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FILE NO. 82-3311

November 6, 2003

VIR AIR MAIL

Securities and Exchange Commission
Office of International Corporate Finance
Division of Corporation Finance
450 Fifth Street, N.W.
Washington, D.C. 20549
U. S. A.

SUPPL

PROCESSED
NOV 25 2003
THOMSON FINANCIAL

SHISEIDO COMPANY, LIMITED
Re: Sponsored Level 1 ADR Facility

Dear Sirs:

Pursuant to Rule 12g-3 - 2 (b) under the Securities Exchange Act of 1934, we, as legal counsels to Shiseido Company, Limited (the "Company") with respect to its ADR program, enclose herewith English translation of the document of which contents were announced by the Company.

- Consolidated Settlement of Accounts for the First Half of Fiscal 2004 (dated November 5, 2003)

Yours very truly,

Fusako Otsuka

Fusako Otsuka

Encl.
cc: Shiseido Company, Limited
cc: The Bank of New York

11/18

FILE NO. 82-3311

The Figures for this Financial Statement are prepared in accordance with the accounting principles based on Japanese law. Accordingly, they do not necessarily match the figures in the Annual Report and Facts & Figures issued by our company, which present the same statements in a form that is more familiar to foreign readers through certain reclassifications or summarization of accounts.

Consolidated Settlement of Accounts for the First Half of Fiscal 2004

Shiseido Company, Ltd.
Listing: Tokyo Stock Exchange, First Section
Code Number: 4911
Head Office: 7-5-5, Ginza, Chuo-ku, Tokyo, Japan
Date of Board Meeting for Consolidated Settlement of Interim Accounts: November 5, 2003

1. Performance in Interim Fiscal 2004 (April 1–September 30, 2003)

* Amounts under one million yen have been rounded down.

(1) Results

(Millions of yen, except for per share figures)

	Net Sales	Income from Operations	Ordinary Income
First Half of Fiscal 2004	309,331 (–0.3%)	19,138 (–22.6%)	17,891 (–23.2%)
First Half of Fiscal 2003	310,273 (+6.1%)	24,717 (+207.0%)	23,300 (+135.3%)
Fiscal 2003	621,250	48,993	46,432

	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
First Half of Fiscal 2004	6,559 (–33.6%)	15.72	—
First Half of Fiscal 2003	9,873 (—)	23.32	23.31
Fiscal 2003	24,495	57.99	57.97

Notes: 1. Gain from investment in subsidiaries and affiliated accounted for by the equity method in interim fiscal 2004:
Fiscal 2004—interim: –¥544 million
Fiscal 2003—interim: –¥305 million
Fiscal 2003—full year: –¥921 million
2. Average number of shares outstanding (consolidated)
Fiscal 2004—interim: 415,126,506
Fiscal 2003—interim: 420,642,402
Fiscal 2003—full year: 419,579,736
3. Changes in accounting methods: Not applicable
4. Numbers in parentheses alongside net sales, income from operations, ordinary income, and net income indicate percentage increase/decrease over previous corresponding term.

(2) Financial Position

(Millions of yen, except for per share figures)

	Total Assets	Shareholders' Equity	Equity Ratio (%)	Shareholders' Equity per Share (Yen)
First Half of Fiscal 2004	668,000	359,155	53.8	866.76
First Half of Fiscal 2003	646,720	341,955	52.9	816.20
Fiscal 2003	663,403	353,466	53.3	844.74

Note: Number of shares outstanding at term-end (consolidated)
Fiscal 2004—interim: 414,364,037
Fiscal 2003—interim: 418,961,247
Fiscal 2003—full year: 418,310,092

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Term-End
First Half of Fiscal 2004	14,480	–28,276	–8,274	81,023
First Half of Fiscal 2003	30,901	–19,097	–6,150	95,523
Fiscal 2003	66,847	–44,048	–12,211	101,103

(4) Description of Consolidation and Scope of Application for Equity Method

Number of consolidated subsidiaries: 95

Number of nonconsolidated subsidiaries to which equity method applies:—

Number of affiliates to which equity method applies: 6

(5) Changes in Consolidation and Scope of Application for Equity Method

Newly consolidated companies: 2

Excluded consolidated companies: 3

Newly included under equity method: —

Excluded under equity method: —

2. Projections for Fiscal 2004 (April 1, 2003–March 31, 2004)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal 2004	632,000	41,000	23,000

Reference: Projected consolidated net income per share is ¥55.43.

Please refer to pages 18 to 21 for information on preconditions underlying the above estimates and other related information.

1. The Shiseido Group

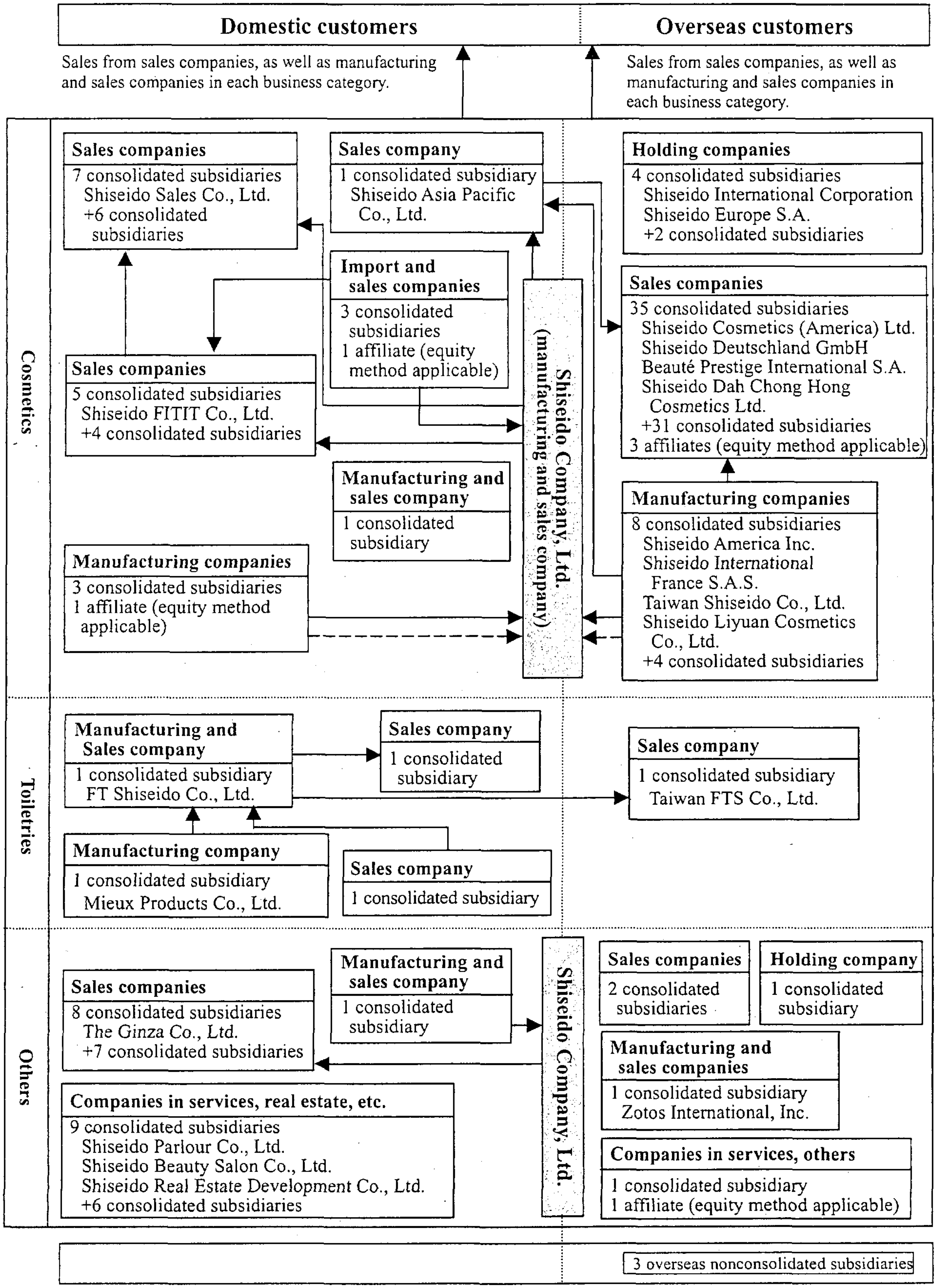
The Shiseido Group consists of the parent company, 98 subsidiaries, and six affiliated companies. Those companies are mainly engaged in manufacture and sale of cosmetics, toiletries, beauty salon products, food, and pharmaceuticals. Their business activities also include, research and development and other services related to their products.

The positioning of various members of the Shiseido Group and their business segments are shown in the diagram below.

Business Category	Main Activities	Principal Companies	
Cosmetics	Manufacture and sale of cosmetics and cosmetics application items	Domestic	Shiseido Company, Ltd. Shiseido Sales Co., Ltd. Shiseido FITIT Co., Ltd. Shiseido Asia Pacific Co., Ltd. Plus: 17 consolidated subsidiaries 2 affiliated companies (equity method applicable) (TOTAL: 23 companies)
		Overseas	Shiseido International Corporation Shiseido Europe S.A. Shiseido Cosmetics (America) Ltd. Shiseido America Inc. Shiseido Deutschland GmbH Beauté Prestige International S.A. Shiseido International France S.A.S. Shiseido Dah Chong Hong Cosmetics Ltd. Taiwan Shiseido Co., Ltd. Shiseido Liyuan Cosmetics Co., Ltd. Plus: 37 consolidated subsidiaries 3 affiliated companies (equity method applicable) (TOTAL: 50 companies)
Toiletries	Manufacture and sale of toiletries	Domestic	FT Shiseido Co., Ltd. Mieux Products Co., Ltd. 2 other consolidated subsidiaries (TOTAL: 4 companies)
		Overseas	Taiwan FTS Co., Ltd. (TOTAL: 1 company)
Others	Manufacture and sale of beauty salon products, food, and pharmaceuticals Sale of clothing and accessories Restaurant business Real estate management and sale	Domestic	Shiseido Company, Ltd. The Ginza Co., Ltd. Shiseido Parlour Co., Ltd. Shiseido Beauty Salon Co., Ltd. Shiseido Real Estate Development Co., Ltd. 14 other consolidated subsidiaries (TOTAL: 19 companies)
		Overseas	Zotos International, Inc. 4 other consolidated subsidiaries 1 affiliated companies (equity method applicable) (TOTAL: 6 companies)
Nonconsolidated subsidiaries		Overseas	3 nonconsolidated subsidiaries (TOTAL: 3 companies)

Note: The parent company, which is engaged in multiple businesses, is included in the totals for principal companies in each business category.

The business structure of the Shiseido Group is illustrated below.



Note: ——▶ finished products – – –▶ Semifinished products
Companies partially engaged in above activities are included.

Subsidiaries and Affiliated Companies

Name	Address	Capitalization (¥1,000)	Business Category	Voting Rights Held by Company	Relationship with Company	Remarks
Consolidated Subsidiaries						
Shiseido Sales Co., Ltd.	Minato-ku, Tokyo	1,590,264	Cosmetics	100.0%	Buyer of cosmetics, etc. Rents Company's buildings and land Rents buildings and land to Company Loan of funds from Company Concurrent directors: Yes; Transferred/concurrent employees: Yes	*1 *2
Shiseido FITIT Co., Ltd.	Chuo-ku, Tokyo	10,000	Cosmetics	100.0	Buyer of cosmetics Rents Company's buildings Concurrent directors: Yes; Transferred/concurrent employees: Yes	*1
Shiseido Asia Pacific Co., Ltd.	Chuo-ku, Tokyo	1,131,500	Cosmetics	100.0	Buyer of cosmetics, etc. Concurrent directors: Yes; Transferred/concurrent employees: Yes	
FT Shiseido Co., Ltd.	Chuo-ku, Tokyo	11,230,000	Toiletries	100.0	Buyer of salon products Rents Company's buildings Loan of funds from Company Concurrent directors: Yes; Transferred/concurrent employees: Yes	*1
Mieux Products Co., Ltd.	Ohzu-shi, Ehime	80,000	Toiletries	65.0 (65.0)	No sales transactions with Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Beauty Salon Co., Ltd.	Shibuya-ku, Tokyo	295,000	Others	100.0	No sales transactions with Company Rents Company's buildings Loan of funds from Company Concurrent directors: Yes; Transferred/concurrent employees: Yes	
Shiseido Parlour Co., Ltd.	Chuo-ku, Tokyo	2,714,500	Others	99.3	Supplier of foods Rents buildings to Company Loan of funds from Company Concurrent directors: Yes; Transferred/concurrent employees: Yes	
The Ginza Co., Ltd.	Chuo-ku, Tokyo	490,000	Others	96.9	Buyer of cosmetics, clothes, and accessories, etc. Rents Company's buildings and equipment Loan of funds from Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Real Estate Development Co., Ltd.	Chuo-ku, Tokyo	495,000	Others	100.0	Real estate management Rents Company's land and equipment Rents land to Company Loan of funds from Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido International Corporation	Delaware, U.S.A.	(US$1,000) 288,080	Cosmetics	100.0	Buyer of cosmetics, etc. External debt and bonds guaranteed by Company Concurrent directors: None; Transferred/concurrent employees: Yes	*1
Shiseido America Inc.	New Jersey, U.S.A.	(US$1,000) 28,000	Cosmetics	100.0 (100.0)	Supplier of cosmetics, etc. Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Cosmetics (America) Ltd.	New York, U.S.A.	(US$1,000) 15,000	Cosmetics	100.0 (100.0)	Buyer of cosmetics, etc. Rent payment guaranteed by Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Europe S.A.	Paris, France	(EUR1,000) 225,635	Cosmetics	100.0	Buyer of cosmetics, etc. Bonds guaranteed by Company Concurrent directors: None; Transferred/concurrent employees: Yes	*1

Name	Address	Capitalization (¥1,000)	Business Category	Voting Rights Held by Company	Relationship with Company	Remarks
Shiseido International France S.A.S.	Paris, France	(EUR1,000) 36,295	Cosmetics	100.0 (100.0)	Supplier of cosmetics, etc. Concurrent directors: None; Transferred/concurrent employees: Yes	
Beauté Prestige International S.A.	Paris, France	(EUR1,000) 17,760	Cosmetics	100.0 (100.0)	No sales transactions with Company Rent payment guaranteed by Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Deutschland GmbH	Dusseldorf, Germany	(EUR1,000) 5,200	Cosmetics	100.0 (100.0)	No sales transactions with Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Taiwan Shiseido Co., Ltd.	Taipei, Taiwan	(NT$1,000) 1,154,588	Cosmetics	51.0	Buyer of raw materials, etc. Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Liyuan Cosmetics Co., Ltd.	Beijing, China	(CNY1,000) 94,300	Cosmetics	61.0 (15.9)	Buyer of raw materials, etc. Concurrent directors: None; Transferred/concurrent employees: Yes	
Shiseido Dah Chong Hong Cosmetics Ltd.	Hong Kong, China	(HK$1,000) 123,000	Cosmetics	50.0	No sales transactions with Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Taiwan FTS Co.Ltd.	Taipei, Taiwan	(NT$1,000) 150,000	Toiletries	80.0 (80.0)	No sales transactions with Company Concurrent directors: None; Transferred/concurrent employees: Yes	
Zotos International, Inc.	New York, U.S.A.	(US$1,000) 25,000	Others	100.0 (100.0)	Supplier of cosmetics, etc. External debt guaranteed by Company Concurrent directors: None; Transferred/concurrent employees: Yes	
74 others	—		—	—	—	
Equity Method Applied Companies						
6 companies	—		—	—	—	

Notes: 1. The relevant business category within Group operations is listed under the Business Category column.
2. Figures in parentheses in the Voting Rights Held by Company column indicate the share of indirect voting rights.
3. *1 refers to "designated subsidiary"
4. None of the above prepare annual financial reports.
5. *2 refers to companies that post net sales (excluding intra-group transactions) accounting for over 10% of consolidated net sales.

2. Management Policies

(1) Basic Corporate Policies

Since its establishment in 1872, Shiseido has consistently modeled its corporate management on the spirit of "contributing to beauty and health of numerous customers, thus benefiting them and society in general." Based on this spirit, we will seek to "remain a company that makes a lasting contribution to customers around the world."

Underscoring this basic policy is our commitment to earning the support of our various stakeholders—customers, business partners, shareholders, employees and society in general—as a "valuable corporation" in the belief that creating value together improves corporate value in the long term and helps maximize shareholder value.

We also believe that improving the value of the ***SHISEIDO*** corporate brand will be key to enhancing corporate value in the 21st century. In addition to raising economic value, improving corporate value will crucially depend on how we fulfill our social responsibilities as a corporation and how we address environmental issues.

(2) Basic Income Distribution Policy

Our "total shareholder return" policy emphasizes maximizing returns to shareholders through direct means, in addition to generating medium- and long-term share price gains. To this end, in allocating cash flows from operations we prioritize (a) strategic investments linked to renewed growth, and (b) stable dividends and flexible implementation of share buybacks.

We have established a "total return ratio," which represents the amount of profits returned to shareholders—the sum of dividends paid and share buybacks—as a proportion of consolidated net income. We hope to achieve a 60% total return ratio in the medium term.

(3) Perspectives and Policies Concerning Reducing Minimum Share Unit

We acknowledge that reducing the minimum share unit for investors is an effective way to raise liquidity of the Company's shares and broaden our shareholder base. In considering this measure, we will evaluate the appropriate timing, taking into account our business performance, share price movements, number of shareholders, and shareholder composition, as well as initial costs and increased operating expenses that would accompany such a reduction.

(4) Medium- and Long-Term Management Strategies and Numerical Management Targets

In order to continue operating based on the "spirit of contribution," it is crucial that we generate stable earnings, which constitute an important managerial resource. To this end, we are targeting "sustained earnings increases" as a key performance indicator. To ensure progress in this regard, we will instill a profit-oriented mindset throughout the Company's management. Our objective is to achieve an operating income ratio (ratio of income from operations to net sales) of at least 10% over the medium term.

At the same time, we will pursue steady increases in return on equity (ROE) as a means of enhancing capital efficiency. In the fiscal year ended March 2003, we achieved consolidated ROE of 7%. In the future, we intend to raise this figure to 10% and above.

We have three specific management strategies for generating sustained earnings growth: (a) Step up reforms focusing on the sales counter; (b) Reinforce profitability of the entire Shiseido Group; and (c) Implement growth strategies designed for dramatic progress in the 21st century. (For more details, refer to "Issues to Be Addressed" section below.)

(5) Issues to Be Addressed

Amid an operating environment characterized by a deflationary economy and structural changes in the Japanese cosmetics market, our first priority is to establish a position of predominance in our domestic cosmetics business. While pursuing this important goal, we will transform the Company into a more profit-oriented entity by raising operating profit margin ratio and ROE to levels necessary to prevail amid intense global competition. To this end, we have three specific strategies.

First, by stepping up reforms focusing on the sales counter, we will rejuvenate our marketing and optimize our entire supply chain to better serve the market. Our second management strategy involves reinforcing the profitability of the entire Shiseido Group by revamping our cost structure. The third strategy entails implementing growth strategies designed for dramatic progress in the 21st century.

In the domestic cosmetics market, our specific strategy is to rejuvenate the activities of our specialty store customers while enhancing our responsiveness to structured retailers. In the course of setting up sales-counter-focus frameworks over the past two years, we have revised transaction systems, setting up an advanced information infrastructure, and otherwise built sales support systems aimed at expanding sales and helping specialty store customers. Now that the systems are in place, we will further reinforce consultation-based sales to individual stores.

For the structured retailer channel, the Structured Retail Stores Division (set up in April 2003) will spearhead efforts to strengthen our head office sales capabilities while targeting higher market share through optimized product mixes and reinforced advertising and promotional activities. Our brand strategy, which is tailored to our strategy for each channel, entails providing the optimal product mix for the channel and concentrating on key selected brands.

On another front, we will accelerate the globalization of our business and reinforce development of the Chinese market. In our overseas business, we will focus on expanding our presence in countries where we are already strong, while prioritizing improved profitability in countries where we are weak. In China, where we are placing heavy emphasis, we will continue focusing on department stores while also cultivating new sales channels with specialty stores.

Seeking to manifest our comprehensive Groupwide strengths, our domestic corporate brand strategy is to share the valuable assets intrinsic to the ***SHISEIDO*** brand with all domestic Group member companies. We believe that these initiatives will enable us to manifest the Shiseido Group's comprehensive strengths and also reinforce profitability, including in our toiletries and other businesses. Reflecting this strategy, in October 2003 we placed our six main domestic factories under the administration of a single corporate entity, and we will seek to reap the benefits of such integration in the future.

(6) Corporate Governance: Basic Stance and Progress

We are heavily committed to our various stakeholders, including customers, business partners, shareholders, employees, and society in general. At the same time, we recognize that maximizing shareholder value is key to our governance policy targeting sustained earnings growth. For this reason, we are working to reinforce our corporate governance.

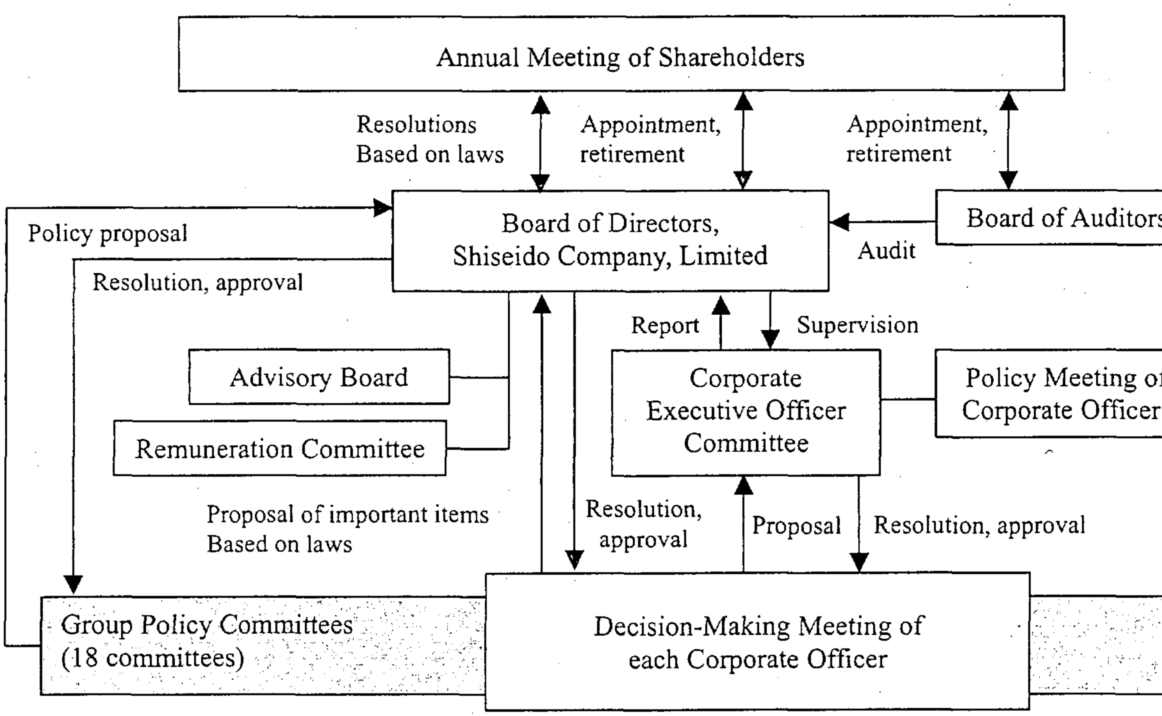
With only seven members, Shiseido's Board of Directors is able to make decisions swiftly. The Board meets every month to discuss all of the important issues facing the Company. We have also introduced a corporate officer system in order to clarify and separate the functions of Board members (decision-making and supervision) from the functions of corporate officers (business execution). In 2002, we established the Corporate Executive Officer Committee to facilitate transfer of authority to corporate officers and further clarify responsibilities. Chaired by Shiseido's president (who also serves as chief executive officer and chief operating officer), the Corporate Executive Officer Committee meets to confirm that the corporate officers are performing their regular duties according to basic policies decided by the Board of Directors. The term of each director or officer is one year.

Shiseido has a corporate auditor system. The Board of Auditors consists of two permanent auditors, as well as two external auditors with no vested interest in the Company. We have also set up the Advisory Board, with six prominent persons from outside the Company, to provide advice to the Board of Directors, and the Remuneration Committee, whose members include an external consulting institution. Both entities were established to improve transparency and objectivity of management and meet three times a year, in principle.

In addition, we have created the original title of Corporate Policy Governor (CPG), a special position designed to raise the horizontally integrated consolidated strengths of the Company with the vertically aligned executive system. The Company's vice president was appointed to the CPG position; he also chairs all of the Group Policy Committee meetings, which review Group-wide policies and strategies.

Shiseido uses ChuoAoyama Audit Corporation as its certified public accountant.

The Company's corporate governance system is shown in the diagram below.



3. Performance and Financial Position

3.1 Fiscal 2004 Interim Overview

(1) Performance

In the interim period under review—the six-month period ended September 30, 2003—consolidated net sales remained mostly unchanged from the previous corresponding period, edging down 0.3%. Domestic sales slipped 1.0% due to weak personal consumption and the effects of a cool summer, as well as our inability to launch new, high-impact products on the market in the first quarter. Overseas sales were affected by the war in Iraq and the SARS outbreak, growing only 1.4% on a local-currency basis, and 1.9% in yen terms.

Income from operations fell 22.6% due to sluggish revenues, increased pension costs, and higher expenses associated with our head office reorganization.

Reflecting the decline in income from operations, the Company posted a 23.2% fall in ordinary income and a 33.6% drop in interim net income.

Consolidated Performance

(Millions of yen)

	First Half of Fiscal 2004	Percent of Net Sales	First Half of Fiscal 2003	Percent of Net Sales	Increase/Decrease over First Half of Fiscal 2003	
					Amount	% change
Cosmetics	241,612	78.1%	240,423	77.5%	+1,189	+0.5%
Toiletries	34,282	11.1%	35,278	11.4%	–996	–2.8%
Others	33,435	10.8%	34,571	11.1%	–1,135	–3.3%
Net Sales	309,331	100.0%	310,273	100.0%	–941	–0.3%
Domestic Sales	232,708	75.2%	235,063	75.8%	–2,355	–1.0%
Overseas Sales	76,623	24.8%	75,209	24.2%	+1,413	+1.9%
Income from Operations	19,138	6.2%	24,717	8.0%	–5,579	–22.6%
Ordinary Income	17,891	5.8%	23,300	7.5%	–5,408	–23.2%
Net Income	6,559	2.1%	9,873	3.2%	–3,314	–33.6%
Consolidated Income/ Nonconsolidated Income	1.04 times		1.32 times			

Nonconsolidated Performance

(Millions of yen)

	First Half of Fiscal 2004	Percent of Net Sales	First Half of Fiscal 2003	Percent of Net Sales	Increase/Decrease over First Half of Fiscal 2003	
					Amount	% change
Cosmetics	97,385	93.2%	97,905	93.6%	–519	–0.5%
Others	7,052	6.8%	6,658	6.4%	+392	+5.9%
Net Sales	104,437	100.0%	104,564	100.0%	–127	–0.1%
Income from Operations	7,153	6.8%	11,582	11.1%	–4,428	–38.2%
Ordinary Income	10,139	9.7%	13,732	13.1%	–3,592	–26.2%
Net Income	6,334	6.1%	7,462	7.1%	–1,127	–15.1%

(2) Financial Position

Net cash provided by operating activities amounted to ¥14.5 billion, which was insufficient to compensate for the ¥28.3 billion in net cash used in investing activities. During the period, the Company allocated capital expenditures toward renovating and upgrading existing facilities, as well as the head office reorganization. As a result, purchases of tangible and intangible fixed assets totaled ¥16.1 billion. Net cash used in financing activities was ¥8.3 billion, due largely to purchase of treasury stock.

As a result, cash and cash equivalents at the end of the year amounted to ¥81.0 billion, down ¥20.1 billion from six months earlier.

Despite the scheduled redemption of domestic straight bonds in the second half of the year, the Company maintains a flexible fund-raising system, and any increases or decreases in capital for the year will be temporary in nature.

Consolidated Cash Flows (Summary)

(Billions of yen)

Cash and Cash Equivalents at Beginning of Term	101.10
Net Cash Provided by Operating Activities	14.48
Net Cash Used for Investing Activities	–28.28
(Investments in Fixed Assets)	(–16.12)
Net Cash Used for Financing Activities	–8.27
Net Increase in Cash and Cash Equivalents	–20.08
Cash and Cash Equivalents at End of Term	81.02

*Investments in Fixed Assets (Billions of yen)

Aquisition of Property, Plant, and Equipment	–14.92
Increase in Intangibles	–1.20

For the past three years, the equity ratio has been around 50% based on book value, or around 80% based on market values. Liability-related indicators over the past two years have been maintained at an ample level.

Cash flow indexes

	Fiscal 2001	Fiscal 2002	Fiscal 2003	First Half of Fiscal 2004
Equity Ratio (%)	54.4	52.1	53.3	53.8
Equity Ratio Based on Market Price (%)	77.7	83.9	73.3	79.0
Debt Repayment Term (Years)	141.4	2.7	1.5	3.5
Interest Coverage Ratio (%)	0.4	18.7	30.0	9.7

Notes:

1. Equity ratio: Shareholders' equity ÷ Total assets
   Equity ratio based on market price: Market value of total stock ÷ Total assets
   Debt repayment term: Interest-bearing debt ÷ Operating cash flows
   Interest coverage ratio: Operating cash flows ÷ Interest paid
2. Each index is calculated based on consolidated financial figures.
3. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) by the number of shares outstanding at the end of the term (after deduction of treasury stock).
4. Interest-bearing debt refers to all debt that incurs interest (listed in Consolidated Balance Sheets). For interest paid, amounts shown in the Consolidated Statements of Cash Flows are used.
5. Debt repayment term figure for the interim period under review is based on calculated annual figures for operating cash flows.

(3) Consolidated Segment Information

(a) Cosmetics

(Millions of yen)

	First Half of Fiscal 2004	First Half of Fiscal 2003	Increase/Decrease over First Half of Fiscal 2003	
			Amount	% change
Domestic	175,415	176,655	–1,240	–0.7%
Overseas	66,197	63,767	+2,430	+3.8%
Cosmetics Sales from Outside Customers	241,612	240,423	+1,189	+0.5%
Sales and Transfer Account from Intersegment Transactions	1,708	1,921		
Total Cosmetics Sales	243,321	242,344		
Income from Operations in Cosmetics Division	23,542	28,909	–5,366	–18.6%
Percent of Category Sales	9.7%	11.9%	–2.2%	

■ **Sales**

Domestic sales of cosmetics remained largely unchanged, edging down 0.7%. During the term, Shiseido concentrated on core product lines—consistent with its structural reform program—while actively promoting consultation-based sales to individual stores. In general, however, the operating environment for the cosmetics business was difficult, due to such factors as sluggish consumption of high-end products in department stores and the effects of a cool summer.

At the prestige end of the market, centering on counseling activities, sales of skincare products, mainly core lines, performed steadily. We also maintained a high level of growth for dedicated specialty-store lines.

In the mid-level, self-selection market, the men's market struggled in some channels while overall sales of both skincare and makeup products were slow. As a result, overall over-the-counter sales fell slightly below the previous-year level.

Growth in overseas cosmetics sales was limited to 1.8% in local currency terms and 3.8% on a yen-denominated basis. In addition to sluggish economic conditions in Europe and the psychological effects of the war in Iraq, sales in some regions were impacted directly by the SARS outbreak. The travel-retail business (duty-free shops at airports) of Beauté Prestige International S.A. (BPI) also struggled due to declining passenger numbers.

■ Income from Operations

Income from cosmetics operations declined 18.6% as sluggish revenues failed to compensate for increases in domestic pension-related costs and office reorganization costs.

■ Major new products

Prestige: ***Inicio Body Brightner W*** (bodycare whitening lotion), ***UV White White Freezer Mask*** (therapeutic whitening essence), ***Pieds Nus Gradational Eyes*** (eye-makeup compact), ***Bénéfique Sun Block Essence AP*** (light- and aging-resistant sunscreen for specialty stores),

Middle: ***MAJOLICA MAJORCA*** (new makeup line for children of baby boomers), ***Asplir Gracy Rich*** (new line up of high-moisture-content skincare products for people in 50s), ***Ma Chérie*** (addition of styling agents and haircare refills)

(b) Toiletries

(Millions of yen)

	First Half of Fiscal 2004	First Half of Fiscal 2003	Increase/Decrease over First Half of Fiscal 2003	
			Amount	% change
Domestic	33,620	34,734	–1,113	–3.2%
Overseas	661	544	+117	+21.5%
Toiletries Sales from Outside Customers	34,282	35,278	–996	–2.8%
Sales and Transfer Account from Intersegment Transactions	405	457		
Total Toiletries Sales	34,688	35,736		
Income from Operations in Toiletries Division	581	1,623	–1,042	–64.2%
Percent of Category Sales	1.7%	4.5%	–2.8%	

■ **Sales**

Sales of toiletries declined 2.8%. In the interim period under review, the domestic market remained difficult due to intense competition among Japanese and foreign manufacturers, combined with the added impact of a cool summer. In response, we concentrated on selected categories and brands in order to expand over-the-counter sales. For mainstay brands, we pursued value-oriented marketing aimed at achieving the No. 1 position in each category. In a new initiative, we undertook sales reforms designed to rejuvenate in-store activity, under a cooperative arrangement with distributors. These efforts had a favorable effect on some mainstay brands, but an overall decline in domestic sales was unavoidable.

In overseas activities, we began exporting toiletries to China, thus entering the high-end market for haircare products in that nation.

■ **Income from Operations**

In the period under review, profitability was affected by the decline in revenues and increased pension-related costs. Although we worked to improve cost-efficiency and maintain a profitable structure, income from the Company's toiletries business fell 64.2%.

■ **Major New Products**

Suibun Hair Pack (shampoos and conditioners; line renewal and launch of product refills), ***Amiche*** (new hair-styling line), ***Bihada Saibai*** (new line of lotions and essences).

(c) Others

(Millions of yen)

	First Half of Fiscal 2004	First Half of Fiscal 2003	Increase/Decrease over First Half of Fiscal 2003	
			Amount	% change
Domestic	23,672	23,673	–1	–0.0%
Overseas	9,763	10,898	–1,134	–10.4%
Other Sales from Outside Customers	33,435	34,571	–1,135	–3.3%
Sales and Transfer Account from Intersegment Transactions	23,030	23,284		
Total Other Sales	56,466	57,856		
Income from Operations in Others	822	914	–92	–10.1%
Percent of Category Sales	1.5%	1.6%	–0.1%	

■ **Sales**

Domestic sales of the Company's other businesses remained unchanged from the previous corresponding period.

Amid generally sluggish market conditions for the professional business, sales of key hair-color and straight-hair-perm agents increased, but the business overall was affected by the difficult market environment. By contrast, we enjoyed increased sales of pharmaceuticals thanks to solid performances of mainstay products. Sales of health and beauty foods and other products also rose.

Overseas sales of other businesses declined 10.4%. Zotos International, Inc., our North American subsidiary, accounts for practically all of the revenues in this category. That company's performance was affected by the slow U.S. economy and difficulties in switching to production of ***Joico*** brand products (***Joico*** was acquired in 2001 and absorbed into Zotos in January 2004).

■ Income from Operations

Although revenues from the Company's professional business declined, profitability of this segment was helped by the synergistic benefits of integrating the ***Joico*** brand into Zotos' operations. We also worked to enhance cost-efficiency across all businesses. As a result, the decline in income from other operations was slight.

Major New Products

Professional: ***Crystallizing*** (straight-perm agent)
Pharmaceuticals: ***Ferzea Medicated DX Bath Essence N*** (renewal; bath essence for treating dry skin)
Health and beauty foods: ***S Body Creator*** (diet supplement)

(4) Performance by Region

In Japan, all business segments suffered from weak revenues and lower earnings as the Company was unable to compensate for pension-related costs and expenses associated with the head office reorganization.

Overseas, our results were affected by the economic stagnation in the United States and Europe, as well as the SARS outbreak. In each region, sales on a local currency basis languished. Although the yen appreciated against the U.S. dollar, it depreciated against the euro. In yen terms, therefore, sales in the Americas declined, while sales in Europe increased. Income from operations in Asia improved, but due to the magnitude of the income decline in the Americas, overall income from overseas operations declined.

Sales by Geographic Segment

(Millions of yen)

	First Half of Fiscal 2004	Percent of Net Sales	First Half of Fiscal 2003	Percent of Net Sales	Increase/Decrease over First Half of Fiscal 2003	
					Amount	% change
Domestic Sales	234,042	75.7%	235,859	76.0%	–1,816	–0.8%
Americas	20,365	6.6%	22,417	7.2%	–2,052	–9.2%
Europe	34,799	11.2%	31,878	10.3%	+2,921	+9.2%
Asia/Oceania	20,123	6.5%	20,117	6.5%	+6	+0.0%
Total Overseas Sales	75,289	24.3%	74,414	24.0%	+875	+1.2%
Net Sales	309,331	100.0%	310,273	100.0%	–941	–0.3%

Income by Geographic Segment

(Millions of yen)

	First Half of Fiscal 2004	Percent to Regional Sales*	First Half of Fiscal 2003	Percent to Regional Sales*	Increase/Decrease over First Half of Fiscal 2003	
					Amount	% change
Domestic Income from Operations	19,797	8.1%	26,028	10.7%	–6,230	–23.9%
Americas	–89	–0.4%	543	2.0%	–633	—%
Europe	2,219	6.1%	2,209	6.5%	+9	+0.4%
Asia/Oceania	3,019	14.9%	2,666	13.1%	+352	+13.2%
Total Overseas Income from Operations	5,149	6.4%	5,419	6.6%	–270	–5.0%
Unallocatable Operating Expenses	(5,808)	—	(6,730)	—	(–921)	–13.7%
Income from Operations	19,138	6.2%	24,717	8.0%	–5,579	–22.6%

* Based on regional sales, including sales between regions.

Overseas Sales

(Millions of yen)

	First Half of Fiscal 2004	Percent of Net Sales	First Half of Fiscal 2003	Percent of Net Sales	Increase/Decrease over First Half of Fiscal 2003		
					Amount	% change	% change in local currency terms
Americas	21,496	6.9%	23,302	7.5%	–1,805	–7.7%	–0.5%
Europe	32,356	10.5%	28,411	9.1%	+3,945	+13.9%	+1.8%
Asia/Oceania	22,770	7.4%	23,496	7.6%	–726	–3.1%	+2.6%
Overseas Sales	76,623	24.8%	75,209	24.2%	+1,413	+1.9%	+1.4%

Sales by Category Segment (reference)

(Millions of yen)

	First Half of Fiscal 2004	Percent of Net Sales	First Half of Fiscal 2003	Percent of Net Sales	Increase/Decrease over First Half of Fiscal 2003	
					Amount	% change
Domestic	175,415	56.7%	176,655	56.9%	−1,240	−0.7%
Overseas	66,197	21.4%	63,767	20.6%	+2,430	+3.8%
Cosmetics	241,612	78.1%	240,423	77.5%	+1,189	+0.5%
Domestic	33,620	10.9%	34,734	11.2%	−1,113	−3.2%
Overseas	661	0.2%	544	0.2%	+117	+21.5%
Toiletries	34,282	11.1%	35,278	11.4%	−996	−2.8%
Domestic	23,672	7.6%	23,673	7.6%	−1	−0.0%
Overseas	9,763	3.2%	10,898	3.5%	−1,134	−10.4%
Others	33,435	10.8%	34,571	11.1%	−1,135	−3.3%
Net Sales	309,331	100.0%	310,273	100.0%	−941	−0.3%

(5) Appropriation of Fiscal 2004 Interim Profit

(a) Dividends

The Company plans to declare an interim cash dividend of ¥11.00 per share, up ¥1.00 per share, as originally planned. On a nonconsolidated basis, therefore, the interim dividends-on-equity ratio will be 1.2% and the dividend payout ratio will be 72.1%.

(b) Purchase of Treasury Stock

At the June 2003 Annual Meeting of Shareholders, the Company set an upper limit for the purchase of treasury stock—10 million shares, or ¥20 billion—for fiscal 2004.

In the interim period under review, the Company bought back 3,897 thousand shares for a total of ¥4.99 billion (within the parameters set at the previous Annual Meeting of Shareholders, held in June 2002).

We will consider future treasury stock purchases in a forward-looking manner, recognizing that such buybacks are a key part of our shareholder return strategy.

3.2 Outlook for Remainder of Fiscal 2004

(1) Overall Performance Outlook

Looking ahead, we believe that the market environment surrounding the Company, both at home and overseas, will remain uncertain. United as a consolidated group, we will continue implementing structural reforms and taking maximum advantage of the sales-counter-focus framework that we have set up. These efforts will be complemented by a renewed emphasis on strengthening profitability.

In the latter part of the interim period under review, there were clear signs of a turnaround in domestic sales. In light of this, in the remainder of fiscal 2004 we will reinforce advertising and promotional activities, centering on the cosmetics business, while stepping up and accelerating the introduction of new products.

Overseas, we expect continued stagnation in consumption in the United States and Europe. Nevertheless, we expect markets to recover from the aftermath of the war in Iraq and the SARS problem, and we will actively implement marketing strategies put on hold due to such issues. We look forward to recovery in growth, especially in Asia, as a result.

In the latter half of fiscal 2004, the Company will continue to face growing burdens in the form of pension-related costs and expenses associated with the head office reorganization. Despite such challenges, we will continue striving to reorganize our cost structure and improve overall cost-efficiency.

Although revenues and earnings will recover in the latter half of fiscal 2004, the Company has revised its full-year forecasts in light of its results in the first half. Specifically, we forecast a 2% increase in consolidated net sales, to ¥632 billion, a 12% decline in income from operations, to ¥43 billion, and a 6% fall in net income, to ¥23 billion.

We plan to declare a year-end dividend of ¥11.00 per share, resulting in total annual dividends of ¥22.00 per share.

Consolidated Net Sales

(Billions of yen)

	Fiscal 2004 (Estimate)	Fiscal 2003 (Results)	Increase/Decrease over Fiscal 2003	
			Amount	% change
Cosmetics	494.0	481.9	+12.1	+3%
Toiletries	69.0	69.2	–0.2	–0%
Others	69.0	70.2	–1.2	–2%
Net Sales	632.0	621.3	+10.7	+2%

Overseas Sales	162.0	154.2	+7.8	+5%
Share in Net Sales	25.6%	24.8%		

Consolidated Income

(Billions of yen)

	Fiscal 2004 (Estimate)	Percent of Net Sales	Fiscal 2002 (Results)	Percent of Net Sales	Increase/Decrease over Fiscal 2003	
					Amount	% change
Income from Operations	43.0	6.8%	49.0	7.9%	–6.0	–12%
Ordinary Income	41.0	6.5%	46.4	7.5%	–5.4	–12%
Net Income	23.0	3.6%	24.5	3.9%	–1.5	–6%
Consolidated Net Income/ Nonconsolidated Net Income	1.64 times	—	2.25 times			

Nonconsolidated Net Sales

(Billions of yen)

	Fiscal 2004 (Estimate)	Fiscal 2003 (Results)	Increase /Decrease over Fiscal 2003	
			Amount	% change
Cosmetics	191.0	194.8	–3.8	–2%
Toiletries	10.0	—	+10.0	—
Others	14.0	13.5	+0.5	+4%
Net Sales	215.0	208.3	+6.7	+3%

Nonconsolidated Income

(Billions of yen)

	Fiscal 2004 (Estimate)	Percent of Net Sales	Fiscal 2003 (Results)	Percent of Net Sales	Increase/Decrease over Fiscal 2003	
					Amount	% change
Income from Operations	16.0	7.4%	22.4	10.8%	–6.4	–29%
Ordinary Income	24.0	11.2%	26.5	12.7%	–2.5	–9%
Net Income	14.0	6.5%	10.9	5.2%	+3.1	+29%

Per Share Information and Financial Ratios

	Fiscal 2004 (Estimate)	Fiscal 2003 (Results)	Increase/Decrease over Fiscal 2003
Return on Equity (%):			
Consolidated	6.4	7.0	–0.6
Nonconsolidated	4.1	3.1	+1.0
Net Income per Share (Yen):			
Consolidated	55.43	57.99	–2.56
Nonconsolidated	33.79	25.71	+8.08
Payout Ratio (%) (Nonconsolidated)	65.1	77.8	–12.7
Dividends per Share (Yen):			
Interim	11.00	10.00	+1.00
Year-End	11.00	10.00	+1.00

(2) Outlook by Major Business Category

(a) Cosmetics

In Japan, we predict that the over-the-counter efforts of retailers and the activities of our own salespeople will be stimulated by accelerated sales-counter-focus reforms and the implementation of channel and brand strategies geared to market changes. Although the market will continue to languish, we forecast a slight increase in over-the-counter sales owing to the rejuvenation of our distribution channels.

We will clarify the objective of each product line and reorganize our product line configurations, making concentrated investments in core mainstay lines, thus nurturing them into "powerful lines." By arranging lines according to the specific characteristics of each channel while reinforcing marketing, we intend to expand over-the-counter sales.

In China, which has the greatest growth potential, we are already implementing sales-counter-focus strategies put on hold due to the SARS outbreak. We are also targeting specialty stores as a promising new distribution channel in that nation. In North America and Europe, we will maintain market growth thanks to recovery in the travel-retail business of BPI, which struggled due to the war in Iraq. BPI will also use the launch of a third brand as an opportunity to energize the fragrance market.

Domestic sales for the year are expected to rise in line with higher over-the-counter sales. Overseas, we also anticipate healthy growth through the remainder of the year. Profitability will benefit from higher revenues, as well as improved cost-efficiency in management, production, and logistics. However, we forecast a decline in income from operations as the Company makes increased outlays to address the heavy cost burdens of the head office reorganization and pension-related expenses, as well as to make additional promotional expenditures.

(b) Toiletries

Competition in the toiletries market remains severe, making it difficult to predict how market conditions will evolve in the remainder of the year. Against this background, we will concentrate our efforts on mainstay categories and brands. We will also continue to pursue value-oriented marketing strategies of mainstay brands, targeting the No. 1 position in each category. In addition, we will work with distributors to undertake sales reforms designed to increase revenues and expand the number of companies with whom we have contracts concerning such reforms.

Through these activities, we are confident that sales of toiletries in the second half of fiscal 2004 will surpass the level of the previous corresponding period. For the entire year, however, we predict a slight decline in sales.

Income from toiletries operations is expected to fall as sluggish revenues fail to compensate for increased costs associated with the head office reorganization and higher pension-related expenses.

(c) Others

In our professional business, we will initiate a turnaround on the domestic side by nurturing key brands while placing emphasis on dealer networks in major cities. However, it will be difficult to achieve a sales recovery at Zotos International due partly to the yen's appreciation. In the pharmaceuticals and health and beauty foods categories, we will continue focusing on mainstay products, raising growth and earnings accordingly.

For the segment, we expect declines in both sales and income from operations.

(d) Overseas Sales

In the remainder of fiscal 2004, we expect overseas sales to be affected by a number of uncertain external factors, such as ongoing economic stagnation in Europe and North America and the yen's rapid appreciation against the U.S. dollar. Compared with the first half of the year, however, revenue growth rates are increasing as markets recover from temporary factors, notably the psychological effects of the war in Iraq and the SARS outbreak. In the third quarter (July-September for overseas subsidiaries), we note that China has returned to a path of powerful growth. Considering these factors, we predict solid overseas sales growth in local-currency terms, and a 5% rise in yen terms.

Our predictions are based on the following assumptions.

In fiscal 2004, we expect real domestic GDP to grow by more than 1%. Based on Ministry of Economy, Trade and Industry statistics for cosmetics shipments, we estimate that demand for cosmetics products will remained unchanged or dip slightly below previous-year levels. Our forecasts are based on exchange rates of ¥115 per U.S. dollar, ¥130 per euro, and ¥14 per Chinese yuan.

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

4. Consolidated Interim Financial Statements

4.1 Consolidated Interim Balance Sheets

(Millions of yen)

	First Half of Fiscal 2004 (September 30, 2003)		First Half of Fiscal 2003 (September 30, 2002)		Fiscal 2003 (March 31, 2003)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Share of Total (%)
ASSETS						
Current Assets:	**292,850**	**43.8**	**294,634**	**45.6**	**305,850**	**46.1**
Cash and Time Deposits	35,911		41,118		35,679	
Notes and Accounts Receivable	104,119		96,682		100,522	
Short-Term Investments in Securities	48,313		56,381		67,311	
Inventories	69,505		67,553		66,360	
Deferred Tax Assets	21,559		20,291		26,401	
Other Current Assets	14,791		13,899		10,723	
Less: Allowance for Doubtful Accounts	–1,350		–1,291		–1,146	
Fixed Assets:	**375,150**	**56.2**	**352,085**	**54.4**	**357,552**	**53.9**
Tangible Fixed Assets:	174,393	26.1	174,201	26.9	171,655	25.9
Buildings and Structures	73,703		70,638		70,152	
Machinery, Equipment, and Vehicles	18,121		20,406		19,439	
Fixtures and Fittings	19,383		17,505		18,368	
Land	61,869		63,301		62,438	
Construction in Progress	1,316		2,348		1,255	
Intangible Fixed Assets:	61,355	9.2	59,453	9.2	61,047	9.2
Goodwill	28,290		27,880		27,783	
Consolidation Adjustment Accounts	2,073		1,420		1,959	
Other Intangible Fixed Assets	30,992		30,152		31,304	
Investments and Other Assets:	139,401	20.9	118,430	18.3	124,850	18.8
Investments in Securities	52,450		41,228		48,070	
Deferred Tax Assets	40,665		43,951		44,732	
Other Investments	46;673		33,762		32,454	
Less: Allowance for Doubtful Accounts	–388		–511		–406	
Total Assets	**668,000**	**100.0**	**646,720**	**100.0**	**663,403**	**100.0**

(Millions of yen)

	First Half of Fiscal 2004 (September 30, 2003)		First Half of Fiscal 2003 (September 30, 2002)		Fiscal 2003 (March 31, 2003)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Share of Total (%)
LIABILITIES						
Current Liabilities:	**182,782**	**27.4**	**146,180**	**22.6**	**184,170**	**27.8**
Notes and Accounts Payable	53,799		47,678		48,518	
Bonds Redeemable within 1 year	41,541		6,903		37,119	
Short-Term Bank Loans	17,839		18,966		17,997	
Accrued Amount Payable	37,331		39,994		39,459	
Accrued Corporate Tax and Other	5,350		3,494		10,073	
Other Current Liabilities	26,920		29,141		31,002	
Long-Term Liabilities:	**114,384**	**17.1**	**147,388**	**22.8**	**114,503**	**17.2**
Corporate Bonds	34,932		67,631		37,982	
Long-Term Borrowings	6,958		5,366		6,308	
Reserve for Employees' Retirement Benefits	65,253		65,092		63,294	
Other Long-Term Liabilities	7,240		9,297		6,918	
Total Liabilities	**297,167**	**44.5**	**293,569**	**45.4**	**298,674**	**45.0**
MINORITY INTERESTS						
Minority Interests	**11,677**	**1.7**	**11,195**	**1.7**	**11,262**	**1.7**
SHAREHOLDERS' EQUITY						
Capital Stock	64,506	9.7	64,506	10.0	64,506	9.7
Additional Paid-In Capital	70,258	10.5	70,258	10.8	70,258	10.6
Earned Surplus	244,504	36.6	232,031	35.9	242,462	36.6
Securities Valuation Differential	2,333	0.4	–2,207	–0.3	–2,503	–0.4
Currency Adjustment Accounts	–8,066	–1.2	–14,245	–2.2	–11,925	–1.8
Treasury Shares	–14,380	–2.2	–8,388	–1.3	–9,331	–1.4
Total Shareholders' Equity	**359,155**	**53.8**	**341,955**	**52.9**	**353,466**	**53.3**
Total Liabilities, Minority Interests, and Shareholders' Equity	**668,000**	**100.0**	**646,720**	**100.0**	**663,403**	**100.0**

4.2 Consolidated Interim Statements of Income

(Millions of yen)

	First Half of Fiscal 2004 (April 1– September 30, 2003)		First Half of Fiscal 2003 (April 1– September 30, 2002)		Fiscal 2003 (April 1, 2002– March 31, 2003)	
	Amount	Share of Total (%)	Amount	Share of Total (%)	Amount	Share of Total (%)
I. Net Sales	**309,331**	**100.0**	**310,273**	**100.0**	**621,250**	**100.0**
II. Cost of Sales	**102,349**	**33.1**	**103,245**	**33.3**	**212,963**	**34.3**
Gross Income	206,982	66.9	207,027	66.7	408,286	65.7
III. Selling, General and Administrative Expenses	**187,843**	**60.7**	**182,310**	**58.7**	**359,293**	**57.8**
Income from Operations	**19,138**	**6.2**	**24,717**	**8.0**	**48,993**	**7.9**
IV. Other Income:	**2,721**	**0.9**	**3,217**	**1.0**	**6,686**	**1.1**
Interest Income	460		335		793	
Gain on Sale of Marketable Securities	—		215		336	
Gain on Sale of Fixed Assets	484		379		1,381	
Amortization of Consolidation Adjustment Accounts	—		539		1,078	
Others	1,776		1,747		3,097	
V. Other Expenses:	**3,968**	**1.3**	**4,634**	**1.5**	**9,246**	**1.5**
Interest Expense	1,281		1,246		2,550	
Equity in Earnings of Affiliates	544		305		921	
Amortization of Trademark and Goodwill	779		995		1,903	
Others	1,361		2,087		3,870	
Ordinary Income	**17,891**	**5.8**	**23,300**	**7.5**	**46,432**	**7.5**
VI. Extraordinary Income	**1,509**	**0.5**	—	—	—	—
Gain on Sale of Fixed Assets	1,509		—		—	
VII. Extraordinary Loss	**1,899**	**0.6**	**2,062**	**0.7**	**9,343**	**1.5**
Office Reorganization Expense	1,899		—		—	
Devaluation of Financial Assets	—		2,062		8,870	
Loss on Transfer of Business	—		—		473	
Income before Income Taxes	**17,502**	**5.7**	**21,237**	**6.8**	**37,089**	**6.0**
Income Taxes	**3,928**	**1.3**	**3,216**	**1.0**	**12,274**	**2.0**
Adjustment for Corporate Tax, etc.	**5,871**	**1.9**	**7,068**	**2.3**	**–1,702**	**–0.2**
Less: Minority Interests in Net Loss of Consolidated Subsidiaries	**1,142**	**0.4**	**1,079**	**0.3**	**2,021**	**0.3**
Net Income	**6,559**	**2.1**	**9,873**	**3.2**	**24,495**	**3.9**

4.3 Consolidated Interim Retained Earnings (term-end)

(Millions of yen)

	First Half of Fiscal 2004 (April 1–September 30, 2003)	First Half of Fiscal 2003 (April 1–September 30, 2002)	Fiscal 2003 (April 1, 2002–March 31, 2003)
CAPITAL SURPLUS			
I. Balance at Beginning of Term	**70,258**	**70,258**	**70,258**
II. Balance at End of Term	**70,258**	**70,258**	**70,258**
EARNED SURPLUS			
I. Balance at Beginning of Term	**242,462**	**225,800**	**225,800**
II. Increase in Earned Surplus	**6,559**	**9,873**	**24,495**
Interim Net Income	6,559	9,873	24,495
III. Decrease in Earned Surplus	**4,517**	**3,641**	**7,833**
Cash Dividends Paid	4,183	**3,380**	**7,570**
Bonuses to Directors	102	61	61
Decrease due to Increase in Consolidated Subsidiaries	194	130	130
Differential Loss on Disposal of Treasury Stock	3	4	7
Other Decrease	33	64	63
IV. Balance at End of Term	**244,504**	**232,031**	**242,462**

4.4 Consolidated Interim Statements of Cash Flows

(Millions of yen)

	First Half of Fiscal 2004 (April 1– September 30, 2003)	First Half of Fiscal 2003 (April 1– September 30, 2002)	Fiscal 2003 (April 1, 2002– March 31, 2003)
I. Cash Flows from Operating Activities			
Income before Income Taxes	17,502	21,237	37,089
Depreciation	13,070	13,347	27,187
Devaluation of Financial Assets	—	2,062	8,870
Increase/Decrease in Reserve for Employees' Retirement Benefits	1,954	–2,132	–3,883
Amortization of Consolidated Adjustment	188	–539	–1,078
Interest and Dividend Income	–755	–580	–1,120
Interest Expense	1,281	1,246	2,550
Equity in Earnings of Affiliates	544	305	921
Increase/Decrease in Receivables	–1,942	6,233	3,386
Increase/Decrease in Inventories	–1,929	1,044	2,958
Increase/Decrease in Trade Payables	1,269	–7,824	–9,408
Other Increase/Decrease	–7,040	–2,552	2,471
Subtotal	24,143	31,848	69,945
Interest and Dividend Income	786	553	1,136
Interest Paid	–1,487	–832	–2,231
Income Taxes Paid	–8,961	–667	–2,002
Net Cash Provided by Operating Activities	**14,480**	**30,901**	**66,847**
II. Cash Flows from Investing Activities			
Purchase of Marketable Securities	–290	–2,456	–4,456
Sales of Marketable Securities	1,016	966	3,521
Purchase of Investment Securities	–16,173	–4,176	–26,552
Sales of Investment Securities	6,264	2,821	10,012
Acquisition of Tangible Fixed Assets	–14,922	–9,674	–17,783
Sales of Tangible Fixed Assets	5,265	1,092	3,985
Acquisition of Intangible Fixed Assets	–1,194	–1,168	–4,245
Purchase of Shares in Subsidiaries due to Change in Scope of Consolidation	–1,293	—	–4,116
Increase/Decrease in Other Assets	–6,949	–6,501	–4,413
Net Cash Provided by Investing Activities	**–28,276**	**–19,097**	**–44,048**
III. Cash Flows from Financing Activities			
Net Increase/Decrease in Short-Term Debt	–1,413	–2,292	–4,418
Borrowings of Long-Term Debt	1,876	1,484	4,034
Repayment of Long-Term Debt	–99	–229	–809
Proceeds from Bond Issue	7,940	8,145	8,078
Redemption of Bonds	–7,252	–4,052	–4,017
Net Proceeds from Purchase/Sale of Treasury Stocks	–5,052	–5,760	–6,707
Cash Dividends	–4,180	–3,380	–7,568
Cash Dividends Paid to Minority Shareholders	–92	–65	–803
Net Cash Provided by Financing Activities	**–8,274**	**–6,150**	**–12,211**
IV. Translation Gain/Loss Related to Cash and Cash Equivalents	**1,610**	**–423**	**221**
V. Net Change in Cash and Cash Equivalents	**–20,460**	**5,230**	**10,809**
VI. Cash and Cash Equivalents at Beginning of Term	**101,103**	**90,293**	**90,293**
VII. Net Change in Cash and Cash Equivalents Due to Newly Consolidated Companies	**380**	**0**	**0**
VIII. Cash and Cash Equivalents at End of Term	**81,023**	**95,523**	**101,103**

Notes to Consolidated Interim Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 95
Principal subsidiaries are listed in "Subsidiaries and Affiliated Companies" in "1. The Shiseido Group" section.

(New inclusions)
Newly included in the scope of consolidation in the interim term under review are two companies: 331 International S.A.S., which previously did not engage in full-scale operations and was accorded low importance; and Shiseido Retail Support Co., Ltd., which was established during the term.

(Exclusions)
During the term, three companies were removed from the scope of consolidation. Two of these—Osaka Shiseido Co., Ltd., and Shiseido Kako Co., Ltd.—merged with the parent company, and are now defunct. The other company—Shiseido City Co., Ltd.—merged with Shiseido Parlour Co., Ltd. and is now defunct.

(2) Main nonconsolidated subsidiaries
Number of nonconsolidated subsidiaries: 3
Major Company Name: Beauté Prestige International (U.K.)

Since these companies do not engage in full-scale operations and their combined assets, net sales, net income, and retained earnings have a minimal effect on the Company's consolidated financial statements, they are not included in the scope of consolidation.

2. Application of the Equity Method

(1) Affiliated companies where equity method applicable: 6
Major Company Name: Pierre Fabre Japon Co., Ltd.

(2) Nonconsolidated subsidiaries where equity method not applicable: 3
Since these companies do not engage in full-scale operations and their net income and retained earnings have minimal impact on the Company's consolidated financial statements, they are not included in the scope of the equity method.

3. Interim Fiscal Terms for Consolidated Subsidiaries

Of the Company's consolidated subsidiaries, 54 companies—overseas consolidated subsidiaries (except Shiseido Investment US, Inc.), as well as Beauté Prestige International Co., Ltd., and Taishi Trading Co., Ltd.—have interim fiscal terms ending June 30. Shiseido Investment US, Inc., has an interim term ending July 31, and Shiseido Investment Co., Ltd., has an interim term ending August 31. All other consolidated subsidiaries have interim terms ending September 30.

The most recent financial statements have been used for the 56 consolidated subsidiaries—overseas subsidiaries, as well as Beauté Prestige International Co., Ltd., Taishi Trading Co., Ltd., and Shiseido Investment Co., Ltd.—with interim terms ending in months other than September. The consolidated statements have been adjusted to reflect important transactions that took place between the respective interim term-ends of those companies and September 30, 2003.

4. Notes on Accounting Standards

(1) Valuation of Major Assets

(a) Securities

Other securities:

Market price applicable: At market, based on market prices at interim term-end. (Valuation discrepancies are included directly in the capital account, and selling costs are, in principle, accounted for using the moving average method.)

Market price not applicable: Primarily valued at cost, based on the moving average method.

(b) Inventories

The parent company values inventories at cost, based on the total average method. Consolidated subsidiaries primarily value inventory at cost, based on the final purchase method.

(2) Depreciation of Major Fixed Assets

(a) Tangible fixed assets

Buildings (excluding attached equipment) are depreciated using the straight line method. Other tangible fixed assets are, in principle, depreciated using the declining balance method. Major fixed assets in Japan are designated specific useful lives based on durability, level of deterioration, and special characteristics (20-30% reduction from legal useful lives).

(b) Intangible Fixed Assets

Intangible fixed assets are, in principle, amortized using the straight line method over the following time periods.

Goodwill: 5 years (domestic); 20 years, in principle (overseas)

Trademark rights: 10 years, in principle

Software: 5 years, in principle

The policy of U.S. subsidiaries with respect to goodwill and intangible fixed assets with indefinable useful lives is to devalue them if necessary, rather than amortize them over a certain number of years.

(3) Major Reserves

(a) Allowance for Doubtful Accounts

As contingency against losses from default of notes and accounts receivable, the Company and its domestic consolidated subsidiaries have set aside reserves. The amounts of such reserves are determined using the percentage of own actual bad-debt loss against the balance of total receivables, and amounts that take into consideration the possibility of recovering specific liabilities. Overseas consolidated subsidiaries, in general, report the estimated value of specified types of unrecoverable debt.

(b) Returned Goods Adjustment Reserve

As contingency against losses from returned cosmetics and pharmaceuticals, consolidated domestic subsidiaries—Shiseido Sales Co., Ltd., FT Shiseido Co., Ltd., Shiseido Pharmaceutical Co., Ltd., et al.—have set aside a reserve, the amount of which is determined by past return ratios and potential for future returns.

(c) Allowance for Employees' Retirement Benefits

As contingency against expenses arising from retirement of employees, the parent company and its domestic consolidated subsidiaries have set aside a reserve based on estimated retirement benefit liabilities and pension assets at the end of interim fiscal term under review. Prior Service Cost is expensed as incurred using the straight-line method, based on the specified number of years (10 years) within the average remaining employee work period. Actuarial Differential is expensed in the following consolidated financial year using the straight-line method, based on the specified number of years (10 years) within the average remaining employee work period.

(4) Translation of Major Foreign-Currency Assets and Liabilities into Yen

Foreign-currency financial receivables and liabilities are translated into yen at the spot rate effective at the end of the interim term. Exchange differential is treated as a profit/loss. Foreign-currency assets and liabilities of overseas subsidiaries are translated into yen at the spot rate effective at the end of the interim term. Revenues and expenses of overseas subsidiaries are translated into yen at the average rate during the term. Exchange differential is included in the Minority Interests and the Exchange Adjustment Accounts item under Shareholders' Equity.

(5) Accounting for Major Lease Contracts

Finance lease contracts other than those deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

(6) Other Major Items Concerning Preparation of Consolidated Interim Financial Statements

Consumption Tax: In relation to consumption tax and regional consumption tax, the Company adopts the tax-exclusive method.

5. Definition of "Cash and Cash Equivalents" in Statements of Cash Flows

"Cash and Cash Equivalents" as shown in the Consolidated Interim Statements of Cash Flows refer to cash in hand, bank deposits that can be withdrawn or converted to cash at immediate notice, and short-term investments with maturities of no more than 3 months from acquisition date that carry minimal risk of fluctuations in value.

Change to Method of Disclosure

(Interim Consolidated Statements of Income)

Gain on Sales of Marketable Securities

"Gain on Sales of Marketable Securities," listed specifically under "Other Income" in the previous interim financial statements, is included within "Other" under "Other Income" in the interim period under review, because the amount of such gain (¥47 million in the interim period under review) is deemed minimal.

Notes

(Consolidated Balance Sheets)

(Millions of yen)

	First Half of Fiscal 2004 (As of September 30, 2003)	First Half of Fiscal 2003 (As of September 30, 2002)	Fiscal 2004 (As of March 31, 2003)
1. Cumulative Depreciation of Tangible Fixed Assets	245,962	236,791	243,761
2. Guaranteed Liabilities	28	36	43

(Consolidated Statements of Income)

(Millions of yen)

	First Half of Fiscal 2004 (April 1– September 30, 2003)	First Half of Fiscal 2003 (April 1– September 30, 2002)	Fiscal 20013 (April 1, 2002– March 31, 2003)
1. Selling, General and Administrative Expenses			
Advertising Expenses	18,613	19,809	39,848
Selling Expenses	51,855	51,431	96,019
Salaries, Bonuses	56,358	55,162	110,768
Retirement Benefit Expense	8,890	5,876	11,527
2. Extraordinary Gain			
Gain on Sale of Fixed Assets	Gain on sale of fixed assets associated with the Company's office centralization and reorganization	—	—
3. Extraordinary Loss			
Office Centralization and Reorganization Expenses	(One-time expenses associated with the Company's office centralization and reorganization) Small equipment expenses 854 Moving expenses 554 Loss on disposal of fixed assets 255 Cost of returning rental buildings to original state 235	—	—
Loss on Transfer of Business	—	—	Loss on transfer of salon operations subsidiary in Europe

(Consolidated Retained Earnings)

	First Half of Fiscal 2004 (April 1–September 30, 2003)	First Half of Fiscal 2003 (April 1–September 30, 2002)	Fiscal 2003 (April 1, 2002–March 31, 2003)
Decrease in Other Surplus	Elimination of surplus due to appropriation of earnings of Chinese subsidiaries, pursuant to Chinese accounting standards	(See left)	(See left)

(Consolidated Cash Flows)

(Millions of yen)

	First Half of Fiscal 2004 (April 1–September 30, 2003)		First Half of Fiscal 2003 (April 1–September 30, 2002)		Fiscal 2003 (April 1, 2002–March 31, 2003)	
Relationship between Cash and Cash Equivalents and amounts reported in Consolidated Balance Sheets.	Cash and Time Deposits Account	35,911	Cash and Time Deposits Account	41,118	Cash and Time Deposits Account	35,679
	Short-Term Investments in Securities Account	48,313	Short-Term Investments in Securities Account	56,381	Short-Term Investments in Securities Account	67,311
	Total	84,224	Total	97,499	Total	102,990
	Term Deposits of More than 3 Months	–2,411	Term Deposits of More than 3 Months	–424	Term Deposits of More than 3 Months	–398
	Stocks, Bonds with Maturities of More than 3 Months, etc.	–790	Stocks, Bonds with Maturities of More than 3 Months, etc.	–1,551	Stocks, Bonds with Maturities of More than 3 Months, etc.	–1,488
	Cash and Cash Equivalents	81,023	Cash and Cash Equivalents	95,523	Cash and Cash Equivalents	101,103

Segment Information

1. Category Segment Information

(Millions of yen)

	First Half of Fiscal 2004 (April 1–September 30, 2003)					
	Cosmetics	Toiletries	Others	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:						
Net Sales						
(1) Sales from Outside Customers	241,612	34,282	33,435	309,331	—	309,331
(2) Sales and Transfer Account from Intersegment Transactions	1,708	405	23,030	25,144	(25,144)	—
Total	243,321	34,688	56,466	334,475	(25,144)	309,331
Operating Expenses	219,778	34,106	55,643	309,529	(19,335)	290,193
Income from Operations	23,542	581	822	24,946	(5,808)	19,138
2. Assets, Depreciation and Amortization, and Capital Participations:						
Assets	329,303	43,528	110,935	483,767	184,232	668,000
Depreciation and Amortization	6,500	1,220	3,433	11,154	24	11,179
Capital Participations	11,115	1,093	3,623	15,831	—	15,831

(Millions of yen)

	First Half of Fiscal 2003 (April 1–September 30, 2002)					
	Cosmetics	Toiletries	Others	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:						
Net Sales						
(1) Sales from Outside Customers	240,423	35,278	34,571	310,273	—	310,273
(2) Sales and Transfer Account from Intersegment Transactions	1,921	457	23,284	25,663	(25,663)	—
Total	242,344	35,736	57,856	335,936	(25,663)	310,273
Operating Expenses	213,435	34,112	56,941	304,488	(18,933)	285,555
Income from Operations	28,909	1,623	914	31,447	(6,730)	24,717
2. Assets, Depreciation and Amortization, and Capital Participations:						
Assets	313,281	44,403	112,841	470,527	176,193	646,720
Depreciation and Amortization	6,328	1,320	3,688	11,337	24	11,362
Capital Participations	8,814	898	4,685	14,398	80	14,479

(Millions of yen)

	Fiscal 2003 (April 1, 2002–March 31, 2003)					
	Cosmetics	Toiletries	Others	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:						
Net Sales						
(1) Sales from Outside Customers	481,867	69,216	70,165	621,250	—	621,250
(2) Sales and Transfer Account from Intersegment Transactions	3,752	852	47,133	51,738	(51,738)	—
Total	485,620	70,069	117,298	672,988	(51,738)	621,250
Operating Expenses	429,556	67,293	114,368	611,217	(38,960)	572,257
Income from Operations	56,064	2,775	2,930	61,770	(12,777)	48,993
2. Assets, Depreciation and Amortization, and Capital Participations:						
Assets	316,465	42,622	109,848	468,937	194,465	663,403
Depreciation and Amortization	12,719	2,670	7,549	22,939	52	22,992
Capital Participations	16,565	1,363	9,588	27,517	112	27,630

Notes: 1. Business segment and main products included in each segment.

Shiseido's business is segmented by categories for control of its in-house organization.

Cosmetics............Women's and men's cosmetics, beauty soap, cosmetic accessories

Toiletries.............Soaps, hair care products, mass market cosmetics, napkins, oral care products, shaving blades

Others.................Beauty salon products, health and beauty foods, pharmaceuticals, fashion goods, fine chemicals

2. Operating expenses for the interim term included ¥5,808 million in operating expenses for noncategorized spending covered in the Elimination line item. The amount for the previous corresponding term was ¥6,730 million and for fiscal 2003 was ¥12,777 million. Such costs were mainly for the Internal Audit Department, the Corporate Culture Department, the Corporate Planning Department, the R&D Planning Department, and other administrative operations, as well as for long-term basic research spending.

3. At interim term-end, companywide assets included in the Elimination line item were ¥184,232 million, consisting mainly of parent company deferred tax assets, financial assets (cash and time deposits, short-term investments in securities, and investments in securities), and administrative operations. The previous-interim term-end amount was ¥176,193 million, and the previous fiscal year-end amount was ¥194,465 million.

2. Geographic Segment Information

(Millions of yen)

	First Half of Fiscal 2004 (April 1–September 30, 2003)						
	Japan	Americas	Europe	Asia/ Oceania	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:							
Net Sales							
(1) Sales from Outside Customers	234,042	20,365	34,799	20,123	309,331	—	309,331
(2) Sales and Transfer Account from Intersegment Transactions	8,939	3,737	1,792	162	14,632	(14,632)	—
Total	242,982	24,103	36,592	20,286	323,964	(14,632)	309,331
Operating Expenses	223,184	24,192	34,372	17,267	299,017	(8,824)	290,193
Income (Loss) from Operations	19,797	−89	2,219	3,019	24,946	(5,808)	19,138
2. Assets	300,278	72,607	73,557	37,324	483,767	184,232	668,000

(Millions of yen)

	First Half of Fiscal 2003 (April 1–September 30, 2002)						
	Japan	Americas	Europe	Asia/ Oceania	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:							
Net Sales							
(1) Sales from Outside Customers	235,859	22,417	31,878	20,117	310,273	—	310,273
(2) Sales and Transfer Account from Intersegment Transactions	7,854	5,355	2,190	220	15,620	(15,620)	—
Total	243,713	27,773	34,068	20,338	325,893	(15,620)	310,273
Operating Expenses	217,685	27,230	31,858	17,671	294,446	(8,890)	285,555
Income from Operations	26,028	543	2,209	2,666	31,447	(6,730)	24,717
2. Assets	300,991	69,633	65,209	34,692	470,527	176,193	646,720

(Millions of yen)

	Fiscal 2003 (April 1, 2002–March 31, 2003)						
	Japan	Americas	Europe	Asia/ Oceania	Subtotal	Elimination	Total
1. Net Sales and Income from Operations:							
Net Sales							
(1) Sales from Outside Customers	469,170	45,385	65,749	40,944	621,250	—	621,250
(2) Sales and Transfer Account from Intersegment Transactions	16,963	8,806	4,019	389	30,178	(30,178)	—
Total	486,134	54,191	69,769	41,333	651,429	(30,178)	621,250
Operating Expenses	433,409	51,966	67,620	36,662	589,658	(17,401)	572,257
Income from Operations	52,724	2,225	2,149	4,671	61,770	(12,777)	48,993
2. Assets	293,607	69,048	70,164	36,116	468,937	194,465	663,403

Notes: 1. Differentiation between countries and regions

(1) Differentiation between countries and regions is based on geographic proximity.

(2) Major countries and regions are as follows:

Americas: United States, Canada, Brazil

Europe: France, Italy, Germany, etc.

Asia/Oceania: Taiwan, China, Australia, etc.

2. Operating expenses for the interim term included ¥5,808 million in operating expenses for noncategorized spending covered in the Elimination line item. The amount for the previous corresponding term was ¥6,730 million and for fiscal 2003 was ¥12,777 million. Such costs were mainly for the Internal Audit Department, the Corporate Culture Department, the Corporate Planning Department, the R&D Planning Department, and other administrative operations, as well as for long-term basic research spending.

3. At interim term-end, companywide assets included in the Elimination line item were ¥184,232 million, consisting mainly of parent company deferred tax assets, financial assets (cash and time deposits, short-term investments in securities, and investments in securities), and administrative operations. The previous-interim term-end amount was ¥176,193 million, and the previous fiscal year-end amount was ¥194,465 million.

3. Overseas Sales

(Millions of yen)

	First Half of Fiscal 2004 (April 1–September 30, 2003)			
	Americas	Europe	Asia/Oceania	Total
Total Overseas Sales	21,496	32,356	22,770	76,623
Consolidated Net Sales				309,331
Percentage of Overseas Sales in Consolidated Net Sales	6.9%	10.5%	7.4%	24.8%

(Millions of yen)

	First Half of Fiscal 2003 (April 1–September 30, 2002)			
	Americas	Europe	Asia/Oceania	Total
Total Overseas Sales	23,302	28,411	23,496	75,209
Consolidated Net Sales				310,273
Percentage of Overseas Sales in Consolidated Net Sales	7.5%	9.1%	7.6%	24.2%

(Millions of yen)

	Fiscal 2003 (April 1, 2002–March 31, 2003)			
	Americas	Europe	Asia/Oceania	Total
Total Overseas Sales	46,684	61,676	45,807	154,168
Consolidated Net Sales				621,250
Percentage of Overseas Sales in Consolidated Net Sales	7.5%	9.9%	7.4%	24.8%

Notes: 1. Differentiation between countries and regions
(1) Differentiation between countries and regions is based on geographic proximity.
(2) Major countries and regions are as follows:
Americas: United States, Canada, Brazil, etc.
Europe: France, Italy, Germany, etc.
Asia/Oceania: Taiwan, China, Australia, etc.
2. Overseas net sales consist of exports from Shiseido and domestic consolidated subsidiaries and sales of overseas consolidated subsidiaries, excluding those from transactions with Japan. Sales from intersegment transactions among consolidated companies are not included.

(Lease Transactions)

Pursuant to Article 27-30-6 of the relevant Securities Exchange Law, the Company now discloses leasing data electronically, and thus has omitted such information from this report.

(Marketable Securities)

1. Other Marketable Securities with Market Values

(Millions of yen)

	First Half of Fiscal 2004 (September 30, 2003)			First Half of Fiscal 2003 (September 30, 2002)			Fiscal 2003 (March 31, 2003)		
	Purchase Price	Book Value	Difference	Purchase Price	Book Value	Difference	Purchase Price	Book Value	Difference
(1) Stocks	13,470	20,281	+6,810	19,550	19,187	−362	13,474	13,336	−138
(2) Bonds									
Corporate	125	123	−1	3,130	3,062	−68	145	138	−7
Other	2,770	2,782	+12	3,488	3,473	−15	9,792	9,762	−30
(3) Other	12,472	9,678	−2,794	11,294	8,008	−3,285	12,363	8,369	−3,993
Total	28,838	32,866	+4,027	37,464	33,732	−3,731	35,776	31,606	−4,170

2. Marketable Securities to Which Market Value Does Not Apply

(Millions of yen)

	First Half of Fiscal 2004 (September 30, 2003)	First Half of Fiscal 2003 (September 30, 2002)	Fiscal 2003 (March 31, 2003)
(1) Other Marketable Securities			
FFFs	17,804	8,004	8,004
Unlisted Stocks	17,419	7,513	17,576
MMFs	16,213	24,302	42,308
Bond Investment Trusts	13,504	7,030	13,509
Unlisted Domestic Bonds	299	13,503	9
Unlisted Foreign Bonds	3	5	4
(2) Shares in Subsidiaries and Affiliates			
Subsidiaries	24	496	496
Affiliates	2,627	3,020	1,864

(Derivative Transactions)

Pursuant to Article 27-30-6 of the relevant Securities Exchange Law, the Company now discloses derivative transaction data electronically, and thus has omitted such information from this report.

5. Status of Production, Orders, and Sales

(1) Production

(Millions of yen)

Segment	First Half of Fiscal 2004 (April 1– September 30, 2003)	First Half of Fiscal 2003 (April 1– September 30, 2002)	Change (%)	Fiscal 2003 (April 1, 2002– March 31, 2003)
Cosmetics	56,460	59,058	–4.4	116,169
Toiletries	13,105	13,278	–1.3	26,398
Others	6,094	4,455	+36.8	9,663
Total	75,661	76,792	–1.5	152,231

Notes: 1. Above figures are based on manufacturing costs.
2. Above figures are exclusive of consumption tax.

(2) Orders

Shiseido Group products are not manufactured to order. Although the Company undertakes some manufacturing to order on an OEM basis, the amount in financial terms is minimal.

(3) Sales

(Millions of yen)

Segment	First Half of Fiscal 2004 (April 1– September 30, 2003)	First Half of Fiscal 2003 (April 1– September 30, 2002)	Change (%)	Fiscal 2003 (April 1, 2001– March 31, 2003)
Cosmetics	241,612	240,423	+0.5	481,867
Toiletries	34,282	35,278	–2.8	69,216
Others	33,435	34,571	–3.3	70,165
Total	309,331	310,273	–0.3	621,250

Note: Above figures are exclusive of consumption tax.