

Six-Year Summary

	Millions of yen						Thousands of U.S. dollars
	1999	1998	1997	1996	1995	1994	1999
For the Year:							
Net sales	¥604,295	¥620,910	¥588,572	¥560,821	¥540,361	¥549,178	\$5,254,739
Cost of sales	203,380	208,763	197,803	183,887	169,164	173,441	1,768,522
Selling, general and administrative expenses	365,553	374,034	347,996	340,012	344,889	345,952	3,178,721
Income from operations	35,362	38,113	42,773	36,922	26,308	29,785	307,496
Net income	10,332	16,868	19,152	17,507	11,382	14,668	89,843
At Year-End:							
Total current assets	¥314,292	¥340,507	¥299,121	¥283,964	¥254,318	¥239,850	\$2,732,974
Total assets	613,979	626,435	610,132	580,513	564,383	568,402	5,338,948
Total current liabilities	143,162	149,643	161,868	188,189	151,417	160,402	1,244,887
Short-term debt	6,056	6,361	13,736	50,055	18,986	29,244	52,661
Long-term debt	30,138	28,102	27,911	2,551	33,546	33,179	262,070
Shareholders' equity	408,848	413,801	388,145	357,861	346,190	338,819	3,555,200
Per Share Data (in yen and U.S. dollars):							
Net income	¥24.5	¥40.1	¥47.5	¥43.7	¥28.4	¥36.7	\$0.213
Cash dividends	14.0	13.25	12.5	12.5	12.5	11.0	0.122
Weighted average number of shares outstanding during the period (in thousands)	420,882	420,257	403,236	400,215	400,215	400,215	
Key Financial Ratios:							
Operating profitability (%)	5.9	6.1	7.3	6.6	4.9	5.4	
Return on sales (%)	1.7	2.7	3.3	3.1	2.1	2.7	
Return on assets (%)	1.7	2.7	3.2	3.1	2.0	2.5	
Return on equity (%)	2.5	4.2	5.1	5.0	3.3	4.4	
Equity ratio (%)	66.6	66.1	63.6	61.6	61.3	59.6	
Current ratio (times)	2.20	2.28	1.85	1.51	1.68	1.50	
Debt / equity ratio (times)	0.09	0.08	0.11	0.15	0.15	0.18	
Payout ratio (%)	56.8	33.3	26.5	28.6	41.3	29.9	

Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥115=US\$1, the approximate rate of exchange.

Divisional Sales

	(and percentage of net sales)					Thousands of U.S. dollars
	Millions of yen					1999
	1999	1998	1997	1996	1995	
Cosmetics	¥444,495	¥457,333	¥436,705	¥404,181	¥387,314	\$3,865,174
	(73.6%)	(73.7%)	(74.2%)	(72.1%)	(71.7%)	(73.6%)
Domestic	364,820	379,604	377,141	359,997	353,056	3,172,348
Overseas	79,675	77,729	59,564	44,184	34,258	692,826
Toiletries (Domestic)	98,939	99,310	94,610	101,675	97,606	860,339
	(16.4%)	(16.0%)	(16.1%)	(18.1%)	(18.1%)	(16.4%)
Others: salon, food, pharmaceuticals and other businesses	60,861	64,267	57,257	54,965	55,441	529,226
	(10.0%)	(10.3%)	(9.7%)	(9.8%)	(10.2%)	(10.0%)
Domestic	46,981	49,778	52,272	48,717	49,416	408,530
Overseas	13,880	14,489	4,985	6,248	6,025	120,696
Net sales	¥604,295	¥620,910	¥588,572	¥560,821	¥540,361	\$5,254,739
	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
Overseas sales	¥ 93,555	¥ 92,218	¥ 64,549	¥ 50,432	¥ 40,283	\$ 813,522

Management's Discussion and Analysis

Revenues and Earnings

In fiscal 1999, ended March 31, 1999, Shiseido Company, Limited, and its 65 consolidated subsidiaries reported a net sales decline of 2.7% from fiscal 1998.

In Japan, over-the-counter sales of the Company's mainstay cosmetics products remained at the previous year's levels despite depressed personal consumption. Overall domestic sales declined 3.4%, however, as Shiseido reduced inventories held by retailers, and decreased shipments from its sales subsidiaries ahead of a new regulation to display all product ingredients on packaging after fiscal 2001.

Overseas sales climbed 10.1% on a local-currency basis, but the yen's appreciation during the year restricted the sales gain to 1.4% in yen terms. The ratio of overseas sales to consolidated net sales grew to 15.5%, up from 14.9% in fiscal 1998.

Income from operations declined 7.2% owing to a number of factors, including lower shipments from our sales subsidiaries and increased depreciation expenses resulting from future-oriented investments. Thanks to the implementation of companywide "cost-best activities" and reform of the profit structure of our sales subsidiary, however, the portion of the decline in income from operations attributable to the net sales decrease was minimized.

During the year, we achieved a 2.6% reduction in cost of sales as a result of a decline in production and of the extensive implementation of "cost-best activities," which offset higher depreciation expenses. The ratio of cost of sales to net sales remained mostly unchanged at 33.6%.

The Company reduced overall selling, general and administrative expenses 2.3% by conducting advertising more efficiently after severely assessing the effectiveness of promotional spending. We also transferred part of selling, general and administrative expenses to our sales subsidiary in the latter half of the term, and achieved lower personnel expenses owing to a reduction of staff in Japan.

In other income (expenses), safer asset management led to declines in interest and dividend income and in interest expense. As well, we incurred an increased loss on write-down of securities. On the other hand, the Company reported substantially reduced restructuring expenses, at ¥7.6 billion, which stemmed from the continued reorganization of affiliated businesses as well as write-offs aimed at reducing inventories ahead of the regulation to display product ingredients on packaging. As a result, the Company posted ¥6.4 billion in other expenses, ¥9.2 billion lower than in fiscal 1998. Accordingly, income before income taxes jumped 28.5%. However, net income fell 38.7%, as income taxes were sharply up from fiscal 1998, when restructuring activities exceptionally reduced income taxes.

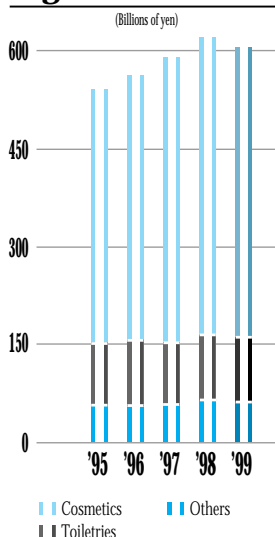
Sales by Product Category

Domestic sales of cosmetics, our principal business, were down 3.9%. During the year, we resolutely pursued "customer benefit" and strengthened "New Shiseido Marketing" based on our policy of promoting Shiseido as a "skin-care house." As a result, over-the-counter sales of SHISEIDO-brand products in the counseling category remained largely the same as during the previous year. Sales of our sales subsidiaries declined, however, owing to expanded shipments in the previous year reflecting inventory shortages due to unusual demand prior to the consumption tax hike, as well as to a contraction of inventories ahead of the scheduled introduction of packaging that displays all product ingredients.

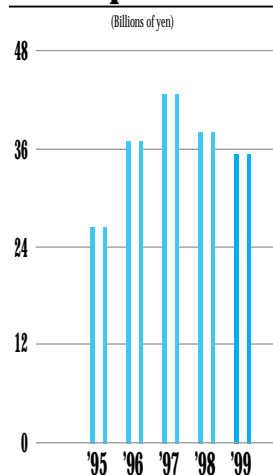
In the self-selection category, general cosmetics, especially skin-care products, performed steadily, although sales of men's cosmetics were substantially affected by depressed economic conditions. On a positive note, sales of non-Shiseido brands—*Ipsa*, *D'ici là*, *Ettusais* and *Ayura*—continued to post strong increases.

Overseas, SHISEIDO-brand products made solid market gains, boosted by overwhelming acceptance of *Shiseido Relaxing*

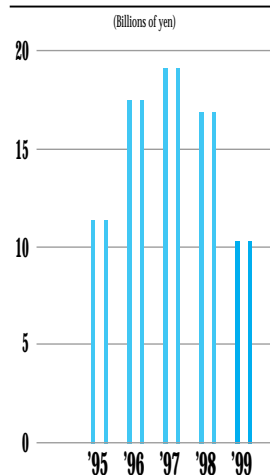
Net Sales by Segment



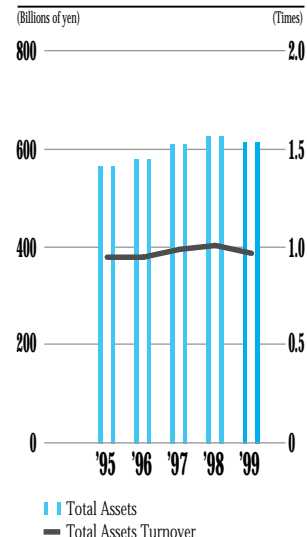
Income from Operations



Net Income



Total Assets/Total Assets Turnover



Fragrance, launched in fiscal 1998, and *Shiseido Liquid Compact*, unveiled in the year under review. In addition, Beauté Prestige International S.A., our French subsidiary handling fragrances, continued to steadily expand its business. Owing to the yen's appreciation, however, the rise in overseas cosmetics sales was restricted to 2.5% in yen terms. As a result, overall sales of cosmetics were down 2.8%.

Our toiletries business faced difficult market conditions due to intense competition and sluggish personal consumption. In response, we worked to enhance profitability by promoting our "megabrand" strategy of comprehensively cultivating selected powerful brands and by withdrawing from the market for disposable diapers. Accordingly, sales of *Super Mild* and other megabrand grew significantly. As a result, overall sales of toiletries were practically unchanged on the year, down only 0.4%.

Sales of other products fell 5.3%. In the domestic salon products business, GENIC Corporation (formerly Helene Curtis Japan Inc.), which became a consolidated subsidiary in fiscal 1998, contributed strongly to sales, and in July 1998 Shiseido Beauty Company, Ltd. (formerly Qi Salon cosmetics Co., Ltd.), acquired the goodwill of Takigawa Co., Ltd., a domestic salon products dealer. As a result, we expanded our network of salon and special agency sales channels. In our other merchandise business, sales of lifestyle-related goods were down as we strategically realigned that business to support our mainstay cosmetics operations. Sales from *The Ginza* boutiques were down, reflecting the closing of unprofitable outlets. Finally, sales of foodstuffs decreased owing to lower sales to chain stores.

Overseas, however, Zotos International, Inc., a North American subsidiary, generated strong sales partly as a result of its acquisition of the salon operations of the Lamaur Corporation in July 1998. Because of the yen's appreciation, however, sales in yen terms were down slightly.

Financial Position

At the fiscal year-end, notes and accounts receivable, less the allowance for doubtful accounts, were ¥9.4 billion lower than a year earlier owing to the decline in domestic sales and the yen exchange rate differential, which affected overseas subsidiaries. Inventories were down ¥5.5 billion due to enhanced efficiency in inventory management and inventory write-downs in line with the Company's structural reforms.

Total property, plant and equipment grew ¥6.4 billion owing to increased investments in production facilities in Japan and overseas aimed at reinforcing our foundation for future growth. Total assets, however, were down ¥12.5 billion owing to the large declines in notes and accounts receivable and in inventories.

Total shareholders' equity fell ¥5.0 billion as outlays related to shareholder return—¥5.9 billion in cash dividends and ¥9.2 billion in share buybacks—grew at a higher rate than the increase in the sum of net income (¥10.3 billion) and the exercise of warrants (¥300 million).

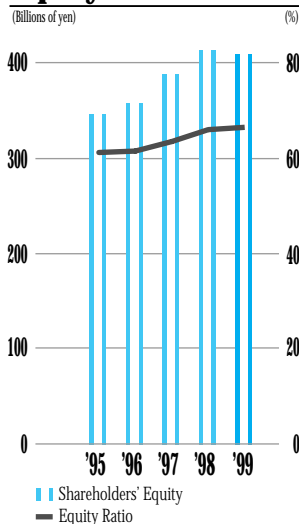
Cash Flows

Net cash provided by operating activities jumped to ¥41.2 billion owing largely to decreases in receivables and inventories, compared with fiscal 1998's increases in these two categories, as well as to the disappearance of fiscal 1998's increase in income taxes refundable.

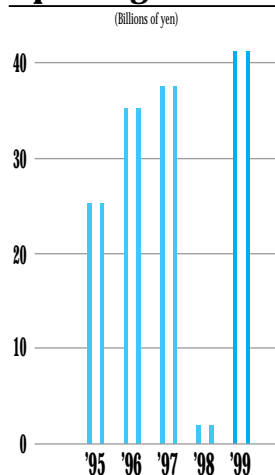
Net cash used for investing activities at the year-end stood at ¥29.0 billion, due to acquisition of property, plant and equipment and an increase in intangibles and deferred charges. Net cash used for financing activities amounted to ¥13.0 billion, as opposed to ¥1.3 billion provided by such activities in fiscal 1998, mainly owing to such factors as increased cash dividends and the retirement of treasury stocks.

As a result, cash and cash equivalents at the year-end amounted to ¥118.5 billion, ¥900 million lower than at the previous year-end.

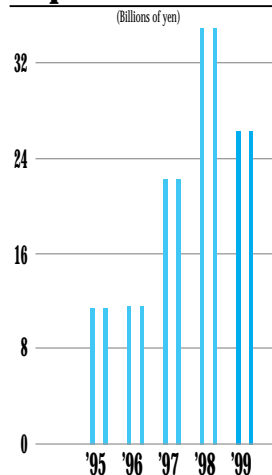
Shareholders' Equity/ Equity Ratio



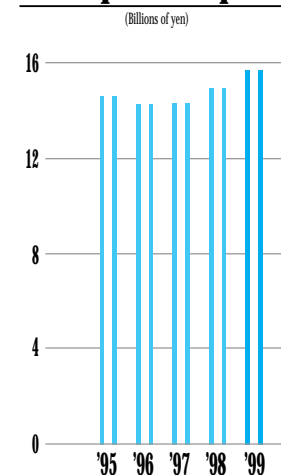
Cash Flows from Operating Activities



Capital Investment



Research and Development Expense



Consolidated Balance Sheets

Shiseido Company, Limited, and Subsidiaries
March 31, 1999 and 1998

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1. (1))
	1999	1998	1999
Current Assets:			
Cash and time deposits	¥ 33,731	¥ 54,955	\$ 293,313
Short-term investments in securities	84,794	64,446	737,339
Notes and accounts receivable:			
Trade	109,662	120,116	953,583
Unconsolidated subsidiaries and affiliates	239	232	2,078
	109,901	120,348	955,661
Less: Allowance for doubtful accounts	(796)	(1,886)	(6,922)
	109,105	118,462	948,739
Inventories (Note 3)	65,794	71,337	572,122
Income taxes refundable	—	10,126	—
Deferred income taxes	10,719	13,182	93,209
Other current assets	10,149	7,999	88,252
Total current assets	314,292	340,507	2,732,974
Investments and Advances:			
Investments in securities	41,199	42,472	358,252
Investments in and advances to unconsolidated subsidiaries and affiliates	2,410	4,674	20,957
Other investments	18,234	14,088	158,557
Total investments and advances	61,843	61,234	537,765
Property, Plant and Equipment, at Cost:			
Buildings and structures	154,541	148,783	1,343,835
Machinery and equipment	145,774	142,462	1,267,600
	300,315	291,245	2,611,435
Less: Accumulated depreciation	(209,648)	(200,282)	(1,823,026)
	90,667	90,963	788,409
Land	67,961	67,384	590,965
Construction in progress	13,401	7,264	116,530
Total property, plant and equipment	172,029	165,611	1,495,905
Intangible Assets and Deferred Charges (Note 4)	49,624	49,432	431,513
Difference between Investment Costs and Equity in Net Assets Acquired	—	1,618	—
Adjustments on Foreign Currency Statement Translation	16,191	8,033	140,791
	¥613,979	¥626,435	\$5,338,948

The accompanying notes are an integral part of the statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1. (1))
	1999	1998	1999
Current Liabilities:			
Short-term bank loans	¥ 6,056	¥ 6,361	\$ 52,661
Notes and accounts payable:			
Trade	49,403	62,856	429,591
Unconsolidated subsidiaries and affiliates	1,154	692	10,035
Other	39,041	30,532	339,487
	89,598	94,080	779,113
Accrued income taxes	8,289	5,039	72,078
Accrued expenses	24,512	30,573	213,148
Other current liabilities	14,707	13,590	127,887
Total current liabilities	143,162	149,643	1,244,887
Long-Term Liabilities:			
Long-term debt (Note 5)	30,138	28,102	262,070
Accrued retirement benefits	3,697	2,175	32,148
Other long-term liabilities	4,269	3,497	37,122
Total long-term liabilities	38,104	33,774	331,340
Minority Interests in Consolidated Subsidiaries	21,642	29,217	188,191
Difference between Investment Costs and Equity in Net Assets Acquired	2,223	—	19,330
Contingent Liabilities (Note 7)			
Shareholders' Equity:			
Common stock, par value ¥50 per share;			
Authorized; 793,600,000 shares and 800,000,000 shares			
at March 31, 1999 and 1998, respectively			
Issued; 417,209,251 shares and 423,373,080 shares			
at March 31, 1999 and 1998, respectively	58,372	58,223	507,583
Additional paid-in capital	57,669	57,488	501,470
Retained earnings	292,807	298,090	2,546,147
Total shareholders' equity	408,848	413,801	3,555,200
	¥613,979	¥626,435	\$5,338,948

Consolidated Statements of Income

Shiseido Company, Limited, and Subsidiaries
For the years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1. (1))
	1999	1998	1997	1999
Net Sales	¥604,295	¥620,910	¥588,572	\$5,254,739
Cost of Sales	203,380	208,763	197,803	1,768,522
Gross profit	400,915	412,147	390,769	3,486,217
Selling, General and Administrative Expenses	365,553	374,034	347,996	3,178,721
Income from operations	35,362	38,113	42,773	307,496
Other Income (Expenses):				
Interest and dividend income	2,982	5,095	4,696	25,930
Interest expense	(367)	(520)	(578)	(3,191)
Gain on sales of marketable securities	1,324	2,325	1,263	11,513
Gain on sales of property and equipment	1,326	700	941	11,530
Loss on write-down of securities	(3,267)	(2,328)	(530)	(28,409)
Restructuring expenses	(7,560)	(19,950)	(1,183)	(65,739)
Equity in earnings of affiliates (Note 1. (4))	104	26	858	904
Others, net	(893)	(884)	446	(7,764)
	(6,351)	(15,536)	5,913	(55,226)
Income before income taxes	29,011	22,577	48,686	252,270
Income Taxes	18,003	5,465	29,177	156,548
	11,008	17,112	19,509	95,722
Minority Interests in Net Income of Consolidated Subsidiaries . . .	(676)	(244)	(357)	(5,879)
Net income	¥ 10,332	¥ 16,868	¥ 19,152	\$ 89,843
		Yen		U.S. dollars (Note 1. (1))
Per Share (Note 2. (9)):				
Net income, adjusted—primary	¥24.5	¥40.1	¥47.5	\$0.213
Net income, adjusted—fully diluted	24.5	39.9	47.3	0.213
Dividends	14.0	13.25	12.5	0.122
Weighted Average Number of Shares (in thousands)	420,882	420,257	403,236	

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, 1998 and 1997

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance as at March 31, 1996	400,215	¥43,241	¥40,988	¥273,631
Net income for the year ended March 31, 1997	—	—	—	19,152
Cash dividends	—	—	—	(5,000)
Directors' and statutory auditors' bonuses	—	—	—	(138)
Increase due to change in an accounting policy followed by a Chinese subsidiary	—	—	—	34
Exercise of warrants	12,252	8,101	8,136	—
Balance as at March 31, 1997	412,467	51,342	49,124	287,679
Net income for the year ended March 31, 1998	—	—	—	16,868
Cash dividends	—	—	—	(5,221)
Directors' and statutory auditors' bonuses	—	—	—	(137)
Increase due to exclusion of subsidiaries from application of consolidation	—	—	—	702
Decrease due to additional consolidation of subsidiaries	—	—	—	(1,801)
Exercise of warrants	10,906	6,881	8,364	—
Balance as at March 31, 1998	423,373	58,223	57,488	298,090
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	—
Balance as at March 31, 1999	417,209	¥58,372	¥57,669	¥292,807

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 1. (1))		
		Common stock	Capital surplus	Retained earnings
Balance as at March 31, 1998	423,373	\$506,287	\$499,896	\$2,592,087
Net income for the year ended March 31, 1999	—	—	—	89,843
Cash dividends	—	—	—	(51,391)
Directors' and statutory auditors' bonuses	—	—	—	(1,270)
Increase due to exclusion of subsidiaries and affiliates from application of equity method	—	—	—	1,374
Decrease due to additional consolidation of subsidiaries	—	—	—	(3,174)
Decrease due to exclusion of subsidiaries from application of consolidation	—	—	—	(1,070)
Other decrease	—	—	—	(669)
Retirement of treasury stocks	(6,400)	—	—	(79,583)
Exercise of warrants	236	1,296	1,574	—
Balance as at March 31, 1999	417,209	\$507,583	\$501,470	\$2,546,147

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, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1. (1))
	1999	1998	1997	1999
Cash Flows from Operating Activities:				
Net income	¥ 10,332	¥ 16,868	¥ 19,152	\$ 89,843
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	16,517	15,901	14,881	143,626
Amortization	7,936	8,341	6,363	69,009
Minority interests in net income of consolidated subsidiaries	676	244	357	5,878
Translation gains from forward exchange contracts	(272)	(272)	(576)	(2,365)
Provision for accrued severance indemnities	1,522	332	31	13,235
Equity in earnings of affiliates	(104)	(26)	(858)	(904)
Gain on sales of equipment and property	(1,326)	(700)	(941)	(11,530)
Changes in assets and liabilities:				
Decrease (increase) in receivables	9,357	(12,577)	(7,709)	81,365
Decrease (increase) in inventories	5,543	(10,816)	(3,444)	48,200
Decrease (increase) in income taxes refundable	10,126	(10,126)	—	88,052
Decrease (increase) in deferred income taxes	2,463	(1,912)	1,942	21,417
Increase in other current assets	(2,150)	(427)	(847)	(18,696)
Increase (decrease) in payables	(4,482)	2,193	622	(38,974)
Increase (decrease) in accrued income taxes	3,250	(9,786)	713	28,261
Increase (decrease) in other current liabilities	(4,640)	4,508	6,388	(40,348)
Other, net	(13,542)	197	1,425	(117,756)
Net cash provided by operating activities	41,206	1,942	37,499	358,313
Cash Flows from Investing Activities:				
Acquisition of property, plant and equipment	(28,001)	(34,121)	(18,570)	(243,487)
Decrease (increase) in investments in securities	1,273	32,483	(8,477)	11,070
Decrease in investments in and advances to unconsolidated subsidiaries and affiliates	2,368	1,133	465	20,591
Proceeds from sales of property, plant and equipment	3,744	2,725	3,087	32,556
Transfer of investments in securities to/(from) cash equivalents	—	8,893	8,114	—
Increase in intangibles and deferred charges	(9,101)	(13,465)	(16,613)	(79,139)
Decrease (increase) in other	668	4,591	(3,535)	5,809
Net cash provided by (used for) investing activities	(29,049)	2,239	(35,529)	(252,600)
Cash Flows from Financing Activities:				
Borrowings of long-term debt	2,913	817	7	25,331
Repayment of long-term debt	(877)	(626)	(128)	(7,626)
Proceeds from issue of bonds with warrants	—	—	28,332	—
Proceeds from exercise of warrants	298	13,752	16,237	2,591
Redemption of bonds	—	—	(32,000)	—
Decrease in short-term loans	(305)	(7,375)	(4,319)	(2,652)
Retirement of treasury stocks	(9,152)	—	—	(79,583)
Cash dividends	(5,910)	(5,221)	(5,000)	(51,391)
Net cash provided by (used for) financing activities	(13,033)	1,347	3,129	(113,330)
Net Change in Cash and Cash Equivalents	(876)	5,528	5,099	(7,617)
Cash and Cash Equivalents at Beginning of Year	119,401	113,873	108,774	1,038,269
Cash and Cash Equivalents at End of Year	¥118,525	¥119,401	¥113,873	\$1,030,652

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 subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") 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 Ministry of Finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan. In addition, the consolidated financial statements of cash flows are not required to be filed with the MOF, but have been prepared and included in the consolidated financial statements.

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 ¥115=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 71 subsidiaries (majority-owned companies) as at March 31, 1999 (67 as at March 31, 1998). The consolidated financial statements include the accounts of the Company and 65 (61 for 1998) of its subsidiaries. The major consolidated subsidiaries are listed below:

	As at March 31, 1999	
	Equity ownership percentage, including indirect ownership	Capital stock (thousands)
Osaka Shiseido Co., Ltd.	85.7%	¥315,000
Shiseido Kako Co., Ltd.	100.0	¥100,000
Shiseido Fine Toiletry Co., Ltd.	100.0	¥30,000
Shiseido Sales Co., Ltd.	64.5	¥1,590,264
Shiseido Cosmenity Co., Ltd.	100.0	¥150,250
Shiseido International Corporation	100.0	\$375,810

In the accompanying consolidated financial statements, the accounts of the 32 overseas subsidiaries and one domestic subsidiary at December 31, 1998 and for the year then ended were consolidated with the accounts of the Company at March 31, 1999 and for the year then ended, as they use a fiscal year ending on December 31 of each year.

The accounts of the remaining 6 subsidiaries have not been consolidated with the Companies for the following reason:

6 subsidiaries inactive and insignificant amount of total assets

(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 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 5-year period on a straight-line basis, principally. If such amount is not material, it is directly charged/credited against income for the year.

(4) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 1999 and 1998, the Company had 6 affiliates (20% to 50% owned companies).

Among the investments in unconsolidated subsidiaries and affiliates, investments in 5 affiliates (6 for 1998) 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, 1999 and for the year then ended. The remaining investments in unconsolidated subsidiaries and affiliates are stated at cost.

2. Summary of Significant Accounting Policies

(1) Recognition of Income Taxes

In the consolidated financial statements, the Companies have recognized tax effects on timing differences that arise from the consolidation of the accounts of the Companies. Such tax effects relate 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.

In the accompanying Consolidated Financial Statements, the recognized tax effects are shown as "Deferred income taxes."

(2) Foreign Currency Translation

Accounts receivable and payable denominated in foreign currencies due within one year are translated at the current exchange rate prevailing on the balance sheet dates. The resulting exchange gains or losses are included in the determination of net income of the relevant period.

Long-term receivables and payables and investments in and advances to unconsolidated subsidiaries and affiliates denominated in foreign currencies are translated at the historical exchange rates prevailing at the time such transactions were made.

Whenever material foreign exchange rate fluctuations occur, such long-term receivables and payables in such foreign currencies are translated exceptionally at the current exchange rate in order to recognize the significant effect of the change in yen value against foreign currencies.

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

The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen has been made by the method of translation prescribed by the statements issued by the Business Accounting Council (BAC) of Japan.

The translations of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen are made by applying the current exchange rate prevailing at the balance sheet date, except that capital accounts and retained earnings are translated at the historical rates.

The translations of accounts in the foreign currency financial statements of the overseas affiliates into yen accounted for by the equity method are made principally by applying the exchange rate prevailing at the relevant balance sheet date of these affiliates.

In this connection, certain adjusting accounts must be set up in the consolidated balance sheets, consolidated statements of income and consolidated statements of shareholders' equity to enable balancing of debit and credit totals as well as the reconciliation of the beginning balance with the ending balance of retained earnings in translated yen amounts. Such adjusting account balances are shown as "Adjustments on Foreign Currency Statement Translation" in the accompanying Consolidated Financial Statements.

(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 for property, plant and equipment held by the Company and domestic consolidated subsidiaries is computed primarily on the declining-balance 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. Depreciation of property, plant and equipment held by overseas consolidated subsidiaries is computed by the straight-line method.

According to the recent amendment of the Japanese corporate tax laws, part of the domestic consolidated subsidiaries have computed the depreciation for the buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which have newly been acquired on or after April 1, 1998 by the straight-line method.

As a result of this change, the depreciation cost for the year ended March 31, 1999 was decreased by ¥26 million (\$226 thousand), and income from operations and income before income taxes were increased by the same amount as compared with the previous method.

The range of useful lives is summarized as follows:

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

Part of the domestic consolidated subsidiaries adopted useful lives of buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which are shorter than those used in previous years, pursuant to the amendments of the Japanese corporate tax laws, which take effect from the year starting on and after April 1, 1998.

As a result of adopting new useful lives of buildings, depreciation cost for the year ended March 31, 1999 was increased by ¥68 million (\$591 thousand), and income from operations and income before income taxes were decreased by the same amount, respectively.

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

(6) Amortization

Research and development costs are charged to income as incurred.

Bond issue expenses are capitalized and amortized over a 3-year period on a straight-line basis.

Discounts on bond issues 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 4 below.

(7) Valuation of Securities

Securities with market quotation (listed on stock exchanges) held by the Company are valued at the lower of cost or market. The other securities owned by the Company are valued at cost. Securities held by the consolidated subsidiaries are mainly valued at cost regardless of whether or not market quotation is available. In all cases, cost is determined by the moving average method.

Appropriate write-downs are recorded for investments in certain securities, the value of which has declined substantially and such impairments of the value are considered not to be temporary.

(8) 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.

(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 with related reduction in interest expenses.

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% (3% until March 31, 1997) 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) Additional Information

Allowance for Doubtful Accounts

Until the year ended March 31, 1998, the Company had provided the allowance for doubtful accounts in an amount determined by the method prescribed by the Japanese corporate tax laws for maximum deduction (method using certain prescribed percentage to the balance of total receivables, as defined).

Pursuant to the amendments to the Japanese corporate tax laws, which take effect from the year ending March 31, 1999, the Company started to 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, as defined (prescribed percentages under the tax laws are no longer applicable in the computation).

As a result of this change, income from operations for the year ended March 31, 1999 was increased by ¥1,379 million (\$11,991 thousand) and income before income taxes was increased by ¥2,130 million (\$18,522 thousand) as compared with the previous method.

3. Inventories

Inventories held by the Companies as at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Merchandise and products	¥45,676	¥49,940	\$397,183
Raw materials	11,884	12,298	103,339
Work in process	5,525	6,269	48,043
Supplies	2,709	2,830	23,557
	¥65,794	¥71,337	\$572,122

4. Intangible Assets and Deferred Charges

Intangible assets as at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Goodwill*	¥28,400	¥27,976	\$246,957
Trademark rights**	1,794	2,419	15,600
Deferred assets	725	1,621	6,304
Others	18,705	17,416	162,652
	¥49,624	¥49,432	\$431,513

* Goodwill includes goodwill relating to Zotos International, Inc. ("Zotos"), the North American Professional Division from Helene Curtis, Inc. ("Helene Curtis"), the Professional Division from the Lamaur Corporation and the domestic sales rights of Shiseido's products from Takigawa Company, Ltd. During each of the years ended March 31, 1999 and 1998, the acquisition costs were ¥4,968 million and ¥111 million, respectively.

Goodwill is being amortized over mainly a 40-year period on a straight-line basis. During each of the years ended March 31, 1999 and 1998, ¥1,461 million and ¥1,110 million was amortized to income, respectively.

** Trademark rights include trademark rights relating to Zotos and acquired product lines from Helene Curtis.

During the year ended March 31, 1998, the acquisition costs were ¥2,165 million. During the year ended March 31, 1999, there were no acquisitions of trademark rights.

Trademark rights are being amortized over mainly a 10-year period on a straight-line basis. During each of the years ended March 31, 1999 and 1998, ¥621 million and ¥1,175 million was amortized to income, respectively.

5. Long-Term Debt

Long-term debt as at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Long-term borrowings from banks and other financial institutions	¥ 4,657	¥ 2,621	\$ 40,496
0.875 percent Swiss franc bonds due May 8, 2000, with warrants (detachable)	25,481	25,481	221,574
	¥30,138	¥28,102	\$262,070

The current exercise prices per share and number of shares issuable upon full exercise of warrants described above are summarized as follows:

	Current exercise price	Fixed exchange rate used	Number of shares issuable upon full exercise (thousands)
Warrants attached to: 0.875 percent Swiss franc bonds due May 8, 2000	¥1,261.0	SFr1=¥88.98	9,683

In connection with each issue of bonds with warrants, the Company has entered into a long-term forward exchange contract to hedge the repayment of the principal of the bonds. Accordingly, the principal amount of each issue of bonds is translated at the applicable forward exchange rate and the difference between the amount translated at the forward exchange contract rate and the amount translated at the historical exchange rate is deferred and amortized over a period from the date of concluding the forward exchange contract to the

date of settlement based on the number of months. The amount amortized during the years ended March 31, 1999 and 1998 was ¥272 million (\$2,365 thousand), respectively.

The unamortized balance was included in "Other long-term liabilities" in an amount of ¥45 million (\$391 thousand) and in "Other current liabilities" in an amount of ¥272 million (\$2,365 thousand) in the accompanying Consolidated Balance Sheets at March 31, 1999.

6. Retirement Plans and Severance Indemnities

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

The "Accrued retirement benefits" account has been provided for periodic accrual of cost of the retirement benefits that are not covered by the funded pension program mentioned above. The balance of "Accrued retirement benefits" in the accompanying Consolidated Balance Sheets represents 100% of the liability the Company and its consolidated domestic subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at the respective balance sheet dates.

Effective in the fiscal year ended March 31, 1989, the funded pension program of the Company was amended, and thereby an additional portion of the retirement benefits on a voluntary retirement basis became payable out of the pension program. In connection therewith, the balance of "Accrued retirement benefits" that had been provided for the periodic cost of such retirement benefits became excessive. Accordingly, the excess balance of the "Accrued retirement benefits" has been reversed into income on a straight-line basis over a period of 11 years.

The accumulated balance of fund assets of the pension program aggregated ¥134,603 million (\$1,170,461 thousand) at March 31, 1999.

The past service cost for the pension program arising from the amendment mentioned above is amortized over 20 years on a straight-line basis.

7. Contingent Liabilities

As at March 31, 1999, the Companies had contingent liabilities from guarantees of bank loans made by one affiliate in the aggregate amount of ¥315 million (\$2,739 thousand).

8. 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, 1999 and 1998 was as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
As a lessee:			
The scheduled maturities of future lease rental payments on such lease contracts were as follows:			
Due within one year	¥ 3,631	¥ 3,303	\$ 31,574
Due over one year	8,172	7,158	71,061
	¥11,803	¥10,461	\$102,635
Lease rental expenses for the year	¥ 4,006	¥ 3,770	\$ 34,835
Assumed depreciation	4,006		34,835
Leased machinery and equipments:			
Assumed purchase cost	¥24,710		\$214,870
Assumed accumulated depreciation	(12,907)		(112,235)
Assumed net book value	¥11,803	N/A	\$102,635

Assumed data as to acquisition cost, accumulated depreciation, net book value of leased machinery and equipments include the por-

tion of interest thereon. Depreciation is based on the straight-line method over the lease term of the lease assets.

As a lessor:

The scheduled maturities of future lease rental income on such lease contracts were as follows:

Due within one year	¥ 363	¥ 254	\$ 3,157
Due over one year	613	708	5,330
	¥ 976	¥ 962	\$ 8,487
Lease rental income for the year	¥ 201	¥ 217	\$ 1,748
Depreciation	198		1,722
Leased machinery and equipments:			
Purchase cost	¥ 1,846		\$ 16,052
Accumulated depreciation	(960)		(8,348)
Net book value	¥ 886	N/A	\$ 7,704

As a result of the amendment to the Consolidated Financial Statement Regulations, the disclosure of the information about

leased assets on finance lease contracts as a lessee/lessor has become mandatory with effect from the year ended March 31, 1999.

9. Subsequent Event

Subsequent to March 31, 1999, shareholders approved at the general shareholders' meeting held on June 29, 1999 a cash dividend of ¥2,920 million (\$25,391 thousand), equal to ¥7.0 per share, which

was applicable to earnings of the year ended March 31, 1999 and payable to shareholders on the register on March 31, 1999.

10. Segment Information

(1) Industry Segment Information

The Company and its subsidiaries 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 and fashion goods

The segment information of the Company and subsidiaries for the three years ended March 31, 1999 is presented below:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Net sales:				
Cosmetics	¥444,495	¥457,333	¥436,705	\$3,865,174
Toiletries	98,939	99,310	94,610	860,339
Others	60,861	64,267	57,257	529,226
	604,295	620,910	588,572	5,254,739
Operating income before unallocatable costs:				
Cosmetics	45,744	51,367	55,744	397,774
Toiletries	2,621	302	741	22,791
Others	(643)	(1,487)	(1,519)	(5,591)
	47,722	50,182	54,966	414,974
Less: unallocatable operating expenses	(12,360)	(12,069)	(12,193)	(107,478)
Operating income	¥ 35,362	¥ 38,113	¥ 42,773	\$ 307,496
Total assets:				
Cosmetics	¥280,662	¥293,362	¥247,987	\$2,440,539
Toiletries	55,001	54,546	51,253	478,270
Others	109,553	112,259	139,700	952,635
	445,216	460,167	438,940	3,871,444
Unallocatable or headquarters	168,763	166,268	171,192	1,467,504
	¥613,979	¥626,435	¥610,132	\$5,338,948
Depreciation:				
Cosmetics	¥ 10,145	¥ 8,963	¥ 7,677	\$ 88,217
Toiletries	2,856	3,103	3,095	24,835
Others	5,550	6,064	5,610	48,261
	18,551	18,130	16,382	161,313
Unallocatable or headquarters	66	64	75	574
	¥ 18,617	¥ 18,194	¥ 16,457	\$ 161,887
Capital expenditure:				
Cosmetics	¥ 15,797	¥ 22,203	¥ 9,036	\$ 137,365
Toiletries	2,116	2,816	1,637	18,400
Others	8,344	9,842	11,560	72,557
	26,257	34,861	22,233	228,322
Unallocatable or headquarters	114	120	61	991
	¥ 26,371	¥ 34,981	¥ 22,294	\$ 229,313

As a result of the recent amendment to the Japanese corporate tax laws (see Note 2. (5) and (11)), the following items as at March 31, 1999 were increased (decreased) as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Operating income in cosmetics division	¥1,337	\$11,626
Total assets in cosmetics division	269	2,339
Depreciation in cosmetics division	(68)	(591)
Total assets in toiletries division	373	3,243
Total assets in other division	84	730

(2) Information by Geographic Segment

Sales of the Companies classified by geographic area (inside and outside Japan) for the three years ended March 31, 1999 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Net sales:				
Domestic (inside Japan)	¥511,790	¥530,444	¥529,316	\$4,450,348
Outside Japan:				
North America	25,443	28,373		221,244
Europe	47,740	43,671		415,130
Asia, Oceania	19,322	18,422		168,017
	92,505	90,466	59,256	804,391
	604,295	620,910	588,572	5,254,739
Operating income before unallocatable costs:				
Domestic (inside Japan)	40,834	43,319	51,384	355,078
Outside Japan:				
North America	1,433	2,012		12,461
Europe	3,156	2,752		27,444
Asia, Oceania	2,299	2,099		19,991
	6,888	6,863	3,581	59,896
	47,722	50,182	54,965	414,974
Less: unallocatable operating expenses	(12,360)	(12,069)	(12,192)	(107,478)
Operating income	¥ 35,362	¥ 38,113	¥ 42,773	\$ 307,496
Total assets:				
Domestic (inside Japan)	¥330,136	¥348,880	¥354,468	\$2,870,748
Outside Japan:				
North America	50,898	54,979		442,592
Europe	40,677	38,633		353,713
Asia, Oceania	23,505	17,674		204,391
	115,080	111,286	84,472	1,000,696
	445,216	460,166	438,940	3,871,444
Unallocatable or headquarters	168,763	166,269	171,192	1,467,504
	¥613,979	¥626,435	¥610,132	\$5,338,948

As a result of the amendment to the Consolidated Financial Statement Regulations, the disclosure of information about each segment classified by principal nations or area has become mandatory with effect from the year ended March 31, 1998.

As a result of the recent amendment to the Japanese corporate tax laws (see Note 2. (5) and (11)), the following items as at March 31, 1999 were increased as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Operating income in domestic area (inside Japan)	¥1,337	\$11,626
Total assets in domestic area (inside Japan)	726	6,312

(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, 1999 are presented below:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Export sales and sales by overseas subsidiaries:				
America	¥28,405	¥29,078		\$247,000
Europe	42,559	40,290		370,078
Asia, Oceania	22,591	22,850		196,444
Total	¥93,555	¥92,218	¥64,549	\$813,522
Percentage of such sales against consolidated net sales	15.5%	14.9%	11.0%	15.5%

As a result of the amendment to the Consolidated Financial Statement Regulations, the disclosure of information about export sales classified by principal nations or area has become mandatory with effect from the year ended March 31, 1998.

11. Related Party Information

Material transactions of the Company with its related companies and individuals, excluding transactions with consolidated subsidiaries which are eliminated in the consolidated financial statements and

other than those disclosed elsewhere in these financial statements, for the three years ended March 31, 1999 were as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Shiseido Honeycake Industries Co., Ltd.				
Paid-in capital				¥90 million
Principal business				Production of cosmetics and toiletries
Equity ownership percentage by the Company				28.1%
Description of the Company's transactions				Purchase of products
Volume of transactions made in the year ended March 31	¥2,272	¥2,430	¥2,663	\$19,757
Resulting account balances as at March 31 (Notes and accounts payable)	¥ 247	¥ 479	¥ 732	\$ 2,148

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Pierre Fabre Japon Co., Ltd.				
Paid-in capital				¥100 million
Principal business				Sales and import of cosmetics
Equity ownership percentage by the Company				50.0%
Description of the Company's transactions				Purchase of products
Volume of transactions made in the year ended March 31	¥3,384	¥2,643	¥2,801	\$29,426
Resulting account balances as at March 31 (Accounts payable)	¥1,027	¥ 886	¥ 858	\$ 8,930

The terms and conditions on the above transactions are the same as those of the arm's-length transactions.

Report of Independent Certified Public Accountants

To: The Board of Directors of
Shiseido Company, Limited

We have audited the accompanying consolidated balance sheets of Shiseido Company, Limited and its consolidated subsidiaries as at March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, 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, 1999 and 1998, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

The amounts expressed in U.S. dollars, 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.

Tokyo, Japan
June 29, 1999

Chuo Audit Corporation

Consolidated Statements of Cash Flows Based on the Revised Consolidated Financial Statements Regulations

Shiseido Company, Limited, and Subsidiaries
For the year ended March 31, 1999

	Millions of yen	Thousands of U.S. dollars (Note 1. (1))
	1999	1999
Cash Flows from Operating Activities:		
Income before income taxes	¥29,011	\$252,269
Depreciation	16,517	143,626
Amortization	8,909	77,470
Amortization of consolidated adjustment	(973)	(8,461)
Interest and dividend income	(2,982)	(25,930)
Interest expense	367	3,191
Loss on write-down of securities	3,267	28,409
Reversal of reserve and allowance	(7,971)	(69,313)
Equity in earnings of affiliates	(104)	(904)
Gain on sales of marketable securities	(1,324)	(11,513)
Gain on sales of property and equipment	(1,326)	(11,530)
Decrease in receivables	9,358	81,374
Decrease in inventories	5,543	48,200
Decrease in payables	(4,482)	(38,974)
Decrease in accrued income taxes	10,126	88,052
Other	(2,345)	(20,391)
Net	61,591	535,574
Interest and dividend income	2,982	25,930
Interest paid	(367)	(3,191)
Income taxes paid	(7,877)	(68,496)
Net cash provided by operating activities	56,329	489,817
Cash Flows from Investing Activities:		
Purchase of marketable securities	(11,871)	(103,226)
Sales of securities	21,150	183,913
Acquisition of property, plant and equipment	(28,001)	(243,487)
Sales of property, plant and equipment	3,744	32,557
Acquisition of intangible property	(12,621)	(109,748)
Purchase of investment securities	(3,184)	(27,687)
Sales of investment securities	2,640	22,957
Increase (Decrease) in other	(5,971)	(51,922)
Net cash provided by (used for) investment activities	(34,114)	(296,643)
Cash Flows from Financing Activities:		
Decrease in short-term debt	(305)	(2,652)
Borrowings of long-term debt	2,913	25,330
Repayment of long-term debt	(878)	(7,634)
Proceeds from exercise of warrants	298	2,591
Retirement of treasury stocks	(9,152)	(79,583)
Cash dividends	(5,910)	(51,391)
Other	403	3,504
Net cash provided by (used for) financing activities	(12,631)	(109,835)
Translation Difference of Cash and Cash Equivalents	(129)	(1,122)
Increase in Cash and Cash Equivalents	9,455	82,217
Cash and Cash Equivalents at Beginning of Year	63,812	554,887
Cash and Cash Equivalents at End of Year	¥73,267	\$637,104

Note: These financial statements were made for convenience based on the revised Consolidated Financial Statements Regulations to be applied from April 1999 and have not been audited by Chuo Audit Corporation.

Directors and Auditors

As of June 29, 1999

Chairman of the Board

Yoshiharu Fukuhara*

President & CEO

Akira Gemma*

Senior Executive Directors

Sadao Abe*

Morio Ikeda*

Shigeo Shimizu*

Executive Directors

Osamu Hosokawa

Tadakatsu Saito

Directors

Masami Hamaguchi

Michio Kabasawa

Masahiro Kaneko

Yoshimaru Kumano

Masahiro Maruyama

Yasutaka Mori

Kazunari Moriya

Takeshi Ohori

Hiroshi Yamaguchi

Akira Yamauchi

Corporate Auditors

Masatoshi Takemoto

Rikuo Watanabe

External Corporate Auditors

Kinko Sato

Toyonori Shibata

*Representative Director

Subsidiaries and Affiliates

As of March 31, 1999

DOMESTIC

Osaka Shiseido Co., Ltd.

Shiseido Kako Co., Ltd.

Shiseido Beautech Co., Ltd.

Mieux Products Co., Ltd.

IPSA Co., Ltd.

Haramachi Paper Co., Ltd.

Pierre Fabre Japon Co., Ltd.**

ETWAS Co., Ltd.

Shiseido Fine Toiletry Co., Ltd.

Shiseido Sales Co., Ltd.*****

Shiseido Pharmaceutical Co., Ltd.

Shiseido Logistics Company Ltd.

The Ginza Co., Ltd.

Shiseido Parlour Co., Ltd.

Shiseido Beauty Salon Co., Ltd.

Shiseido Real Estate Development Co., Ltd.

Mikawayo Co., Ltd.

Shiseido Lease Co., Ltd.

d'ici là Co., Ltd.

Ettusais Co., Ltd.

Shiseido Cosmenity Co., Ltd.

Shiseido Beauty Company, Ltd.*****

Shiseido Honeycake Industries
Co., Ltd.**

Kyuryudo Art-Publishing Co., Ltd.**

CJP Co., Ltd.***

Amenity Goods Co., Ltd.

Beauté Prestige International Japon, Co., Ltd.

Ayura Laboratories Inc.

Shiseido International Inc.

Shiseido Information Network Co., Ltd.

Shiseido Asia Pacific Co., Ltd.

Shiseido City Co., Ltd.

GENIC Corporation****

Irica Instruments Inc.

Taishi Trading Co., Ltd.

Inter Act Co., Ltd.

Vivace Factory Co., Ltd.

AXE Co., Ltd.*

PRIER Co., Ltd.*

OVERSEAS

Shiseido International Corporation

Zotos International, Inc.

Davlyn Industries, Inc.

Shiseido Cosmetics (America) Ltd.

Shiseido America Inc.

Shiseido of Hawaii, Inc.

Shiseido Cosmetici (Italia) S.p.A.

Shiseido Deutschland GmbH.

Shiseido United Kingdom Co., Ltd.

Carita S.A.

Carita International S.A.

Alma Coiffure S.A.

Alma Esthetique E.U.R.L.

Shiseido Singapore Co., (Pte.) Ltd.

Shiseido (Australia) Pty, Ltd.

Shiseido (N.Z.) Ltd.

Shiseido International France S.A.S.

Beauté Prestige International S.A.

Beauté Prestige International S.p.A.

Beauté Prestige International S.A.

Shiseido Philippines, Inc.*

Shiseido Thailand Co., Ltd.**

Shiseido France S.A.

Taiwan Shiseido Co., Ltd.

FLELIS International Inc.

Shiseido Liyuan Cosmetics Co., Ltd.

Beijing Huazhiyou Cosmetics Sales Center

Les Salons du Palais Royal Shiseido S.A.

Shiseido Canada Inc.

Piidea Canada, Ltd.

Shiseido Korea Co., Ltd.

Shiseido Europe S.A.

SAHA Asia Pacific Co., Ltd.**

Shanghai Zotos Citic Cosmetics Co., Ltd.

Shiseido Dah Chong Hong Cosmetics Ltd.

PT. PRANA DEWATA UBUD*

Shiseido España S.A.*

Shiseido Dah Chong Hong Cosmetics

(Guangzhou) Ltd.*

* Unconsolidated subsidiary

** Affiliate accounted for using the equity method

*** Affiliate not accounted for using the equity method

**** Qi Salon cosmetics Co., Ltd., and Helene Curtis Japan Inc. have changed their names to Shiseido Beauty Company, Ltd., and GENIC Corporation, respectively.

***** Shiseido Sales Co., Ltd., has changed its registered Japanese name on June 1, 1999, but there has been no change in its English name.

Shareholder Information

As of March 31, 1999

Head Office

Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
Tokyo 104-8010, Japan
Tel: (03) 3572-5111
Fax: (03) 3574-8380

For Further Information, Please Write to

Investor Relations Department
Financial Division
Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
Tokyo 104-8010, Japan
Fax: (03) 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.

Common Shares Issued

417,209,251

Number of Shareholders

29,686

Stock Listings

Common Stock: Tokyo Stock Exchange

American Depositary Receipts:

U.S. Over-the-Counter

Independent Certified Public Accountants

Chuo Audit Corporation

Transfer Agent for Common Stock

The Chuo Trust & Banking Co., Ltd.
1-7-1, Kyobashi, Chuo-ku,
Tokyo 104-0031, Japan

American Depositary Receipts

Cusip No.: 824841407

Ratio (ADR:ORD): 1:1

Exchange: OTC (Over-the-Counter)

Symbol: SSDOY

Depository: The Bank of New York

101 Barclay Street,

New York, NY 10286, U.S.A.

Stock Price/Turnover of Common Stock

