(23,713)

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 2000 and 2001

	Millions of yen		*Thousands of U.S. dollars (Note 1. (1))*
	2000	2001	2001
Cash Flows from Operating Activities:			
Income (loss) before income taxes	¥41,670	¥(59,638)	$(542,160)
Depreciation	25,586	28,641	260,374
Write-down of goodwill	—	13,226	120,236
Write-down of land	—	5,651	51,371
Write-down of investments in securities and other investments	—	1,606	14,600
Increase in accrued post-employment benefits	—	66,229	602,083
Amortization of difference between investment costs and equity in net assets acquired	(1,702)	(729)	(6,631)
Interest and dividend income	(3,160)	(2,663)	(24,206)
Interest expenses	384	1,169	10,624
Equity in earnings of affiliates	(190)	540	4,907
Gain on sale of property, plant and equipment	(1,044)	(858)	(7,799)
Increase in receivables	(6,056)	(12,636)	(114,875)
Increase in inventories	(15,140)	(11,466)	(104,237)
Increase in payables	2,825	8,378	76,163
Other	3,774	(1,661)	(15,096)
	46,947	35,789	325,354
Receipt of interest and dividend income	3,139	2,872	26,108
Payment of interest expenses	(426)	(1,306)	(11,871)
Payment of income taxes	(15,336)	(36,880)	(335,270)
Cash flows from operating activities	34,324	475	4,321
Cash Flows from Investing Activities:			
Acquisition of securities	(38,711)	(7,498)	(68,159)
Proceeds from sale of securities	44,588	6,621	60,189
Acquisition of investments in securities	(16,776)	(20,905)	(190,046)
Proceeds from sale of investments in securities	9,840	41,009	372,813
Acquisition of property, plant and equipment	(31,714)	(25,194)	(229,039)
Proceeds from sale of property, plant and equipment	4,207	4,819	43,809
Acquisition of intangible assets	(4,227)	(15,143)	(137,664)
Acquisition of newly consolidated subsidiaries	—	(4,835)	(43,956)
Other	958	(5,513)	(50,119)
Cash flows from investing activities	(31,835)	(26,639)	(242,172)
Cash Flows from Financing Activities:			
Net increase in short-term bank loans	3,768	6,681	60,735
Proceeds from long-term debt	3,051	45,813	416,479
Repayment of long-term debt	(1,279)	(27,300)	(248,174)
Proceeds from exercise of warrants	1,181	11,003	100,031
Acquisition of treasury stocks	2	(2,602)	(23,658)
Retirement of treasury stocks	(4,999)	(7,451)	(67,740)
Payment of cash dividends	(5,844)	(7,108)	(64,620)
Payment of cash dividends to minority shareholders	(598)	(657)	(5,975)
Cash flows from financing activities	(4,718)	18,379	167,078
Exchange Difference of Cash and Cash Equivalents	(2,988)	879	7,990
Net Change in Cash and Cash Equivalents	(5,217)	(6,906)	(62,783)
Cash and Cash Equivalents at Beginning of Year	73,270	68,521	622,921
Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries	468	402	3,657
Cash and Cash Equivalents at End of Year	¥68,521	¥62,017	$563,795

The accompanying notes are an integral part of the statements.

1. Basis of Presenting Consolidated Financial Statements

(1) Accounting Principles and Presentation

The accompanying consolidated financial statements have been prepared from the accounts maintained by Shiseido Company, Limited (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and other countries' regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the consolidated statements of cash flows are required to be prepared from the fiscal year beginning on or after April 1, 1999 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flows issued by the Business Accounting Deliberation Council.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥110=U.S.$1 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

(2) Scope of Consolidation

The Company had 96 subsidiaries ("controlled companies," that is, the decision-making body of the entity is controlled) as at March 31, 2001 (80 and 71 as at March 31, 2000 and 1999, respectively). The consolidated financial statements include the accounts of the Company and 89 (76 and 65 for 2000 and 1999, respectively) of its subsidiaries. The major consolidated subsidiaries are listed below:

	As at March 31, 2001	
	Equity ownership percentage, including indirect ownership	*Capital stock (thousands)*
Osaka Shiseido Co., Ltd.	100.0%	¥315,000
Shiseido Kako Co., Ltd.	100.0	¥100,000
FT Shiseido Co., Ltd.	100.0	¥11,230,000
Shiseido Sales Co., Ltd.	66.9	¥1,590,264
Shiseido Cosmenity Co., Ltd.	100.0	¥820,000
Shiseido International Corporation	100.0	$214,640

The accounts of certain subsidiaries have been consolidated on the basis of their fiscal years ended three months or less prior to March 31.

The accounts of the remaining 7 subsidiaries have not been consolidated with the Companies due to the fact that they are inactive and their total assets, net sales, net income and retained earnings are insignificant to the consolidated total.

(3) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in net assets of such subsidiaries. The material difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiary is deferred and amortized over a reasonable period up to 20 years on a straight-line basis.

(4) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2001, the Company had 6 affiliates (companies that are not subsidiaries and whose financial and operating or business decision making is influenced to a material degree by the Companies).

Investments in 6 affiliates (2 and 5 for 2000 and 1999, respectively) are accounted for by the equity method, under which the Company's equity in net income of these affiliates is included in consolidated income with appropriate elimination of intercompany profit at March 31, 2001 and for the year then ended. Investments in unconsolidated subsidiaries are stated at cost.

(5) Remeasurement of Assets and Liabilities of Subsidiaries

With effect from the year ended March 31, 2000, as a result of the amendment of Accounting Principles for Consolidated Financial Statements, assets and liabilities of subsidiaries are required to be remeasured at fair value as of the date of acquisition of the control.

The Company adopts "full fair value method" that full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

2. Summary of Significant Accounting Policies

(1) Recognition of Income Taxes

With effect from the year ended March 31, 2000, as a result of the amendment of Accounting Principles for Consolidated Financial Statements, the Companies adopted deferred tax accounting, whereby tax effects on temporary differences are adequately reflected and recognized as additions to or deductions from "Income Taxes" in the accompanying Consolidated Statements of Income. As a result of this change, the following items as at March 31, 2000 were increased as compared with the previous method:

	Millions of yen
Deferred tax assets:	
Current	¥10,800
Non-current	12,252
	23,052
Investments and advances	46
Deferred tax liabilities:	
Current	20
Non-current	1,259
	1,279
Minority Interests in Consolidated Subsidiaries	1,370
Net income	3,156
Retained earnings	20,604

In the Consolidated Financial Statements for the year ended March 31, 1999, the Companies have recognized tax effects on timing differences relating to the elimination of "unrealized intercompany profit" in year-end inventory remaining within the Companies and "Allowance for doubtful accounts" provided for against intercompany account receivables for allowed tax deductions.

(2) Foreign Currency Translation

Receivables and payables denominated in foreign currencies are translated at the current exchange rate prevailing on the respective balance sheet dates and resulting exchange gains or losses are recognized in the determination of net income for the relevant period.

Investments in unconsolidated subsidiaries and affiliates denominated in foreign currencies are translated at the historical exchange rates prevailing at the time such transactions were made.

Until the year ended March 31, 2000, long-term receivables and payables denominated in foreign currencies had been translated at the historical exchange rates prevailing at the time such transactions occurred, except that they had been translated at the current exchange rate, whenever material foreign exchange rate fluctuations occur, in order to recognize the significant effect of the change in yen value against foreign currencies. With effect from the year ended March 31, 2001, as a result of adopting the revised Accounting Standards for Foreign Currency Transactions and Financial Statements, they are required to be translated at the current exchange rate.

This change resulted in no material effect on "Loss before income taxes" for the year ended March 31, 2001.

(3) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)

The financial statements of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate prevailing at the respective balance sheet dates of those subsidiaries for assets and liabilities, and at the historical exchange rate for capital accounts and retained earnings. All income and expense accounts are translated at the average rate of exchange during the fiscal year of those subsidiaries. The resulting translation adjustments are shown as "Adjustments on foreign currency statement translation" at the bottom of Assets as at March 31, 2000 and are included in Shareholders' Equity as at March 31, 2001.

"Adjustments on foreign currency statement translation" is required to be included in Shareholders' Equity as a result of adopting the revised Accounting Standards for Foreign Currency Transactions and Financial Statements with effect from the year ended March 31, 2001.

(4) Inventories

Inventories held by the Company are valued at cost, which is determined by the average method.

Inventories held by the consolidated subsidiaries are valued at cost, which is determined principally by the last purchase price method.

(5) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) is mainly computed on the declining-balance method and depreciation of buildings is computed on the straight-line method, at rates based on the estimated useful lives of assets which are, in certain instances, shorter than those prescribed by the Japanese income tax laws.

With effect from the year ended March 31, 2000, the Company and all of the domestic consolidated subsidiaries changed the depreciation method of buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) from the declining-balance method to the straight-line method. The change was made based on the recognition that financial information is to be more comparable internationally by adopting the method which is more popular worldwide and that buildings are used stably over the useful lives and their value decreases evenly for the period irrespective of the productivity and profitability, taking the opportunity that consolidated financial information becomes a major part of the disclosure and the unification of accounting policy is required among the Companies.

As a result of the change, "Gross profit" for the year ended March 31, 2000 was increased by ¥434 million and "Income from operations" and "Income before income taxes" were increased by ¥1,278 million, respectively, as compared with the previous basis.

The range of useful lives is summarized as follows:

Buildings and structures...................10 to 40 years
Machinery and equipment...............primarily 6 to 7 years

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(6) Amortization

Discounts on bond issue are deferred and amortized on a straight-line basis over a period up to the maturity of the relevant bond.

As for the amortization of intangible assets, see Note 5 below.

(7) Valuation of Securities

Until the year ended March 31, 1999, securities with market quotation (listed on stock exchanges) held by the Company had been valued at the lower of cost or market and those securities held by domestic consolidated subsidiaries and the other securities had been carried at cost, cost being determined by the moving average method in all cases.

With effect from the year ended March 31, 2000, domestic consolidated subsidiaries changed their valuation method from cost method to the lower of cost or market in order to unify the accounting policy among the Companies. As a result of the change, "Income before income taxes" for the year ended March 31, 2000 decreased by ¥80 million, as compared with the previous basis.

With effect from the year ended March 31, 2001, the Company and its domestic consolidated subsidiaries have adopted the Accounting Standards for Financial Instruments issued by the Business Accounting Council (BAC) of Japan.

The Company and its domestic consolidated subsidiaries categorize their existing securities as available-for-sale in accordance with the Standards. These securities are carried at fair value that are reasonably determinable based on current market quotes, with net unrealized gains and losses, net of related tax, reported separately in Shareholders' Equity. Realized gains or losses on securities sold are determined based mainly on the moving average method. If fair value is not available, securities are carried at cost, cost being determined mainly by the moving average method.

As a result of the change, "Loss before income taxes" decreased by ¥2,960 million ($26,910 thousand), as compared with the previous policy for valuation of securities.

Securities with remaining maturities of one year or less are classified as "Short-term investments in securities" and non-current securities are included in "Investments in securities." As a result of re-categorization at the beginning of the current year, short-term investments in securities decreased by ¥30,977 million ($281,609 thousand) and investments in securities increased by the same amount.

(8) Accounting for Leases

Finance leases other than these which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(9) Net Income and Dividends per Share

"Net income per share" of common stock is based upon the weighted average number of shares of common stock outstanding during each year. The fully diluted net income per share calculation assumes full conversion of all convertible debentures and full exercise of all warrants of the Company outstanding.

Cash dividends per share shown for each year in the Consolidated Statements of Income represent dividends declared as applicable to the respective year, rather than those paid in each year.

(10) Accounting for the Consumption Tax

In Japan, the consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax imposed on the Companies' domestic sales to customers is withheld by the Companies at the time of sale and is paid to the national government subsequently.

The Company excludes the consumption tax withheld upon sale and the consumption tax paid on the purchases of goods and services from the related amounts in the accompanying Consolidated Statements of Income. The consolidated subsidiaries primarily exclude the consumption tax in the related amounts in the accompanying Consolidated Statements of Income.

(11) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide the allowance for doubtful accounts by the method which uses the percentage of its own actual bad debt loss against the balance of total receivables plus the amount of uncollectible receivables estimated on an individual basis. Overseas consolidated subsidiaries provide mainly for the amount of uncollectible receivables estimated on an individual basis.

(12) Accrued Post-employment Benefits to Employees

Accrued post-employment benefits to employees is recognized based on the estimated actuarial present value of projected benefit obligation and the estimated fair value of plan assets.

Unrecognized prior service cost is amortized on a straight line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (10 years for the prior service cost incurred during the year ended March 31, 2001). Unrecognized net actuarial gain or loss is mainly amortized from the immediately following year on a straight line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (10 years for the net actuarial loss incurred during the year ended March 31, 2001).

Net obligation at transition of ¥69,072 million ($627,929 thousand) incurred by the Company and its domestic consolidated subsidiaries were immediately expensed for the year ended March 31, 2001.

With effect from the year ended March 31, 2001, the Company and its domestic consolidated subsidiaries have adopted the Accounting Standards for Post-Employment Benefits issued by the Business Accounting Council (BAC) of Japan.

As a result of the change, periodic benefit cost increased by ¥66,652 million ($605,926 thousand) and "Loss before income taxes" increased by ¥66,642 million ($605,839 thousand) as compared with the previous basis.

3. Securities

The acquisition cost, carrying amount, gross unrealized holding gains and gross unrealized holding losses for securities with fair value by security type at March 31, 2001 are as follows:

Available-for-sale securities:

	Millions of yen			
	Cost	*Carrying amount*	*Gross unrealized gains*	*Gross unrealized losses*
Equity securities	¥30,258	¥28,184	¥2,683	¥4,758
Corporate debt securities	6,620	5,914	7	712
Others	13,110	10,282	19	2,847
	¥49,988	¥44,380	¥2,709	¥8,317

	Thousands of U.S. dollars			
	Cost	*Carrying amount*	*Gross unrealized gains*	*Gross unrealized losses*
Equity securities	$275,073	$256,215	$24,396	$43,254
Corporate debt securities	60,177	53,768	67	6,476
Others	119,185	93,469	170	25,885
	$454,435	$403,452	$24,633	$75,615

The carrying amount of securities without fair value as at March 31, 2001 is summarized as follows:

Available-for-sale securities:

	Carrying amount	
	Millions of yen	*Thousands of U.S. dollars*
Unlisted equity securities	¥ 2,921	$ 26,552
Unlisted corporate debt securities	6,621	60,194
Others	28,384	258,036
	¥37,926	$344,782

Proceeds, gross realized gains and gross realized losses from the sale of available-for-sale securities in respect of the year ended March 31, 2001 were ¥36,600 million ($332,731 thousand), ¥2,109 million ($19,177 thousand) and ¥623 million ($5,672 thousand), respectively.

4. Inventories

Inventories held by the Companies as at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Merchandise and products	¥53,481	¥61,260	$556,909
Raw materials	11,997	14,432	131,198
Work in process	5,499	6,072	55,205
Supplies	6,446	9,497	86,340
	¥77,423	¥91,261	$829,652

5. Intangible Assets and Deferred Charges

Intangible assets as at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Goodwill*	¥24,100	¥15,640	$142,178
Trademark rights**	1,736	16,066	146,053
Others	18,665	20,202	183,662
	¥44,501	¥51,908	$471,893

*Goodwill as at March 31, 2001 includes goodwill relating to the North American Professional Division from Helene Curtis, Inc. ("Helene Curtis"), the Professional Division from The Lamaur Corporation, the domestic trade rights of Shiseido's products from Takigawa Company, Ltd., the product and trade rights of partial brand goods from Bristol Myers Squib, Inc., and NARS, Decléor and Sea Breeze brands. The acquisition costs during each of the years ended March 31, 2001 and 2000 were ¥6,130 million and ¥241 million, respectively.

Goodwill is being amortized on a straight-line basis over a 5-year period in Japan and mainly over a 35-year period in other countries. Amortization costs were ¥1,441 million and ¥1,477 million for the years ended March 31, 2001 and 2000, respectively. Goodwill relating to Zotos International, Inc. was revalued and a write-down of ¥13,226 million was charged to income for the year ended March 31, 2001.

**Trademark rights include acquired product lines from Helene Curtis, Bristol Myers Squib, Inc., and NARS, Decléor and Sea Breeze brands.

The acquisition costs during each of the years ended March 31, 2001 and 2000 were ¥13,480 million and ¥177 million, respectively.

Trademark rights are being amortized mainly over a 10-year period on a straight-line basis. Amortization costs of ¥838 million and ¥223 million were charged to income for the years ended March 31, 2001 and 2000, respectively.

6. Long-Term Debt

Long-term debt as at March 31, 2000 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Long-term borrowings from banks and other financial institutions	¥ 6,021	¥ 7,391	$ 67,187
0.875 percent Swiss franc bonds due May 8, 2000, with warrants (detachable)	25,481	—	—
0.90 percent unsecured yen bonds due in October 2003	—	30,000	272,727
Euro Medium-Term Notes due 2002–2006*	—	13,153	119,577
	31,502	50,544	459,491
Less: portion due within one year	(25,481)	—	—
	¥ 6,021	¥50,544	$459,491

*These notes have been issued by Shiseido Europe S.A. and Shiseido International Corporation. The interest rates at March 31, 2001 ranged from 4.57% to 5.55%.

7. Post-Employment Benefit Plans

The Company, its domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have a funded pension program to cover the employees' post-employment benefits. The amount of such post-employment benefits is determined by reference to the latest rate of pay, length of service and conditions under which the retirements occur.

The following table sets forth a reconciliation of projected benefit obligations, plan assets, funded status of the post-employment benefit plans and net liability recognized in the accompanying balance sheets at March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥(243,237)	$(2,211,242)
Fair value of plan assets	154,150	1,401,363
Funded status of the plans	(89,087)	(809,879)
Unamortized net obligation at transition*	1,451	13,187
Unrecognized net actuarial (gain) or loss	26,272	238,838
Unrecognized prior service cost	(7,547)	(68,611)
Additional minimum liability*	(1,228)	(11,162)
Net liability recognized	¥ (70,139)	$ (637,627)

The net periodic post-employment benefit cost for the current year included the following components:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥13,088	$118,985
Interest cost	6,829	62,084
Expected return on plan assets	(6,551)	(59,558)
Amortization of net obligation at transition*	96	876
Amortization of net actuarial (gain) or loss*	1	7
Amortization of prior service cost	(397)	(3,611)
Net periodic post-employment benefit cost	¥13,066	$118,783

These are included in the accounts of an overseas consolidated subsidiary that have been prepared in accordance with local accounting standards.

The discount rate used to determine the actuarial present value of projected benefit obligations under the plan that covers employees of the Company and the domestic subsidiaries was 3.0% as of March 31, 2001. The rate of expected return on plan assets was 4.0% as of March 31, 2001. Attribution of post-employment benefit to each year of service of the employees is based on "benefit/years-of-service" approach, whereby the same amount of the benefit is attributed to each year.

"Accrued post-employment benefits" account as at March 31, 2000 was provided for periodic accrual of cost of the retirement benefits that are not covered by the funded pension program mentioned above, representing the total amount of the liability the Company and its domestic consolidated subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at the balance sheet date.

8. Deferred Tax

Deferred tax assets and liabilities (both current and non-current) consisted of the following elements:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Deferred tax assets:			
Depreciation	¥11,669	¥ 9,906	$ 90,052
Accrued expenses	5,437	4,809	43,714
Accrued enterprise tax	1,974	(172)	(1,564)
Accrued bonuses to employees	1,727	3,835	34,861
Unrealized intercompany profit of inventory and fixed assets	10,282	5,006	45,509
Accrued post-employment benefits	—	26,690	242,640
Tax losses carried forward	—	2,128	19,341
Unrealized losses on available-for-sale securities	—	2,400	21,822
Other	3,789	4,656	42,331
	34,878	59,258	538,706
Allowance for valuation	(967)	(2,039)	(18,537)
	¥33,911	¥57,219	$520,169
Deferred tax liabilities:			
Special tax-purpose reserve	805	645	5,864
Depreciation	—	1,211	11,010
Other	474	560	5,094
	¥ 1,279	¥ 2,416	$ 21,968

Reconciliation of effective statutory tax rate to actual rate is shown below:

	2000	2001
Effective statutory tax rate	41.0%	41.0%
Adjustments:		
Entertainment expenses and others that are not deductible permanently	9.9	(2.5)
Dividends income and others that are not taxable permanently	(1.1)	0.7
Effect of change in tax rates	5.1	—
Write-down of goodwill	—	(9.1)
Temporary difference relating to consolidation adjustments	—	(13.7)
Other factor	4.9	(0.6)
Actual tax rate	59.8%	15.8%

9. Contingent Liabilities

As at March 31, 2001, the Companies had no contingent liabilities.

10. Accounting for Leases

The Companies have various lease agreements whereby the Companies act both as a lessee and a lessor. Finance lease contracts (both as a lessee and as a lessor) other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases. Certain key information on such lease contracts of the Companies as a lessee and a lessor for the years ended March 31, 2000 and 2001 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2000	2001	2001
As a lessee:			
The scheduled maturities of future lease rental payments on such lease contracts were as follows:			
Due within one year	¥ 3,709	¥ 3,648	$ 33,162
Due over one year	7,836	8,703	79,117
	¥11,545	¥12,351	$112,279
Lease rental expenses for the year	¥ 3,876	¥ 3,770	$ 34,269
Assumed depreciation	¥ 3,876	¥ 3,770	$ 34,269
Leased machinery and equipment:			
Assumed purchase cost	¥22,475	¥22,825	$207,495
Assumed accumulated depreciation	(10,930)	(10,474)	(95,216)
Assumed net book value	¥11,545	¥12,351	$112,279

Assumed data as to purchase cost, accumulated depreciation, net book value of leased machinery and equipment include the portion of interest thereon.

Depreciation is based on the straight-line method over the lease term of the leased assets.

	Millions of yen		*Thousands of U.S. dollars*
	2000	2001	2001
As a lessor:			
The scheduled maturities of future lease rental income on such lease contracts were as follows:			
Due within one year	¥ 468	¥ 433	$ 3,938
Due over one year	1,253	1,184	10,759
	¥1,721	¥1,617	$14,697
Lease rental income for the year	¥ 500	¥ 488	$ 4,439
Depreciation	¥ 444	¥ 436	$ 3,960
Assumed interest income	¥ 62	¥ 59	$ 537
Leased machinery and equipment:			
Purchase cost	¥2,716	¥2,762	$25,104
Accumulated depreciation	(1,048)	(1,193)	(10,844)
Net book value	¥1,668	¥1,569	$14,260

11. Subsequent Event

Subsequent to March 31, 2001, the Company's Board of Directors, with the subsequent approval by shareholders on June 28, 2001, declared a cash dividend of ¥3,333 million ($30,302 thousand), equal to ¥8.0 per share, which was applicable to earnings of the year ended March 31, 2001 and payable to shareholders on the register on March 31, 2001.

12. Segment Information

(1) Industry Segment Information

The Company and its subsidaries operate principally in the following three industrial segments:

Cosmetics ....Women's and men's cosmetics
Toiletries.........Soaps, hair care products, mass market cosmetics and napkins
Others.............Beauty salon products, health and beauty foods, pharmaceuticals, fashion goods and fine chemicals

The industry segment information of the Companies for each of the three years in the period ended March 31, 2001 is presented below:

	Millions of yen			*Thousands of U.S. dollars*
	1999	2000	2001	2001
Net sales:				
Cosmetics	¥444,495	¥441,375	¥454,097	$ 4,128,159
Toiletries	98,939	91,619	76,424	694,764
Others	60,861	63,649	64,631	587,554
	¥604,295	¥596,643	¥595,152	$ 5,410,477
Operating income before unallocatable costs:				
Cosmetics	¥ 45,744	¥ 46,559	¥ 41,447	$ 376,791
Toiletries	2,621	3,684	1,144	10,398
Others	(643)	1,030	2,297	20,882
	47,722	51,273	44,888	408,071
Less: unallocatable operating expenses	(12,360)	(13,277)	(12,597)	(114,515)
Operating income	¥ 35,362	¥ 37,996	¥ 32,291	$ 293,556
Total assets:				
Cosmetics	¥280,662	¥293,835	¥334,735	$3,043,042
Toiletries	55,001	50,012	64,106	582,784
Others	109,553	112,819	100,465	913,323
	445,216	456,666	499,306	4,539,149
Unallocatable or headquarters	168,754	200,759	165,941	1,508,553
	¥613,970	¥657,425	¥665,247	$ 6,047,702
Depreciation:				
Cosmetics	¥ 10,145	¥ 12,489	¥ 13,292	$ 120,834
Toiletries	2,856	2,527	3,319	30,175
Others	5,550	6,853	8,223	74,752
	18,551	21,869	24,834	225,761
Unallocatable or headquarters	66	60	50	459
	¥ 18,617	¥ 21,929	¥ 24,884	$ 226,220
Capital expenditure:				
Cosmetics	¥ 15,797	¥ 22,553	¥ 30,154	$ 274,128
Toiletries	2,116	2,283	10,201	92,735
Others	8,344	11,020	14,729	133,905
	26,257	35,856	55,084	500,768
Unallocatable or headquarters	114	25	43	390
	¥ 26,371	¥ 35,881	¥ 55,127	$ 501,158

As a result of the change of accounting policy (see Note 2. (5) and (7)), the following items as at March 31, 2000 were increased (decreased) as compared with the previous method:

	Millions of yen
Operating income:	
Cosmetics	¥ 710
Toiletries	166
Others	385
Unallocatable operating expenses	17
	¥ 1,278
Total assets:	
Cosmetics	¥ 629
Toiletries	166
Others	385
Headquarters	17
	¥ 1,197
Depreciation:	
Cosmetics	¥ (710)
Toiletries	(166)
Others	(385)
Headquarters	(17)
	¥(1,278)

As a result of the change of accounting policy (see Note 2. (3)), "unallocatable or headquarters" assets were decreased by ¥19,957 million ($181,425 thousand) as compared with the previous method.

As a result of the change of accounting policy (see Note 2. (12)), the following items as at March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Operating income:		
Cosmetics	¥2,379	$21,627
Toiletries	176	1,603
Others	(47)	(430)
Unallocatable operating expenses	(24)	(214)
	¥2,484	$22,586

(2) Information by Geographic Segment

The geographic segment information of the Companies for each of the three years in the period ended March 31, 2001 is presented below:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	2001	2001
Net sales:				
Domestic (inside Japan)	¥511,790	¥509,923	¥490,258	$4,456,889
Outside Japan:				
Americas	25,443	22,595	31,158	283,257
Europe	47,740	40,281	44,781	407,103
Asia, Oceania	19,322	23,844	28,955	263,228
	92,505	86,720	104,894	953,588
	¥604,295	¥596,643	¥595,152	$5,410,477
Operating income before unallocatable costs:				
Domestic (inside Japan)	¥ 40,834	¥ 44,903	¥ 38,201	$ 347,286
Outside Japan:				
Americas	1,433	1,724	2,221	20,186
Europe	3,156	1,863	1,284	11,672
Asia, Oceania	2,299	2,783	3,182	28,927
	6,888	6,370	6,687	60,785
	47,722	51,273	44,888	408,071
Less: unallocatable operating expenses	(12,360)	(13,277)	(12,597)	(114,515)
Operating income	¥ 35,362	¥ 37,996	¥ 32,291	$ 293,556
Total assets:				
Domestic (inside Japan)	¥330,136	¥346,643	¥363,773	$3,307,029
Outside Japan:				
Americas	50,898	48,253	49,957	454,156
Europe	40,677	37,498	56,655	515,044
Asia, Oceania	23,505	24,272	28,921	262,920
	115,080	110,023	135,533	1,232,120
	445,216	456,666	499,306	4,539,149
Unallocatable or headquarters	168,754	200,759	165,941	1,508,553
	¥613,970	¥657,425	¥665,247	$6,047,702

As a result of the change of accounting policy (see Note 2. (5) and (7)), the following items as at March 31, 2000 were increased as compared with the previous method:

	Millions of yen
Operating income:	
Domestic (inside Japan)	¥ 1,261
Unallocatable operating expenses	17
	¥ 1,278
Total assets:	
Domestic (inside Japan)	¥ 1,180
Headquarters	17
	¥ 1,197
Depreciation:	
Domestic (inside Japan)	¥(1,261)
Headquarters	(17)
	¥(1,278)

As a result of the change of accounting policy (see Note 2. (3)), "unallocatable or headquarters" assets were decreased by ¥19,957 million ($181,425 thousand) as compared with the previous method.

As a result of the change of accounting policy (see Note 2. (12)), the following items as at March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of yen	*Thousands of U.S. dollars*
Operating income:		
Domestic (inside Japan)	¥2,508	$22,800
Unallocatable operating expenses	(24)	(214)
	¥2,484	$22,586

(3) Export Sales and Sales by Overseas Subsidiaries

Export sales of the Companies (meaning the amounts of export made by the Company and its domestic subsidiaries plus the sales of overseas consolidated subsidiaries) for the three years ended March 31, 2001 are presented below:

	Millions of yen			*Thousands of U.S. dollars*
	1999	2000	2001	2001
Export sales and sales by overseas subsidiaries:				
Americas	¥28,405	¥25,215	¥ 34,481	$313,466
Europe	42,559	36,173	38,155	346,864
Asia, Oceania	22,591	26,089	33,617	305,605
	¥93,555	¥87,477	¥106,253	$965,935
Percentage of such sales against consolidated net sales	15.5%	14.7%	17.9%	17.9%

Report of Independent Accountants

The Board of Directors
Shiseido Company, Limited

We have audited the accompanying consolidated balance sheets of Shiseido Company, Limited and its consolidated subsidiaries as at March 31, 2001 and 2000, and the related consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 2001 and the related consolidated statements of cash flows for the years ended March 31, 2001 and 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Shiseido Company, Limited and its consolidated subsidiaries as at March 31, 2001 and 2000, and the consolidated results of their operations for each of the three years in the period ended March 31, 2001 and their cash flows for the years ended March 31, 2001 and 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1. (1)) applied on a consistent basis except for the changes, with effect from the year ended March 31, 2000, with which we concur, in the method of accounting for depreciation of buildings as described in Note 2. (5) and the valuation of securities as described in Note 2. (7).

As described in Note 1(5), 2(1), 2(2), 2(3), 2(7) and 2(12), Shiseido Company, Limited and its domestic consolidated subsidiaries have adopted new accounting standards for preparation of consolidated financial statements and income taxes with effect from the year ended March 31, 2000, and have adopted newly introduced accounting standards for financial instruments and post-employment benefits and revised accounting standards for foreign currency transactions and financial statements with effect from the year ended March 31, 2001.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1. (1) to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 28, 2001

Corporate Information

Shiseido Directors / Corporate Officers / Auditors
As of June 28, 2001

Chairman
(Representative Director)
Akira Gemma

President & CEO
(Representative Director)
Morio Ikeda

Vice President / Corporate Senior Executive Officer
(Representative Director)
Shigeo Shimizu

Corporate Senior Executive Officers (Directors)
Sadao Abe
Osamu Hosokawa

Corporate Executive Officers (Directors)
Masami Hamaguchi
Yoshimaru Kumano
Kazunari Moriya
Takeshi Ohori
Tadakatsu Saito
Akira Yamauchi

Corporate Officers (Directors)
Isao Isejima
Kohei Mori

Corporate Executive Officers
Shigeru Akechi
Yasutaka Mori
Keizaburo Suzuki

Corporate Officers
Takashi Hibino
Shoji Ikejiri
Takao Kakizaki
Yoshikuni Miyakawa
Yoshiyuki Nagai
Seiji Nishimori
Tadao Ota
Kazuhiro Otake
Kazuko Oya
Kazutoshi Satake
Junichi Tsuboi
Michihiro Yamaguchi
Takemasa Yamanaka
Yutaka Yamanouchi

Standing Corporate Auditors
Masatoshi Takemoto
Hiroshi Yamaguchi

External Corporate Auditors
Kinya Imamura
Eiko Oya

Shareholder Information
As of March 31, 2001

Head Office
Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
Tokyo 104-8010, Japan
Tel: +81-3-3572-5111

For Further Information, Please Write to
Investor Relations Department
Financial Division
Shiseido Company, Limited
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Tel: +81-3-3572-5111
Fax: +81-3-3289-1235

Home Page
English Edition:
http://www.shiseido.co.jp/e/
Japanese Edition:
http://www.shiseido.co.jp/

Fiscal Year-End
March 31

Annual Meeting
The annual meeting of shareholders is normally held in June in Tokyo.

Stock Listings
Common Stock:
Tokyo Stock Exchange
American Depositary Receipts:
U.S. Over-the-Counter

Independent Certified Public Accountants
ChuoAoyama Audit Corporation

Transfer Agent for Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.
3-33-1, Shiba, Minato-ku,
Tokyo 105-8574, Japan

American Depositary Receipts
Cusip No.: 824841407
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: SSDOY
Depositary:
The Bank of New York
101 Barclay Street,
New York, NY 10286, U.S.A.
Tel: (212) 815-2042
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
Home page: http://www.adrbny.com

Stock Data
Common Shares Issued and Outstanding: 418,587,199
Number of Shareholders: 36,459

	'00.4	'00.5	'00.6	'00.7	'00.8	'00.9	'00.10	'00.11	'00.12	'01.1	'01.2	'01.3	'01.4	'01.5
Stock price (yen):														
High	¥1,480	¥1,650	¥1,745	¥1,624	¥1,412	¥1,365	¥1,469	¥1,457	¥1,450	¥1,295	¥1,247	¥1,319	¥1,379	¥1,404
Low	1,331	1,360	1,460	1,301	1,252	1,182	1,315	1,210	1,265	1,156	1,066	1,150	1,209	1,175
Volume (thousands)	15,925	22,524	47,095	27,070	19,928	23,742	17,823	24,585	17,637	18,348	19,395	26,293	17,298	23,054

In this annual report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.