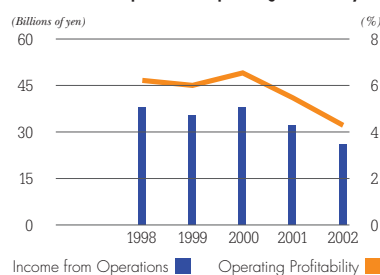


Six-Year Summary

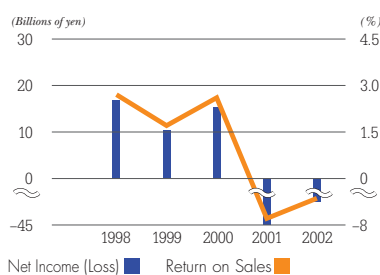
	Millions of yen						Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2002	2002
For the Year:							
Net sales	¥588,572	¥620,910	¥604,295	¥596,643	¥595,152	¥589,962	\$4,538,171
Cost of sales	197,803	208,763	203,380	196,760	202,510	200,194	1,539,954
Selling, general and administrative expenses	347,996	374,034	365,553	361,887	360,351	364,196	2,801,509
Income from operations	42,773	38,113	35,362	37,996	32,291	25,572	196,708
Net income (loss)	19,152	16,868	10,332	15,294	(45,092)	(22,768)	(175,136)
At Year-End:							
Total current assets	¥299,043	¥340,500	¥314,283	¥323,305	¥319,075	¥304,832	\$2,344,864
Total assets	610,054	626,429	613,970	657,425	665,247	664,041	5,108,008
Total current liabilities	161,868	149,643	143,162	188,415	162,314	157,545	1,211,884
Short-term bank loans (incl. bonds redeemable within 1 year)	13,736	6,361	6,056	34,123	16,642	25,685	197,574
Long-term debt	27,911	28,102	30,138	6,021	50,544	72,485	557,574
Shareholders' equity	388,067	413,794	408,839	431,721	361,696	345,667	2,658,981
Per Share Data (in yen and U.S. dollars):							
Net income (loss)	¥47.5	¥40.1	¥24.5	¥36.7	¥(106.8)	¥(54.6)	\$(0.42)
Cash dividends	12.5	13.25	14.0	16.0	16.0	16.0	0.12
Weighted average number of shares outstanding during the period (in thousands)	402,823	420,181	420,877	416,752	422,097	416,708	
Key Financial Ratios:							
Operating profitability (%)	7.3	6.1	5.9	6.4	5.4	4.3	
Return on sales (%)	3.3	2.7	1.7	2.6	(7.6)	(3.9)	
Return on assets (%)	3.2	2.7	1.7	2.4	(6.8)	(3.4)	
Return on equity (%)	5.1	4.2	2.5	3.6	(11.4)	(6.4)	
Equity ratio (%)	63.6	66.1	66.6	65.7	54.4	52.1	
Current ratio (times)	1.85	2.28	2.20	1.72	1.97	1.93	
Debt/equity ratio (times)	0.11	0.08	0.09	0.09	0.19	0.28	
Payout ratio (%)	26.5	33.3	56.8	43.5	—	—	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥130=US\$1.

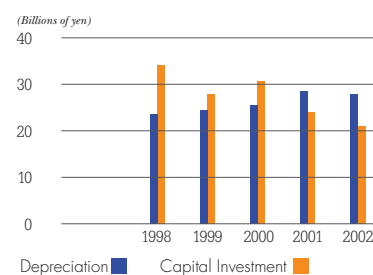
Income from Operations/Operating Profitability



Net Income (Loss)/Return on Sales



Depreciation/Capital Investment



Management's Discussion and Analysis

Revenues and Earnings

For the fiscal year ended March 31, 2002, Shiseido Company, Limited, and its 98 consolidated subsidiaries recorded a net sales decline of 0.9%.

In Japan, overall sales slipped 6.4% as the Company restrained shipments in both the cosmetics and toiletries businesses in an effort to reduce distribution inventories to appropriate levels. Overseas sales, in contrast, surged 24.5% owing both to steady market expansion in most countries and to the weakening yen throughout the period. (On a local-currency basis, overseas sales rose 13.9%.) Overseas sales accounted for 22.4% of net sales for the year under review, up from 17.9% for the year ended March 31, 2001.

Income from operations fell 20.8% owing to several factors. Major factors were lower domestic sales of cosmetics and toiletries, increased outlays for overseas marketing activities, and higher strategic investments associated with structural reforms, including the installation of POS terminals at Shiseido chain stores.

Net other expenses amounted to ¥55.2 billion, reflecting several factors. First, the Company absorbed a ¥34.4 billion one-time loss on disposal of inventories due to the modification of product packaging in compliance with the April 2001 enactment of the amended Pharmaceutical Law mandating full component labeling. As well, the Company was obligated to recall and dispose of all products containing bovine-derived ingredients. In addition, we posted a ¥9.6 billion devaluation loss on inventories, and recorded a ¥12.8 billion write-down of investments in securities and other investments.

As a result of the above factors, for the year the Company recorded a loss before income taxes of ¥29.6 billion and a net loss of ¥22.8 billion.

Sales, by Segment and Product Category

Cosmetics: Domestic sales of cosmetics declined 4.9%. In a market environment characterized by persistent weakness, the Company tirelessly carried out ongoing structural reforms aimed at revitalizing the domestic cosmetics business. Reforms included rejuvenating chain-store retailers and raising the competitiveness of key skin-care lines. Our reforms focusing on the sales counter targeted mainstay product lines, while our efforts to rejuvenate sales channels benefited from revised transaction agreements for chain-store retailers and large-scale affiliated retailers.

At the prestige end of the market, centering on counseling services, over-the-counter sales of skin-care products exceeded the previous year's result. Over-the-counter sales in total, meanwhile, declined slightly for the full year, despite a healthy recovery in the second half. Overall sales of prestige category products declined significantly as the Company's sales subsidiary reduced shipments to optimize distribution inventory levels at retail outlets.

In the middle market product category, which consists chiefly of self-selection products, items sold exclusively at convenience stores performed strongly. Overall sales in this category declined, however, as makeup, hair-care, and men's product lines generally struggled.

Overseas sales of cosmetics rose 15.0% in local-currency terms, while yen-based sales jumped 25.5% as a result of the yen's depreciation during the year. Mainstay skin-care lines supported the Company's steady market-share expansion in many overseas countries, while our new core *SHISEIDO The Makeup* line contributed strongly to the sales gain overseas. Also registering noteworthy performances were such non-SHISEIDO brands as *Decléor*, acquired in the year ended March 31, 2001, and the fragrances of Beauté Prestige International S.A.

Toiletries: Sales of toiletries fell 16.3%. During the year, intensifying price competition and increasing demand for refillable shampoos and conditioners continued to chip away at unit prices. In this severe operating environment, the Company focused on expanding over-the-counter sales while minimizing distribution inventories. These efforts were successful, as we were able to maintain wholesale shipments at the previous year's level and to significantly reduce distribution inventories. Overseas, our toiletries business operations continued to make solid headway, especially in the South Korean market.

Others: Domestic sales of the others segment declined 1.7%. Within this segment, sales of pharmaceuticals improved, while sales of beauty salon products and fashion goods and revenues from our boutique business declined.

In our beauty salon business, hair-coloring and hair-perm agents performed strongly despite the generally languishing domestic market. Sales of hair-care and hair-styling products slipped, however. In our pharmaceuticals business, revenues rose on the continued success of our marketing activities highlighting mainstay general-use products.

Net sales of U.S. subsidiary Zotos International, Inc., which accounts for the vast bulk of our overseas sales of the others segment, stagnated in the second half of the year owing to the terrorist attacks in the United States. For the full year, however, Zotos' sales were up on a local-currency basis thanks to strong performances by top-end products targeted at major beauty salon chains. Moreover, the weaker yen throughout the period had the effect of inflating Zotos' sales on a yen basis. As a result, overseas sales of the others segment increased 17.2%.

Financial Position

At March 31, 2002, the Company's current assets were ¥14.2 billion lower than the figure at the previous year-end. Reflecting progress toward full implementation of sales-counter reforms, notes and accounts receivable decreased ¥17.7 billion and inventories fell ¥20.9 billion. Short-term investments in securities, on the other hand, grew ¥21.8 billion.

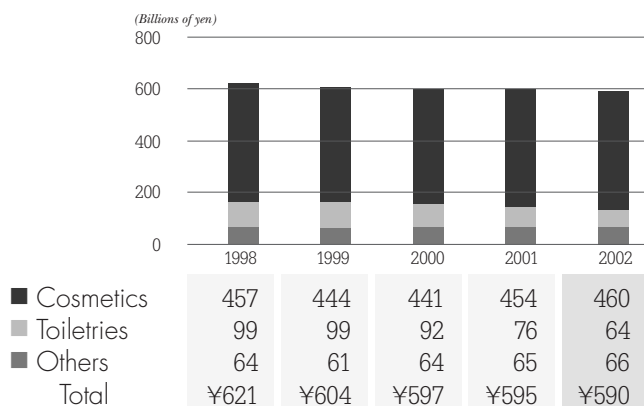
Total investments and advances were down ¥11.2 billion owing partly to a decline in investments in securities stemming from a devaluation of financial products and other factors.

Intangible assets and deferred charges grew ¥17.6 billion, boosted by acquisitions.

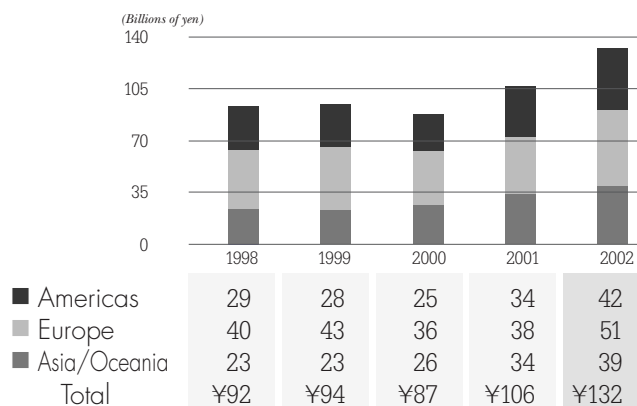
Long-term liabilities rose ¥22.4 billion owing to increases in long-term debt stemming from issues of straight bonds in Japan and medium-term notes overseas.

Total shareholders' equity fell ¥16.0 billion despite both an increase in paid-in capital resulting from a share exchange designed to transform Shiseido Sales Co., Ltd., into a wholly owned subsidiary, and a decline in adjustments on foreign currency statement translation. Factors behind the drop in shareholders' equity included the net loss (¥22.8 billion) and a fall in retained earnings due to return of profit to shareholders (¥6.7 billion in cash dividends).

► Net Sales, by Segment



► Overseas Sales, by Geographic Area



Cash Flows

Net cash provided by operating activities amounted to ¥36.5 billion for the year. Despite the negative impact of the loss before income taxes, a number of factors boosted operating cash inflows. These included a decline in income taxes and the positive effect of items not associated with actual cash outlays, such as the legally mandated amortization of inventories, restructuring expenses, devaluation of financial assets, and depreciation.

Net cash used for investing activities was ¥32.8 billion. Major cash outflows included acquisition of investments in securities, acquisition of property, plant and equipment, and acquisition of shares in subsidiaries due to a change in the scope of consolidation. These factors outweighed cash inflows resulting from sales of securities, investments in securities, and property, plant and equipment.

Net cash provided by financing activities amounted to ¥21.2 billion owing largely to income from corporate bond issue, the major cash inflow. Conversely, the payment of cash dividends and other cash outflows declined.

As a result of the preceding, cash and cash equivalents at end of year amounted to ¥90.3 billion, ¥28.3 billion higher than at the previous year-end.

Outlook*

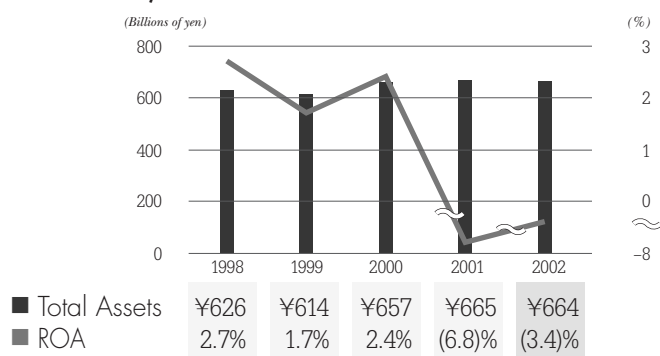
During the fiscal year currently under way, ending March 31, 2003, we shall progress steadily toward the full implementation of marketing and supply-chain reforms aimed at strengthening the sales-counter focus of our domestic cosmetics business. As these reforms begin to bear fruit, we shall also vigorously reorganize our cost structure with the goal of reducing overall expenses. In our overseas business, we confidently predict sustained growth at high levels, particularly in Asian markets.

For the year ending March 31, 2003, the Company forecasts a 6% gain in consolidated net sales, to ¥625 billion, and an 84% jump in income from operations, to ¥47 billion. Expecting all major extraordinary expenses to drop away this year, we furthermore project a record-high net income of ¥25 billion.

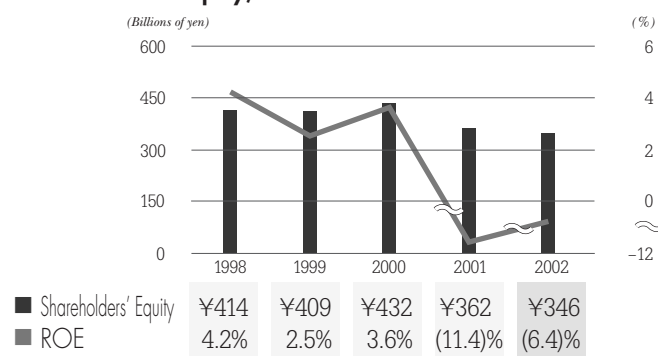
In line with this predicted return to profitability after two successive years of losses, we fully intend to redistribute profits to shareholders. Specifically, we plan to raise both the interim and the year-end cash dividend ¥2.00, to ¥10.00 per share, for a total annual dividend of ¥20.00 per share.

*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 37.

► Total Assets/ROA



► Shareholders' Equity/ROE



Consolidated Financial Statements

Consolidated Balance Sheets

Shiseido Company, Limited, and Subsidiaries—March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1. (1))
	2001	2002	2002
Assets			
Current Assets:			
Cash and time deposits	¥ 34,160	¥ 35,049	\$ 269,610
Short-term investments in securities (Note 3)	33,530	55,365	425,881
Notes and accounts receivable:			
Trade	125,767	108,525	834,808
Unconsolidated subsidiaries and affiliates	279	184	1,415
	126,046	108,709	836,223
Less: Allowance for doubtful accounts	(975)	(1,289)	(9,914)
	125,071	107,420	826,309
Inventories (Note 4)	91,261	70,341	541,088
Deferred tax assets (Note 8)	16,742	25,398	195,369
Other current assets	18,311	11,259	86,607
Total current assets	319,075	304,832	2,344,864
Investments and Advances:			
Investments in securities (Note 3)	48,776	38,398	295,367
Investments in and advances to unconsolidated subsidiaries and affiliates	4,653	4,379	33,680
Other investments	24,240	23,667	182,055
Total investments and advances	77,669	66,444	511,102
Property, Plant and Equipment, at Cost:			
Buildings and structures	173,572	173,714	1,336,260
Machinery and equipment	162,817	166,416	1,280,124
	336,389	340,130	2,616,384
Less: Accumulated depreciation	(224,637)	(229,429)	(1,764,840)
	111,752	110,701	851,544
Land	62,990	63,162	485,865
Construction in progress	2,120	4,123	31,716
Total property, plant and equipment	176,862	177,986	1,369,125
Intangible Assets and Deferred Charges (Note 5)	51,908	69,507	534,669
Difference between Investment Costs and Equity in Net Assets Acquired	—	857	6,592
Deferred Tax Assets (Note 8)	39,733	44,415	341,656
	¥665,247	¥664,041	\$5,108,008

The accompanying notes are an integral part of the statements.

	Millions of yen		Thousands of U.S. dollars (Note 1. (1))
	2001	2002	2002
Liabilities and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans	¥ 16,642	¥ 19,199	\$ 147,683
Current portion of long-term debt (Note 6)	—	6,486	49,891
Notes and accounts payable:			
Trade	56,491	48,840	375,690
Unconsolidated subsidiaries and affiliates	1,117	1,413	10,872
Other	46,544	47,363	364,333
	104,152	97,616	750,895
Accrued income taxes	2,637	1,990	15,306
Accrued expenses (Note 2. (11))	23,876	20,769	159,763
Deferred tax liabilities (Note 8)	26	188	1,445
Other current liabilities	14,981	11,297	86,901
Total current liabilities	162,314	157,545	1,211,884
Long-Term Liabilities:			
Long-term debt (Note 6)	50,544	72,485	557,574
Accrued retirement benefits (Note 7)	70,139	67,285	517,579
Deferred tax liabilities (Note 8)	1,646	4,899	37,683
Other long-term liabilities	3,786	3,879	29,840
Total long-term liabilities	126,115	148,548	1,142,676
Difference between Investment Costs and Equity in Net Assets Acquired	2,860	—	—
Minority Interests in Consolidated Subsidiaries	12,262	12,281	94,467
Contingent Liabilities (Note 9)			
Shareholders' Equity:			
Common stock;			
Authorized: 784,561,000 shares			
at March 31, 2001 and 2002, respectively			
Issued: 418,587,199 shares and 424,562,353 shares			
at March 31, 2001 and 2002, respectively	64,507	64,507	496,206
Additional paid-in capital	66,094	70,258	540,446
Retained earnings	255,370	225,800	1,736,923
Unrealized losses on available-for-sale securities, net of tax	(3,352)	(1,755)	(13,497)
Adjustments on foreign currency statement translation	(18,315)	(10,512)	(80,857)
	364,304	348,298	2,679,221
Less: Treasury stock, at cost	(2,608)	(2,631)	(20,240)
Total shareholders' equity	361,696	345,667	2,658,981
	¥665,247	¥664,041	\$5,108,008

Consolidated Statements of Income

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1. (1))
	2000	2001	2002	2002
Net Sales	¥596,643	¥595,152	¥589,962	\$4,538,171
Cost of Sales	196,760	202,510	200,194	1,539,954
Gross profit	399,883	392,642	389,768	2,998,217
Selling, General and Administrative Expenses	361,887	360,351	364,196	2,801,509
Income from operations	37,996	32,291	25,572	196,708
Other Income (Expenses):				
Interest and dividend income	3,160	2,663	1,614	12,412
Interest expense	(384)	(1,169)	(2,104)	(16,185)
Gain on sales of marketable securities	3,159	2,109	413	3,175
Gain on sales of property and equipment	1,657	2,306	4,177	32,132
Gain (loss) on revaluation of securities	1,147	—	—	—
Exchange loss	(2,182)	(1,308)	—	—
Restructuring expenses	—	(8,718)	(464)	(3,572)
Net obligation at transition immediately expensed for retirement benefits (Note 2. (8))	—	(69,072)	—	—
Loss on disposal of inventories (Note 4)	—	—	(34,361)	(264,315)
Devaluation loss on inventories (Note 4)	—	—	(9,601)	(73,855)
Write-down of goodwill (Note 5)	—	(13,226)	—	—
Write-down of investments in securities and other investments	—	(1,606)	(12,775)	(98,270)
Equity in earnings of affiliates (Note 1. (4))	190	(540)	(498)	(3,828)
Others, net	(3,073)	(3,368)	(1,618)	(12,443)
	3,674	(91,929)	(55,217)	(424,749)
Income (loss) before income taxes	41,670	(59,638)	(29,645)	(228,041)
Income Taxes (Note 8):				
Current	29,002	9,605	6,084	46,804
Deferred	(4,086)	(19,057)	(13,440)	(103,383)
	24,916	(9,452)	(7,356)	(56,579)
	16,754	(50,186)	(22,289)	(171,462)
Minority Interests in Net Income of Consolidated Subsidiaries	(1,460)	5,094	(479)	(3,674)
Net income (loss)	¥ 15,294	¥(45,092)	¥(22,768)	\$(175,136)
		Yen		U.S. dollars (Note 1. (1))
Per Share (Note 2. (5)):				
Net income (loss), adjusted—primary	¥36.7	¥(106.8)	¥(54.6)	\$(0.42)
—fully diluted	36.5	—	—	—
Dividends	16.0	16.0	16.0	0.12
Weighted Average Number of Shares (in thousands)	416,752	422,097	416,708	

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, 2000, 2001 and 2002

	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, 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	—	—	—	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)
Net loss for the year ended March 31, 2002	—	—	—	(22,768)	—	—	—
Cash dividends	—	—	—	(6,667)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(104)	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(3)	—	—	—
Other decrease	—	—	—	(28)	—	—	—
Shares issued in exchange for the common stock of Shiseido Sales Co., Ltd.	5,975	—	4,164	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	(23)
Change in unrealized losses on available-for-sale securities	—	—	—	—	1,597	—	—
Change in foreign currency statement translation adjustments	—	—	—	—	—	7,803	—
Balance as of March 31, 2002	424,562	¥64,507	¥70,258	¥225,800	¥(1,755)	¥(10,512)	¥(2,631)

Thousands of U.S. dollars (Note 1. (1))

	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, 2001	418,587	\$496,206	\$508,415	\$1,964,385	\$(25,786)	\$(140,881)	\$(20,065)
Net loss for the year ended March 31, 2002	—	—	—	(175,136)	—	—	—
Cash dividends	—	—	—	(51,284)	—	—	—
Directors' and statutory auditors' bonuses	—	—	—	(800)	—	—	—
Decrease due to additional consolidation of subsidiaries	—	—	—	(28)	—	—	—
Other decrease	—	—	—	(214)	—	—	—
Shares issued in exchange for the common stock of Shiseido Sales Co., Ltd.	5,975	—	32,031	—	—	—	—
Cost of treasury stock (purchased) sold	—	—	—	—	—	—	(175)
Change in unrealized losses on available-for-sale securities	—	—	—	—	12,289	—	—
Change in foreign currency statement translation adjustments	—	—	—	—	—	60,024	—
Balance as of March 31, 2002	424,562	\$496,206	\$540,446	\$1,736,923	\$(13,497)	\$(80,857)	\$(20,240)

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, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1. (1))
	2000	2001	2002	2002
Cash Flows from Operating Activities:				
Income (loss) before income taxes	¥41,670	¥(59,638)	¥(29,645)	\$(228,041)
Depreciation	25,586	28,641	27,953	215,020
Loss on disposal of inventories	—	—	16,310	125,462
Devaluation loss on inventories	—	—	9,601	73,855
Write-down of goodwill	—	13,226	—	—
Write-down of land	—	5,651	—	—
Write-down of investments in securities and other investments	—	1,606	12,775	98,270
Increase (decrease) in accrued retirement benefits	—	66,229	(2,963)	(22,795)
Amortization of difference between investment costs and equity in net assets acquired	(1,702)	(729)	(724)	(5,567)
Increase (decrease) in provision for sales promotion costs	187	(1,614)	(4,504)	(34,644)
Interest and dividend income	(3,160)	(2,663)	(1,614)	(12,412)
Interest expenses	384	1,169	2,104	16,185
Equity in earnings of affiliates	(190)	540	498	3,828
Gain on sale of property, plant and equipment	(1,044)	(858)	(2,421)	(18,621)
(Increase) decrease in receivables	(6,056)	(12,636)	20,484	157,566
Increase in inventories	(15,140)	(11,466)	(2,879)	(22,145)
Increase (decrease) in payables	2,825	8,378	(6,855)	(52,726)
Other	3,587	(47)	(2,274)	(17,493)
	46,947	35,789	35,846	275,742
Receipt of interest and dividend income	3,139	2,872	2,043	15,713
Payment of interest expenses	(426)	(1,306)	(1,948)	(14,986)
(Payment) refund of income taxes	(15,336)	(36,880)	576	4,430
Cash flows from operating activities	34,324	475	36,517	280,899
Cash Flows from Investing Activities:				
Acquisition of securities	(38,711)	(7,498)	—	—
Proceeds from sale of securities	44,588	6,621	5,832	44,861
Acquisition of investments in securities	(16,776)	(20,905)	(12,891)	(99,158)
Proceeds from sale of investments in securities	9,840	41,009	10,660	82,004
Acquisition of property, plant and equipment	(31,714)	(25,194)	(22,561)	(173,547)
Proceeds from sale of property, plant and equipment	4,207	4,819	7,157	55,051
Acquisition of intangible assets	(4,227)	(15,143)	(3,352)	(25,782)
Acquisition of newly consolidated subsidiaries	—	(4,835)	(13,395)	(103,039)
Other	958	(5,513)	(4,218)	(32,450)
Cash flows from investing activities	(31,835)	(26,639)	(32,768)	(252,060)
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term bank loans	3,768	6,681	(975)	(7,502)
Proceeds from long-term debt	3,051	45,813	30,376	233,662
Repayment of long-term debt	(1,279)	(27,300)	(884)	(6,795)
Proceeds from exercise of warrants	1,181	11,003	—	—
Acquisition of treasury stocks	2	(2,602)	(23)	(176)
Retirement of treasury stocks	(4,999)	(7,451)	—	—
Payment of cash dividends	(5,844)	(7,108)	(6,665)	(51,271)
Payment of cash dividends to minority shareholders	(598)	(657)	(608)	(4,677)
Cash flows from financing activities	(4,718)	18,379	21,221	163,241
Exchange Difference of Cash and Cash Equivalents	(2,988)	879	2,449	18,837
Net Change in Cash and Cash Equivalents	(5,217)	(6,906)	27,419	210,917
Cash and Cash Equivalents at Beginning of Year	73,270	68,521	62,017	477,057
Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries	468	402	857	6,591
Cash and Cash Equivalents at End of Year	¥68,521	¥62,017	¥90,293	\$694,565

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements

Shiseido Company, Limited, and Subsidiaries

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.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥130=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 104 subsidiaries as at March 31, 2002 (96 and 80 as at March 31, 2001 and 2000, respectively). The consolidated financial statements include the accounts of the Company and 98 (89 and 76 for 2001 and 2000, respectively) of its subsidiaries. The major consolidated subsidiaries are listed below:

	As at March 31, 2002	
	Equity ownership percentage, including indirect ownership	Capital stock millions of yen (thousands of U.S. dollars)
Osaka Shiseido Co., Ltd.	100.0%	¥ 315
Shiseido Kako Co., Ltd.	100.0	¥ 100
FT Shiseido Co., Ltd.	100.0	¥ 11,230
Shiseido Sales Co., Ltd.	100.0	¥ 1,590
Shiseido FITIT Co., Ltd.	100.0	¥ 820
Shiseido International Corporation	100.0	\$ 279,640

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 6 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 subsidiaries 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, 2002, the Company had 7 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 (6 and 2 for 2001 and 2000, 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, 2002 and for the year then ended. Investments in an affiliate and 6 unconsolidated subsidiaries are stated at cost.

(5) Determining the Cost of the Acquired Subsidiaries at Acquisition of the Control

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" so that the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the date of acquisition of the control.

2. Summary of Significant Accounting Policies

(1) 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.

(2) 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.

The range of useful lives is summarized as follows:

Buildings and structures10 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.

(3) Valuation of Securities

Until the year ended March 31, 2000, securities with market quotation (listed on stock exchanges) held by the Company and its domestic consolidated subsidiaries had been valued at the lower of cost or market, cost being determined by the moving average method.

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 values 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" for the year ended March 31, 2001 decreased by ¥2,960 million, as compared with the previous policy for valuation of securities.

Securities with remaining maturities of one year or less and securities that are recognized as cash-equivalent are classified as "Short-term investments in securities" and non-current securities are included in "Investments in securities."

(4) Accounting for Leases

Finance leases other than those 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.

(5) 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.

(6) 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.

(7) 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.

(8) Accrued Retirement Benefits

Accrued retirement benefit 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). 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).

Net obligation at transition of ¥69,072 million incurred by the Company and its domestic consolidated subsidiaries was 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 Retirement Benefits issued by the Business Accounting Council (BAC) of Japan.

As a result of the change, periodic benefit cost and “Loss before income taxes” for the year ended March 31, 2001 increased by ¥66,652 million and ¥66,642 million, respectively, as compared with the previous basis.

(9) 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.

**(10) 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” 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.

(11) Provision for Sales Promotion Costs

Until the year ended March 31, 2001, the Company provided for sales promotion costs for products that had been distributed to and stayed at retailers. During the year ended March 31, 2002, the promotion policy has changed in line with the Company’s structural reforms and the purpose of the activity is now to promote sales from the Company and its domestic sales subsidiary, thus making it no longer necessary to provide for expenditures in the future.

As at March 31, 2001, ¥4,504 million was provided and included in the accrued expenses account.

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 and 2002 are as follows:

Available-for-sale securities:

	2001 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

	2002 Millions of yen			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Equity securities	¥19,317	¥19,339	¥2,419	¥2,397
Corporate debt securities	146	128	—	18
Others	13,887	10,907	1	2,981
	¥33,350	¥30,374	¥2,420	¥5,396

	2002 Thousands of U.S. dollars			
	Cost	Carrying amount	Gross unrealized gains	Gross unrealized losses
Equity securities	\$148,592	\$148,756	\$18,603	\$18,439
Corporate debt securities	1,123	983	—	140
Others	106,827	83,901	3	22,929
	\$256,542	\$233,640	\$18,606	\$41,508

The carrying amount of securities without fair value as at March 31, 2001 and 2002 is summarized as follows:

Available-for-sale securities:

	Carrying amount		Thousands of U.S. dollars
	Millions of yen		
	2001	2002	2002
Unlisted equity securities	¥ 2,921	¥ 8,146	\$ 62,658
Unlisted corporate debt securities	6,621	1,445	11,117
Others	28,384	53,798	413,833
	¥37,926	¥63,389	\$487,608

Proceeds, gross realized gains and gross realized losses from the sale of available-for-sale securities in respect of the years ended March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	
Proceeds	¥36,600	¥16,742	\$128,782
Gross realized gains	2,109	413	3,175
Gross realized losses	623	728	5,604

4. Inventories

Inventories held by the Companies as at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Merchandise and products	¥61,260	¥45,009	\$346,228
Raw materials	14,432	14,168	108,984
Work in process	6,072	4,848	37,291
Supplies	9,497	6,316	48,585
	¥91,261	¥70,341	\$541,088

In order to comply with the revised Pharmaceutical Law and to follow a notice from the Ministry of Health, Labor and Welfare, the Companies recalled certain products and disposed of them, recording a loss totalling to ¥34,361 million (\$264,315 thousand).

In line with the Company's management reforms whereby supply chain management is expected to minimize the volume of inventories and keep superior salability of the products, the Company and its certain domestic subsidiaries devalued inventories that do not meet the criteria set under the new management policy.

5. Intangible Assets and Deferred Charges

Intangible assets as at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Goodwill*	¥15,640	¥26,295	\$202,269
Trademark rights**	16,066	21,473	165,176
Others	20,202	21,739	167,224
	¥51,908	¥69,507	\$534,669

*Goodwill as at March 31, 2002 includes goodwill relating to the North American Professional Division from Helene Curtis, Inc. ("Helene Curtis"), the Professional Division from The Lamour 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 Squibb, Inc., and NARS, Decléor, Sea Breeze and Joico brands. The acquisition costs during each of the years ended March 31, 2002 and 2001 were ¥9,347 million and ¥6,130 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 ¥1,354 million, ¥1,441 million and ¥1,477 million for the years ended March 31, 2002, 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 Squibb, Inc., and NARS, Decléor, Sea Breeze and Joico brands.

The acquisition costs during each of the years ended March 31, 2002 and 2001 were ¥4,911 million and ¥13,480 million, respectively.

Trademark rights are being amortized mainly over a 10-year period on a straight-line basis. Amortization costs of ¥1,004 million, ¥838 million and ¥223 million were charged to income for the years ended March 31, 2002, 2001 and 2000, respectively.

6. Long-Term Debt

Long-term debt as at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Long-term borrowings from banks and other financial institutions	¥ 7,391	¥ 7,624	\$ 58,646
0.90% unsecured yen bonds due in October 2003	30,000	30,000	230,769
0.42% unsecured yen bonds due in January 2005	—	20,000	153,846
Euro Medium-Term Notes due 2002–2006*	13,153	21,347	164,204
	50,544	78,971	607,465
Less: portion due within one year	—	(6,486)	(49,891)
	¥50,544	¥72,485	\$557,574

*These notes have been issued by Shiseido Europe S.A. and Shiseido International Corporation. The interest rates at March 31, 2002 ranged from 0.21% to 4.57%.

7. Pension Plans

The Company and its domestic consolidated subsidiaries have a contributory funded defined benefit pension program, which is pursuant to the Japanese Welfare Pension Insurance Law. Certain overseas consolidated subsidiaries also have funded defined benefit pension plans.

The following table sets forth a reconciliation of projected benefit obligations, plan assets, funded status of the pension benefit plans and net liability recognized in the accompanying balance sheets at March 31, 2001 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Projected benefit obligation	¥(243,237)	¥(238,384)	\$(1,833,720)
Fair value of plan assets	154,150	154,844	1,191,105
Funded status of the plans	(89,087)	(83,540)	(642,615)
Unamortized net obligation at transition*	1,451	1,471	11,317
Unrecognized net actuarial (gain) or loss	26,272	38,491	296,084
Unrecognized prior service cost	(7,547)	(22,479)	(172,916)
Additional minimum liability*	(1,228)	(1,228)	(9,449)
Net liability recognized	¥ (70,139)	¥ (67,285)	\$ (517,579)

The net periodic pension benefit cost for the years ended March 31, 2001 and 2002 included the following components:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Service cost	¥13,088	¥13,164	\$101,263
Interest cost	6,829	6,979	53,684
Expected return on plan assets	(6,551)	(6,151)	(47,313)
Amortization of net obligation at transition*	96	101	774
Amortization of net actuarial (gain) or loss	1	2,642	20,321
Amortization of prior service cost	(397)	(1,337)	(10,283)
	¥13,066	¥15,398	\$118,446

*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 and 2002. The rate of expected return on plan assets was 4.0% as of March 31, 2001 and 2002. Attribution of pension 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.

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
	2001	2002	2002
Deferred tax assets:			
Depreciation	¥ 9,906	¥ 9,626	\$ 74,050
Accrued expenses	4,809	3,014	23,181
Accrued enterprise tax	(172)	182	1,399
Accrued bonuses to employees	3,835	4,386	33,736
Inventories	—	9,617	73,980
Unrealized intercompany profit of inventory and fixed assets	5,006	619	4,761
Accrued retirement benefits	26,690	25,364	195,105
Tax losses carried forward	2,128	10,047	77,288
Write-down of investments in securities and other investments	—	5,336	41,050
Unrealized losses on available-for-sale securities	2,400	1,252	9,629
Other	4,656	4,888	37,596
	59,258	74,331	571,775
Allowance for valuation	(2,039)	(3,369)	(25,912)
	¥57,219	¥70,962	\$545,863
Deferred tax liabilities:			
Special tax-purpose reserve	645	1,099	8,455
Depreciation	1,211	1,551	11,933
Goodwill and other intangible assets	—	2,396	18,431
Other	560	1,190	9,147
	¥ 2,416	¥ 6,236	\$ 47,966

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

	2001	2002
Effective statutory tax rate	41.0%	41.0%
Adjustments:		
Entertainment expenses and others that are not deductible permanently	(2.5)	(5.1)
Dividends income and others that are not taxable permanently	0.7	1.8
Write-down of goodwill	(9.1)	—
Temporary difference relating to consolidation adjustments	(13.7)	(2.4)
Allowance for valuation	—	(4.5)
Other factor	(0.6)	(6.0)
Actual tax rate	15.8%	24.8%

9. Contingent Liabilities

As at March 31, 2002, the Company was contingently liable for guarantees of loans from banks, which amounted to ¥220 million (\$1,694 thousand).

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, 2001 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
As a lessee:			
The scheduled maturities of future lease rental payments on such lease contracts were as follows:			
Due within one year	¥ 3,648	¥ 5,099	\$ 39,222
Due over one year	8,703	13,279	102,148
	¥12,351	¥18,378	\$141,370
Lease rental expenses for the year	¥ 3,770	¥ 4,927	\$ 37,903
Assumed depreciation	¥ 3,770	¥ 4,927	\$ 37,903
Leased machinery and equipment:			
Assumed purchase cost	¥22,825	¥32,279	\$248,296
Assumed accumulated depreciation	(10,474)	(13,901)	(106,926)
Assumed net book value	¥12,351	¥18,378	\$141,370

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
	2001	2002	2002
As a lessor:			
The scheduled maturities of future lease rental income on such lease contracts were as follows:			
Due within one year	¥ 433	¥ 571	\$ 4,389
Due over one year	1,184	1,579	12,148
	¥1,617	¥2,150	\$16,537
Lease rental income for the year	¥ 488	¥ 669	\$ 5,148
Depreciation	¥ 436	¥ 589	\$ 4,529
Assumed interest income	¥ 59	¥ 101	\$ 781
Leased machinery and equipment:			
Purchase cost	¥2,762	¥3,861	\$29,699
Accumulated depreciation	(1,193)	(1,808)	(13,906)
Net book value	¥1,569	¥2,053	\$15,793

11. Derivative Financial Instruments

In the normal course of business, the Company and its consolidated subsidiaries employ derivative financial instruments, including forward exchange contracts and foreign currency swap arrangements, to manage their exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. The Company does not use derivatives for speculative or trading purposes.

The contract amount (notional principal amount), estimated fair value and unrealized gain (loss) of the outstanding contracts at March 31, 2002 are summarized below:

	Millions of yen			
	Contract amount (notional principal amount)		Estimated fair value	Unrealized gain (loss)
	Total	Settled over one year		
Currency swap contracts:				
To receive Yen/to pay U.S. dollar	¥ 8,028	¥ 6,041	¥ (916)	¥ (916)
To receive Yen/to pay Euro	5,987	3,887	(288)	(288)

	Thousands of U.S. dollars			
	Contract amount (notional principal amount)		Estimated fair value	Unrealized gain (loss)
	Total	Settled over one year		
Currency swap contracts:				
To receive Yen/to pay U.S. dollar	\$ 61,754	\$ 46,468	\$ (7,043)	\$ (7,043)
To receive Yen/to pay Euro	46,057	29,898	(2,212)	(2,212)

Derivatives which meet the criteria for hedge were excluded from the above table.

12. Segment Information

(1) Industry Segment Information

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

- CosmeticsWomen's and men's cosmetics
- ToiletriesSoaps, hair care products, mass market cosmetics and napkins
- OthersBeauty 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, 2002 is presented below:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Net sales:				
Cosmetics	¥441,375	¥454,097	¥460,004	\$ 3,538,491
Toiletries	91,619	76,424	63,976	492,124
Others	63,649	64,631	65,982	507,556
	¥596,643	¥595,152	¥589,962	\$ 4,538,171
Operating income (loss) before unallocatable costs:				
Cosmetics	¥ 46,559	¥ 41,447	¥ 39,885	\$ 306,807
Toiletries	3,684	1,144	(4,554)	(35,032)
Others	1,030	2,297	2,966	22,816
	51,273	44,888	38,297	294,591
Less: unallocatable operating expenses	(13,277)	(12,597)	(12,725)	(97,883)
Operating income	¥ 37,996	¥ 32,291	¥ 25,572	\$ 196,708
Total assets:				
Cosmetics	¥293,835	¥334,735	¥317,690	\$2,443,768
Toiletries	50,012	64,106	48,940	376,462
Others	112,819	100,465	112,849	868,067
	456,666	499,306	479,479	3,688,297
Unallocatable or headquarters	200,759	165,941	184,562	1,419,711
	¥657,425	¥665,247	¥664,041	\$ 5,108,008
Depreciation:				
Cosmetics	¥ 12,489	¥ 13,292	¥ 13,160	\$ 101,232
Toiletries	2,527	3,319	2,925	22,496
Others	6,853	8,223	7,460	57,386
	21,869	24,834	23,545	181,114
Unallocatable or headquarters	60	50	46	357
	¥ 21,929	¥ 24,884	¥ 23,591	\$ 181,471
Capital expenditure:				
Cosmetics	¥ 22,553	¥ 30,154	¥ 13,849	\$ 106,529
Toiletries	2,283	10,201	1,481	11,392
Others	11,020	14,729	21,402	164,632
	35,856	55,084	36,732	282,553
Unallocatable or headquarters	25	43	69	532
	¥ 35,881	¥ 55,127	¥ 36,801	\$ 283,085

As a result of the change of accounting policy (see Note 2. (10)), "Unallocatable or headquarters" assets as at March 31, 2001 were decreased by ¥19,957 million as compared with the previous method.

As a result of the change of accounting policy (see Note 2. (8)), the following items as at March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of yen
Operating income:	
Cosmetics	¥2,379
Toiletries	176
Others	(47)
Unallocatable operating expenses	(24)
	¥2,484

(2) Information by Geographic Segment

The geographic segment information of the Companies for each of the three years in the period ended March 31, 2002 is presented below:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Net sales:				
Domestic (inside Japan)	¥509,923	¥490,258	¥460,095	\$3,539,193
Outside Japan:				
Americas	22,595	31,158	38,924	299,414
Europe	40,281	44,781	56,805	436,960
Asia, Oceania	23,844	28,955	34,138	262,604
	86,720	104,894	129,867	998,978
	¥596,643	¥595,152	¥589,962	\$4,538,171
Operating income (loss) before unallocatable costs:				
Domestic (inside Japan)	¥44,903	¥38,201	¥33,379	\$256,764
Outside Japan:				
Americas	1,724	2,221	(29)	(220)
Europe	1,863	1,284	1,582	12,165
Asia, Oceania	2,783	3,182	3,365	25,882
	6,370	6,687	4,918	37,827
	51,273	44,888	38,297	294,591
Less: unallocatable operating expenses	(13,277)	(12,597)	(12,725)	(97,883)
Operating income	¥37,996	¥32,291	¥25,572	\$196,708
Total assets:				
Domestic (inside Japan)	¥346,643	¥363,773	¥308,147	\$2,370,364
Outside Japan:				
Americas	48,253	49,957	78,874	606,723
Europe	37,498	56,655	57,501	442,311
Asia, Oceania	24,272	28,921	34,957	268,899
	110,023	135,533	171,332	1,317,933
	456,666	499,306	479,479	3,688,297
Unallocatable or headquarters	200,759	165,941	184,562	1,419,711
	¥657,425	¥665,247	¥664,041	\$5,108,008

As a result of the change of accounting policy (see Note 2. (10)), "Unallocatable or headquarters" assets as at March 31, 2001 were decreased by ¥19,957 million as compared with the previous method.

As a result of the change of accounting policy (see Note 2. (8)), the following items as at March 31, 2001 were increased (decreased) as compared with the previous method:

	Millions of yen
Operating income:	
Domestic (inside Japan)	¥2,508
Unallocatable operating expenses	(24)
	¥2,484

(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 each of the three years in the period ended March 31, 2002 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2000	2001	2002	2002
Export sales and sales by overseas subsidiaries:				
Americas	¥25,215	¥34,481	¥41,621	\$320,162
Europe	36,173	38,155	51,329	394,837
Asia, Oceania	26,089	33,617	39,355	302,733
	¥87,477	¥106,253	¥132,305	\$1,017,732
Percentage of such sales against consolidated net sales	14.7%	17.9%	22.4%	22.4%

13. Subsequent Event

Subsequent to March 31, 2002, the Company's Board of Directors, with the subsequent approval by shareholders on June 27, 2002, declared a cash dividend of ¥3,380 million (\$26,006 thousand), equal to ¥8.0 per share, which was applicable to earnings of the year ended March 31, 2002 and payable to shareholders on the register on March 31, 2002.

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, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2002, 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, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles and practices generally accepted in Japan (see Note 1. (1)) applied on a consistent basis

As described in Note 2.(3), 2.(8), 2.(9) and 2.(10), Shiseido Company, Limited and its domestic consolidated subsidiaries have adopted newly introduced accounting standards for financial instruments and retirement 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 27, 2002

Global Network

(As of March 31, 2002)

Segment	Activity	Parent	Consolidated Subsidiaries				Total (98)
			Domestic (45)	Overseas (53)			
				Americas (16)	Europe (21)	Asia/Oceania (16)	
Cosmetics	Manufacturing *Manufacturing and Sales	Kamakura and Kakegawa factories	Osaka Shiseido Co., Ltd. (Osaka and Maizuru) Shiseido Kako Co., Ltd. Shiseido Beautech Co., Ltd. ETWAS Co., Ltd. Haramachi Paper Co., Ltd.	Shiseido America Inc. (Oakland and East Windsor) Davlyn Industries, Inc.	Shiseido International France S.A.S. (Gian and Val de Loire) *Laboratoires Decléor S.A.	Taiwan Shiseido Co., Ltd. (Chung-Li and Shin-Tsu) *Shiseido Liyuan Cosmetics Co., Ltd. *Shanghai Zotos Citic Cosmetics Co., Ltd. *Shiseido (N.Z.) Ltd.	13 (17) (plus 2 parent company factories)
	Sales and Other		Shiseido Sales Co., Ltd. Shiseido FITIT Co., Ltd. Shiseido Asia Pacific Co., Ltd. IPSA Co., Ltd. d'ici là Co., Ltd. Ettusais Co., Ltd. Ayura Laboratories Inc. InterAct Co., Ltd. Beauté Prestige International Co., Ltd. Shiseido International Inc. AXE Co., Ltd. Orbit, Inc. KINARI Inc. Beauty Technology Co., Ltd. Taishi Trading Co., Ltd. Fullcast Co., Ltd. Le Mieux Co., Ltd.	Shiseido International Corporation Shiseido Cosmetics (America) Ltd. Shiseido of Hawaii, Inc. Shiseido (Canada) Inc. Shiseido do Brasil Ltda. Decléor U.S.A. NARS Cosmetics, Inc. Zirh International, Corp. Shiseido Investment US, Inc. Beauté Prestige International Inc. (Miami)	Shiseido Europe S.A. Shiseido Cosmetics (Italia) S.p.A. Shiseido Deutschland GmbH Shiseido France S.A. Shiseido United Kingdom Co., Ltd. Shiseido España S.A. Beauté Prestige International S.A. Beauté Prestige International S.p.A. Beauté Prestige International S.A. (Spain) Beauté Prestige International GmbH (Germany) Beauté Prestige International GmbH (Austria) Les Salons du Palais Royal Shiseido S.A. Carita S.A. Carita International S.A. FIPAL S.A.	Shiseido Dah Chong Hong Cosmetics Ltd. Shiseido Dah Chong Hong (Guangzhou) Cosmetics Ltd. Beijing Huazhiyou Cosmetics Sales Center FLELIS International Inc. Shiseido Korea Co., Ltd. Shiseido Singapore Co., (Pte.) Ltd. Shiseido Thailand Co., Ltd. SAHA Asia-Pacific Co., Ltd. Shiseido (Australia) Pty., Ltd. S&D Comestics Co., Ltd.	52
Toiletries	Manufacturing *Manufacturing and Sales		*FT Shiseido Co., Ltd. Mieux Products Co., Ltd.				2 (2)
	Sales and Other		Amenity Goods Co., Ltd. PRIER Co., Ltd.			Taiwan FTS Co., Ltd.	3
Others	Manufacturing *Manufacturing and Sales			*Zotos International, Inc. *Joico Laboratories, Inc.			2 (2)
	Sales and Other		Shiseido Beauty Company, Ltd. Shiseido Beauty Salon Co., Ltd. GENIC Corporation Hair Color Plaza Co., Ltd. Shiseido Pharmaceutical Co., Ltd. Shiseido Irica Technology Inc. Shiseido Beauty Foods Co., Ltd. Shiseido Parlour Co., Ltd. The Ginza Co., Ltd. Shiseido Shoppers Club Co., Ltd. Shiseido Logistics Company Ltd. Shiseido Real Estate Development Co., Ltd. Shiseido Lease Co., Ltd. Shiseido Information Network Co., Ltd. Shiseido City Co., Ltd. Kyuryudo Art-Publishing Co., Ltd. Shiseido Astek Co., Ltd. Shiseido Investment Co., Ltd. Phisphere Inc.	Piidea Canada, Ltd. Joico Laboratories Canada, Ltd.	Alma Coiffure S.A. Alma Esthetique E.U.R.L. Joico Laboratories Europe B. V. Joico Holding B. V.	PT. Prana Dewata Ubud	26
Total	Manufacturing *Manufacturing and Sales	2 factories	7 (8)	4 (5)	2 (3)	4 (5)	17 (21) (plus 2 parent company factories)
	Sales and Other		38	12	19	12	81
	Total		45	16	21	16	98
R&D Facilities		Research Center (Shin-Yokohama) Research Center (Kanazawa-Hakkei) Institute of Beauty Sciences/Beauty Creation Center		Shiseido International Corporation in the East Windsor factory Zotos International, Inc. Shiseido America Techno-Center in Zotos International, Inc.	Shiseido Europe Techno-Center in Shiseido Europe S.A. Shiseido International France S.A.S. in Val de Loire factory		Domestic: 3 Overseas: 5 in 2 countries

Corporate Information

Shiseido Directors/Corporate Officers/Auditors

As of June 27, 2002

Chairman
(Representative Director)
Akira Gemma

President & CEO
(Representative Director)
Morio Ikeda

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

Corporate Executive Officers
(Directors)
Takeshi Ohori
Tadakatsu Saito

Corporate Officers (Directors)
Isao Isejima
Kohei Mori

Corporate Senior Executive Officers
Sadao Abe
Osamu Hosokawa

Corporate Executive Officers
Shigeru Akechi
Masami Hamaguchi
Yoshimaru Kumano
Yasutaka Mori
Keizaburo Suzuki
Akira Yamauchi

Corporate Officers
Takashi Hibino
Takao Kakizaki
Junichi Tsuboi
Michihiro Yamaguchi
Toshimitsu Kobayashi
Yoshikuni Miyakawa
Seiji Nishimori
Kazuhiro Otake
Kazuko Oya
Kazutoshi Satake
Takemasa Yamanaka
Yutaka Yamanouchi

Senior Corporate Auditor
Kazunari Moriya

Corporate Auditor
Hiroshi Yamaguchi

External Corporate Auditors
Kinya Imamura
Eiko Oya

Shareholder Information

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
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Corporate Resources Division
Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
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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: SDOY
Depository:
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: 424,562,353 / Number of Shareholders: 41,422 (As of March 31, 2002)

	'01.4	'01.5	'01.6	'01.7	'01.8	'01.9	'01.10	'01.11	'01.12	'02.1	'02.2	'02.3	'02.4	'02.5
Stock price (yen):														
High	1,379	1,404	1,215	1,190	1,217	1,140	1,250	1,295	1,316	1,205	1,285	1,378	1,486	1,653
Low	1,209	1,175	1,113	1,034	1,075	1,002	1,047	1,178	1,136	1,102	1,071	1,235	1,338	1,412
Volume (thousand shares)	17,298	23,054	24,748	25,768	20,240	18,188	31,139	27,740	30,347	22,436	21,073	29,998	25,203	39,681

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.