

Interim Financial Statements (Consolidated) for The Year Ending March 31, 2003

November 11, 2002

Name of Listed Company: **SHIONOGI & CO., LTD.**

Code: 4507

(URL <http://www.shionogi.co.jp>)

Representative: Title of Person in Charge: President
Contact responsibility: Title of Person in Charge: General Manager, Public Relations Unit

Listed Exchanges: Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo

Location of Head Office: Osaka Prefecture

Name: Motozo Shiono
Name: Hiromichi Yoshino
TEL: (06)6202-2161

Date of Meeting of Board of Directors for Approving Financial Statements: November 11, 2002

Application of U.S. accounting standards: No

1. Financial results for the period from April 1, 2002 to September 30, 2002

(1) Sales and income (Note: All amounts are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2002	177,407	(13.0)	7,079	(8.4)	6,025	(25.6)
Six months ended September 30, 2001	203,864	1.3	7,729	(29.3)	8,102	(27.8)
Year ended March 31, 2002	420,188	1.8	16,183	(32.3)	15,658	(37.3)

	Net income		Earnings per share	Earnings per share (diluted)
	Million yen	%	Yen	Yen
Six months ended September 30, 2002	900	(76.4)	2.58	---
Six months ended September 30, 2001	3,818	(5.4)	10.96	---
Year ended March 31, 2002	8,456	(33.0)	24.28	---

- (Notes) [1] Profit (loss) on investments accounted for by the equity method: Six months ended September 30, 2002: (262) million yen; Six months ended September 30, 2001: - million yen; Year ended March 31, 2002: 251 million yen
- [2] Average number of shares outstanding during the period (consolidated): Six months ended September 30, 2002: 348,181,152 shares; Six months ended September 30, 2001: 348,275,916 shares; Year ended March 31, 2002: 348,260,424 shares
- [3] Changes in accounting method: None
- [4] The percentages shown under net sales, operating income, ordinary income and net income in the table above represent the change from the corresponding figures for the same interim period of the prior year.

(2) Financial position

	Total assets	Shareholders' equity	Ratio of Shareholders' equity to total assets	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2002	456,798	282,217	61.8	810.65
As of September 30, 2001	487,107	283,196	58.1	813.14
Year ended March 31, 2002	480,668	280,674	58.4	806.02

(Note) Shares outstanding as of the period-end (consolidated): As of September 30, 2002: 348,137,002 shares; As of September 30, 2001: 348,275,710 shares; As of March 31, 2002: 348,223,993 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Six months ended September 30, 2002	2,656	(1,974)	(1,506)	77,119
Six months ended September 30, 2001	11,513	(5,666)	703	114,107
Year ended March 31, 2002	26,224	(51,016)	(3,225)	79,715

(4) Scope of consolidation and companies accounted for by the equity method
Consolidated subsidiaries: 22 subsidiaries Unconsolidated subsidiaries accounted for by the equity method: None
Affiliates accounted for by the equity method: 1 affiliate

(5) Changes in scope of consolidation and application of equity method
Consolidation (New): None (Excluded): 7 subsidiaries Equity Method (New): None (Excluded): None

2. Forecasted results for the year ending March 31, 2003 (April 1, 2002 to March 31, 2003)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
For the year ending March 31, 2003	286,000	17,500	5,000

(Reference) Estimated earnings per share for FY 2003: ¥14.36

The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles and practice generally accepted and applied in Japan.

Note: These estimates on November 11, 2002 include a number of assumptions, forward-looking projections and plans. The actual results may differ substantially depending on the situation of competitors, uncertainties in the market. Refer to page 9.

Companies in the Shionogi Group

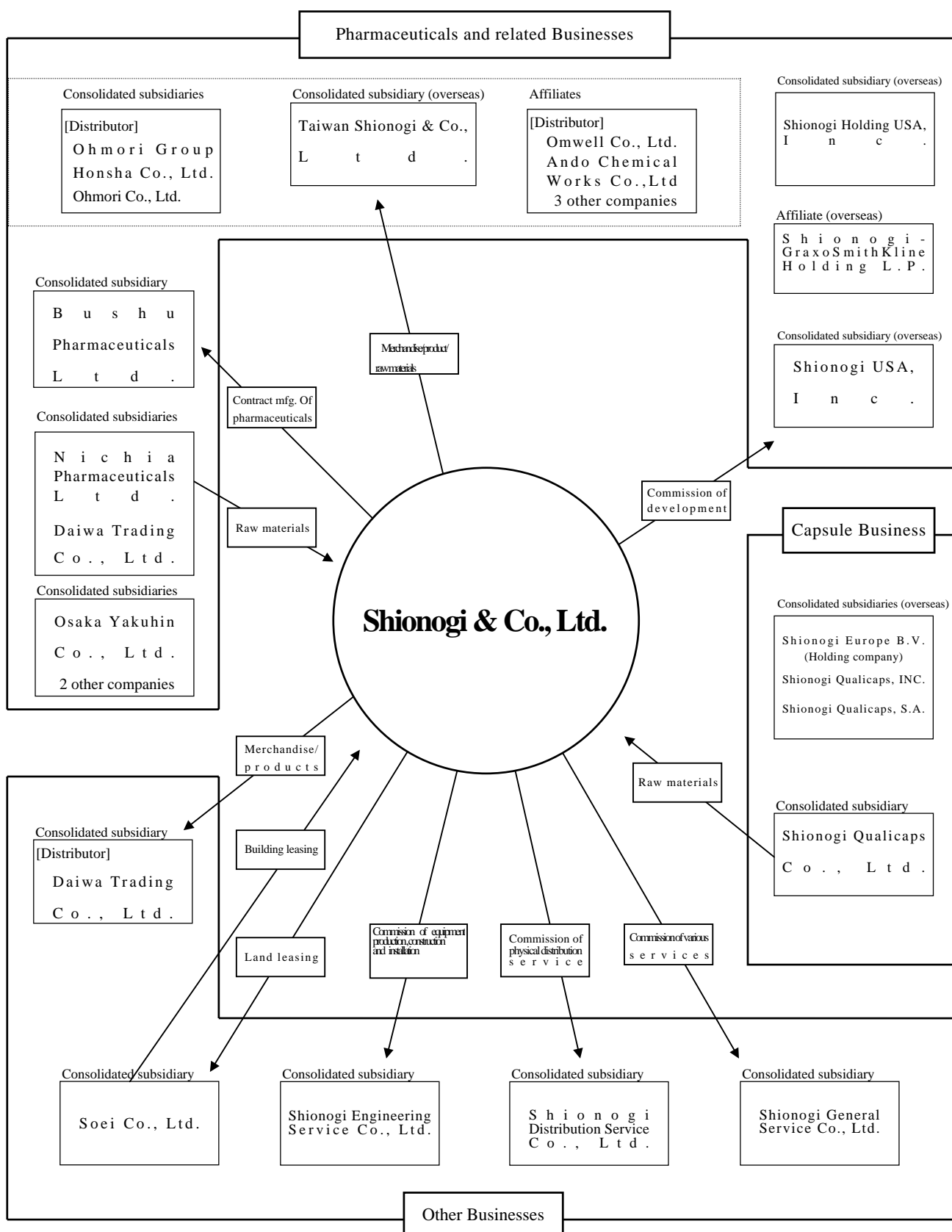
As of September 30, 2002, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 22 consolidated subsidiaries, 1 unconsolidated subsidiaries and 11 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs, quasi-drugs, capsules, as well as industrial chemicals. In addition, they render related services.

The business segments of the Company, and its subsidiaries and affiliates are summarized as follows:

Business segments	Main products/ merchandise and services	Major companies
Pharmaceuticals and related businesses	Ethical drugs, Quasi-drugs and others	Shionogi & Co., Ltd., Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Daiwa Trading Co., Ltd., Taiwan Shionogi & Co., Ltd., Ohmori Group Honsha Co., Ltd., Ohmori Co., Ltd., Osaka Yakuhin Co., Ltd., Omwell Co., Ltd., Ando Chemical Works Co., LTD., Shionogi Holding USA, Inc., Shionogi USA, Inc., Shionogi-GlaxoSmithKline holding L.P. 11 other companies (24 companies in total)
Capsule business	Capsules and others	Shionogi Qualicaps Co., Ltd. Shionogi Europe B.V., Shionogi Qualicaps, Inc. Shionogi Qualicaps, S.A. (4 companies in total)
Other businesses	Industrial chemicals, Real estate leasing, Physical distribution and other services	Shionogi & Co., Ltd., Daiwa Trading Co., Ltd., Soei Co., Ltd. Shionogi Distribution Service Co., Ltd. Shionogi General Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 4 other companies (10 companies in total)

(Notes) Companies engaging in more than one business segment are listed separately by segment in the above table.

A business organizational chart illustrating the above-mentioned activities is presented on the next page.



(notes) 1. 2 consolidated subsidiaries, 1 unconsolidated subsidiary and 5 affiliates are not shown in this chart as the scale of their business is very small.

2. Ando Chemical Works Co., LTD publishes its shares in JASDAQ.

MANAGEMENT POLICY

1. Fundamental Management Policy

Shionogi's corporate philosophy is to continually provide the superior medicines essential to protect people's health. Our objective continues to be creating and marketing pharmaceuticals that effectively improve healthcare and raise the quality of life worldwide. Shionogi approaches drug creation, production and marketing as a unified whole to promote effectiveness in improving healthcare and to earn the trust of healthcare professionals and patients. Our commitment to this approach is essential to strengthening the Company and expanding its operations globally, and thus earning the respect of our stakeholders, including customers, society, shareholders and employees.

2. Management Strategy and Challenge Ahead

Due to policies designed to contain the rising healthcare costs associated with the advancing demographic proportion of seniors, market contraction will continue in the pharmaceutical industry. At the same time, further increases in research and development costs, and further acceleration of global competition between companies in both R&D and sales are expected.

In recognition of this challenging operating environment, the Company established a medium-term management plan in April 2000, aiming to achieve the following targets in five years:

- To increase the corporate value of the Shionogi Group through improving the profitability of the ethical drug business, the Group's core business.
- To pursue continuous invention, and timely development and marketing of innovative new drugs in the global market.
- To develop marketing ability that will be recognized as the best in the domestic market.

The Shionogi Group sets the following consolidated operational targets to be achieved by the fiscal year ending March 2005:

- Consolidated net income: Over 20 billion yen
- Consolidated ROE (Return on Equity): 6% level

In order to achieve these goals, the Company is implementing the following basic strategies:

1. Clearly position ethical drugs as the core business field of the Company; reevaluate other non-core operations based on their profitability and long-term viability; consider the optimal operating modes for fully leveraging the assets of each operation; and improve the efficiency thereof.
2. In order to strengthen its R&D capabilities for the discovery and accelerated development of innovative new drugs, increase R&D investments and focus on specific research fields in the R&D portfolio so that the investments can be concentrated in the field where the Company has core competence.
3. Establish infrastructure for the overseas development of new drugs with the future aim of establishing a worldwide sales infrastructure which would provide drugs meeting global needs.
4. In the domestic prescription pharmaceutical market, increase market share in the antibiotics field, where the Company has strong competence, as well as in the cardiovascular and cancer-related drug fields by strengthening its sales force through the development of strong medical representatives.
5. In manufacturing, restructure facilities to comply with global manufacturing standards and increase the efficiency of production.

Two and a half years have passed since the establishment of the medium-term management plan. The business structure of the Company is being re-engineered and specific plans for establishing a foundation for global business expansion have been developed. Priority fields for research have been narrowed, the domestic sales structure has been reinforced, and efforts toward enhancement and concentration of manufacturing functions for improving productivity are also under way. However, changes to the business environment are accelerating, and efforts to achieve the results listed above more quickly and accurately are essential. Therefore, it is necessary to concentrate management resources in a basic strategy for achieving these targets. In order to realize this strategy, it is also necessary to actively pursue further efforts to raise company-wide efficiency.

3. Management Control Structure

In a severe business environment, the Company believes that prompt and appropriate decision-making is indispensable in dealing precisely with the above noted management challenges, and that clearly defining the procedures to check decision-making and maintaining operational transparency are also important.

For this purpose, the Company has been advancing assignment of authority and clarifying related responsibilities. At the same time, it has established, in place of the former executive managing director meetings, management meetings where prompt judgments and streamlined management are facilitated through the frank exchange of members' opinions.

Board members convene generally once a month in order to make decisions on fundamental business issues and to supervise business operations on behalf of shareholders, and continue efforts to be more active in their roles.

Furthermore, the Company has strengthened its audit system. For example, two outside auditors have been added to the board of auditors who participate in important meetings such as board meetings and management meetings, and also aggressively audit the Company and observe its group companies to check legal compliance and appropriateness of their operations.

4. Fundamental Policy on Appropriation of Retained Earnings

As for the appropriation of retained earnings of the Company, the Company believes it is important to make stable dividends from a long-term point of view and to increase the dividends through growth in earnings to be achieved by the above-mentioned efforts. Therefore, the Company will allocate an appropriate portion of the retained earnings to investment in domestic/overseas R&D activities and repletion of manufacturing machinery and equipment, as well as investment for improving the efficiency of various operation activities in order to improve profitability and to maximize corporate value.

5. Approach and Policy for Reducing the Minimum Trading Unit of Shares

The Company acknowledges that it is important for the stock market to encourage participation of new investors, enhance the liquidity of stocks and revitalize the stock market by reducing the minimum unit of shares traded. Factors such as the market conditions of supply and demand for the Company's shares and the costs involved in implementation of the plan are presently under consideration, and the Company will continue to study the reduction of the minimum trading unit of shares.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

1. Results of Operations

[1] General Overview

In the domestic pharmaceutical industry during the six months ended September 30, 2002, amid the continuing economic recession, the government enacted reforms to the healthcare system aimed at reducing rising medical costs. These reforms included reductions in medical treatment fees, notably the implementation of an industry-average 6.3 percent reduction in National Health Insurance (NHI) prices for drugs in April 2002. In this market environment, competition grew increasingly fierce, including competition with foreign pharmaceutical manufacturers, and the severity of the operating environment increased further.

Under these conditions, Shionogi continued to devote its full efforts to carrying out reforms to achieve the objectives of the medium-term management plan started in April 2000. In re-engineering its business structure, following the transfer of the agrochemical business last year, Shionogi launched new joint ventures in April 2002 in the animal health products business and the clinical testing services business. With regard to group subsidiaries, Shionogi evaluated the achievements to date of Shionogi BioResearch Corp., an overseas research subsidiary, and considered the advisability of future allocation of its resources. As a result, the decision was made to terminate further investment and Shionogi sold all of its shares of this subsidiary. In addition, from April through October 2002, companies in the Ohmori Group of drug wholesaling subsidiaries, which Shionogi had decided to restructure, completed mergers with their respective alliance partners. Meanwhile, in its core domestic ethical drug business, Shionogi made further progress in bolstering functions and focusing management resources in the areas of marketing and R&D, and took steps to optimize functions and create a flat organization to raise efficiency in manufacturing and administrative operations.

Consolidated Results of Operations

	(Millions of yen)			
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Increase (decrease)	Percentage increase (decrease)
Net Sales	177,407	203,864	(26,457)	(13.0)
Operating Income	7,079	7,729	(650)	(8.4)
Ordinary Income	6,025	8,102	(2,077)	(25.6)
Interim Net Income	900	3,818	(2,918)	(76.4)

Non-Consolidated Results of Operations

	(Millions of yen)			
	Six months ended Sept. 30, 2002	Six months ended Sept. 30, 2001	Increase (decrease)	Percentage increase (decrease)
Net Sales	92,560	104,052	(11,492)	(11.0)
Operating Income	5,590	7,307	(1,717)	(23.5)
Ordinary Income	5,680	8,348	(2,668)	(32.0)
Interim Net Income	887	4,449	(3,562)	(80.0)

Sales

On a non-consolidated basis, sales of ethical drugs decreased, primarily due to reductions in NHI prices for drugs and the contraction of the key antibiotics market. Exclusion of sales in the agrochemical, animal health products and clinical testing services businesses, each of which was transferred to its respective joint venture company, was another factor in the decrease in sales. Overall non-consolidated sales decreased 11.0 percent compared with the same period in the previous year as a result. At subsidiaries, in the Ohmori Group of drug wholesalers, Ohmori Chugoku Co., Ltd., Ohmori Shikoku Co., Ltd. and Ohmori Kyushu Co., Ltd. in April 2002 and Ohmori Tohoku Co., Ltd. in July 2002 each merged with its respective alliance partner, resulting in a sales decrease of subsidiaries. As a result, consolidated net sales for the interim period declined 13.0 percent from the same period in the previous year.

Income

The entire Shionogi Group has been working to reduce expenses and raise business efficiency amid shrinking sales.

On a non-consolidated basis, the Company strengthened its R&D infrastructure, including overseas laboratories, constructed facilities with the aim of consolidating manufacturing plants, and invested in introducing an Enterprise Resource Planning (ERP) system and other activities to improve business efficiency. The resulting decrease in expenses was less than the decrease in profits stemming from the decline in net sales, and operating income therefore declined 23.5 percent from the same period in the previous year.

Ohmori Co., Ltd., the last remaining company in the Ohmori Group pending the merger with its alliance partner in October, took steps to increase productivity and improved its gross profit margin, two key issues in the drug wholesale industry, and reduced its operating loss compared with the previous interim period. As a result, consolidated operating income declined 8.4 percent from the same period in the previous year. Coupled with the occurrence of a foreign exchange loss in non-operating expenses, ordinary income declined 25.6 percent from the same period in the previous year.

In extraordinary gains and losses, Shionogi posted losses including additional payment of retirement benefits to employees who retired in connection with the transfer of the animal health products business. Ohmori Co., Ltd. also posted losses including additional retirement payments in connection with the mergers. As a result, net income for the interim period showed a substantial decline of 76.4 percent from the same period in the previous year.

Research and Development

In R&D during the period, Shionogi continued to strengthen efforts aimed at discovery and swift development of original new drugs. In research, while narrowing its domain, the Company further clarified priorities to promote focused allocation of resources. As a result, Shionogi decided to sell its overseas research subsidiary, and in August 2002, formed a tie-up with Oncotherapy Science Inc. for the discovery and research of genomic anticancer drugs. In the area of development, Shionogi worked to further speed up domestic development operations. In addition to the three drugs for which applications have already been filed, including an analgesic for cancer pain, Shionogi filed an NDA for a hypertension treatment drug in October 2002, and plans to file for approval of an idiopathic interstitial pneumonia treatment drug in the near future. Overseas, development of an anti-HIV drug, an antimentia drug and other drugs moved forward at Shionogi-GlaxoSmithKline Pharmaceuticals, LLC, and Shionogi is also conducting development in the United States for drugs including an antiallergic treatment and a drug targeting malignant tumors.

AstraZeneca filed NDAs in the United States and Europe in June 2001 and in Japan in April 2002 for the hyperlipidemia drug it licensed from Shionogi, which plans to co-market the drug in Japan.

As a result of these activities, consolidated research and development expenses for the period were ¥14,914 million.

Capital Investment

Capital investment for the period totaled ¥5.0 billion, mainly for reinforcement of manufacturing facilities and expansion of research facilities. The main project was construction to concentrate manufacturing of cephem antibiotics at the Kanegasaki Plant. In addition, Shionogi actively invested in introducing an ERP system and other activities for efficient business operations in each division.

[2] Segment Information

Pharmaceuticals and Related Businesses

In addition to the reduction in NHI prices for drugs, sales of Flomox, an oral cephem antibiotic, and Flumarin, an injectable oxacepham antibiotic, fell short of original targets as the key antibiotics market contracted due to the effects of various system reforms. As a result, non-consolidated sales of ethical drugs decreased. Claritin, an antiallergic, went on the market in September 2002, and is expected to contribute to future sales growth. In other categories, sales of over-the-counter products and diagnostics increased. Total sales of this segment on a non-consolidated basis, however, declined due to the exclusion of sales in clinical testing services transferred to the joint venture.

At subsidiaries, among the Ohmori Group of drug wholesalers, Ohmori Chugoku Co., Ltd., Omori Shikoku Co., Ltd. and Ohmori Kyushu Co., Ltd. in April 2002, and Ohmori Tohoku Co., Ltd. in July 2002, each merged with its respective alliance partner. Consequently, sales of subsidiaries also decreased due to exclusion of those companies.

As a result, total net sales of Pharmaceuticals and Related Businesses amounted to ¥169,413 million, a decrease of 11.4 percent from the same period in the previous year.

Operating income declined on a non-consolidated basis as the reduction in NHI prices for drugs eroded profitability. However, subsidiary Ohmori Co., Ltd., which did not merge during the period, worked to raise productivity and improved its gross profit margin, two key issues in the drug wholesale industry, and significantly narrowed its operating loss compared with the same period in the previous year. As a result, consolidated operating income declined 20.3 percent to ¥5,559 million.

Capsule Business

Conditions in the capsule business remain difficult amid sluggish supply to the pharmaceutical industry, its primary customer segment, reflecting slow growth in the volume of pharmaceutical use.

The decline in sales of capsules was offset by sales of pharmaceutical-related machinery and by an increase in sales in the overseas capsule business, which was due in part to the effect of the weakening of the yen. Consequently, net sales of the Capsule Business increased 2.8 percent over the same period in the previous year to ¥5,713 million.

As a result, operating income was ¥696 million, an increase of 0.7 percent over the same period in the previous year.

Other Businesses

As part of business re-engineering, the agrochemical and animal health products businesses were transferred to joint ventures in October 2001 and April 2002, respectively. Due to exclusion of those businesses from the Other Businesses segment, sales from the remaining businesses, including the industrial chemicals and real estate businesses, showed a 67.9 percent decrease from the same period a year earlier to ¥2,280 million.

Operating income in the industrial chemicals business, real estate business and others was essentially unchanged from the same period in the previous year, but because the agrochemical and animal health products businesses posted operating losses in the previous year, total operating income increased substantially over the same period in the previous year to ¥814 million.

2. Financial Position

In operating activities, income before income taxes and minority interests fell sharply. Although there were positive factors such as a decrease in notes and accounts receivable-trade, net cash provided by operating activities decreased ¥8,857 million from the same period a year earlier to ¥2,656 million due to increased income taxes paid and other factors.

In investing activities, Shionogi made capital investments, primarily for manufacturing facilities, and investments in an ERP system and other activities for efficient business operations. However, a larger decrease in time deposits limited net cash used in investing activities to ¥1,974 million.

Net cash used in financing activities was ¥1,506 million. Primary uses of cash included cash dividends paid.

As a result, including the decrease in exclusion of companies from consolidation because of mergers, cash and cash equivalents at September 30, 2002, stood at ¥77,119 million, a decrease of ¥2,596 million from March 31, 2002.

3. Forecast for the Full Fiscal Year

In the second half of the fiscal year, market contraction is expected to continue because of the effects of various healthcare system reforms. Therefore, the operating environment will remain challenging.

Under these circumstances, Shionogi will continue working to achieve the objectives set forth in the medium-term management plan and improve its management infrastructure.

The forecast for consolidated results for the fiscal year ending March 31, 2003 is as follows:

Projected Consolidated Results for the Year Ending March 31, 2003

(Millions of yen)

	Year ending March 31, 2003 (est.)	Year ended March 31, 2002	Increase (decrease)	Percentage increase (decrease)
Net Sales	286,000	420,188	(134,188)	(31.9)
Ordinary Income	17,500	15,658	1,842	11.8
Net Income	5,000	8,456	(3,456)	(40.9)

Projected Non-Consolidated Results for the Year Ending March 31, 2003

(Millions of yen)

	Year ending March 31, 2003 (est.)	Year ended March 31, 2002	Increase (decrease)	Percentage increase (decrease)
Net Sales	192,000	206,403	(14,403)	(7.0)
Ordinary Income	15,000	17,663	(2,663)	(15.1)
Net Income	3,500	10,639	(7,139)	(67.1)

For ethical drugs, Shionogi forecasts an increase in non-consolidated sales in the second half of the fiscal year by expanding the market share of established products such as Flomox, an oral cephem antibiotic, and Flumarin, an injectable oxacephem antibiotic, and by growth in sales of Claritin, an antiallergic launched in September 2002. However, resulting from the transfer of the agrochemical, animal health products and clinical testing services businesses, a 7.0 percent decline in non-consolidated net sales is projected for the full fiscal year. Moreover, because of the merger of Ohmori Co., Ltd. with Suzuken Co., Ltd. in October 2002, consolidated net sales for the full fiscal year are also projected to decrease 31.9 percent year-on-year.

An upturn in non-consolidated profit is projected as net sales of ethical drugs are expected to increase due to the contribution of the new product and other factors. Additionally, Ohmori Co., Ltd., which had been in a negative profit position, will be excluded from consolidation. As a result of these and other factors, improvement is forecast in consolidated operating income and ordinary income from the second half.

In relation to the consolidation of manufacturing plants Shionogi has been carrying out, an early retirement support program with a retirement date set for the end of December 2002 will be implemented for employees of the Kuise Plant and Akoh Plant. Because of this, the Company expects to record an extraordinary loss in the second half, which is projected to result in a substantial decline in net income for the fiscal year on both a consolidated and non-consolidated basis.

Interim Consolidated Statements of Income

(Units: millions of yen)

Account	Six months ended September 30, 2002		Six months ended September 30, 2001		Increase (decrease)	Year ended March 31, 2002	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
Net sales	177,407	100.0	203,864	100.0	(26,457)	420,188	100.0
Cost of sales	111,197	62.7	131,312	64.4	(20,115)	273,692	65.1
Gross profit	66,209	37.3	72,552	35.6	(6,343)	146,496	34.9
Selling, general and administrative expenses	59,130	33.3	64,822	31.8	(5,692)	130,312	31.0
Operating income	7,079	4.0	7,729	3.8	(650)	16,183	3.9
Non-operating income	1,717	1.0	1,983	1.0	(266)	4,344	1.0
Interest income	364		372		(8)	705	
Dividend income	386		314		72	384	
Royalty income	190		571		(381)	643	
Other income	775		725		50	2,610	
Non-operating expenses	2,771	1.6	1,611	0.8	1,160	4,869	1.2
Interest expense	312		361		(49)	737	
Contributions	540		383		157	813	
Loss on disposal of inventories	221		397		(176)	1,089	
Loss on disposal of property, plant and equipment	308		204		104	423	
Exchange losses	705		--		705	--	
Other expenses	682		263		419	1,806	
Ordinary income	6,025	3.4	8,102	4.0	(2,077)	15,658	3.7
Extraordinary gains	620	0.3	--	--	620	4,882	1.7
Gain on sales of investments in securities	383		--		383	575	
Reversal of allowance for doubtful accounts	236		--		236	--	
Gain on sales of investment in an affiliate	--		--		--	2,705	
Gain on sale of business	--		--		--	1,601	
Extraordinary losses	5,861	3.3	71	0.0	5,790	1,786	0.4
Premium retirement benefits	5,239		--		5,239	--	
Loss on sales of investments in securities	495		16		479	16	
Loss on revaluation of investments in securities	126		54		72	224	
Loss related to sale of business	--		--		--	1,481	
Loss on liquidation of business	--		--		--	63	
Income before income taxes and minority interests	784	0.4	8,031	4.0	(7,247)	18,755	4.5
Income taxes, current	2,703	1.5	7,518	3.7	(4,815)	16,717	4.0
Income taxes, deferred	(2,708)	(1.5)	(3,160)	(1.5)	452	(6,055)	(1.4)
Minority interests	110	0.1	144	0.1	(34)	362	0.1
Net income	900	0.5	3,818	1.9	(2,918)	8,456	2.0

Interim Consolidated Statements of Retained Earnings

(Units: millions of yen)

Period	Six months ended September 30, 2002		Six months ended September 30, 2001		Year ended March 31, 2002	
Account						
(Additional paid in capital)						
I. Balance at beginning of the period		20,227		--		--
II. Balance at end of the period		20,227		--		--
(Retained Earnings)						
I. Balance at beginning of the period		228,898		223,528		223,528
II. Increase						
Net income	900		3,818		8,456	
Increase in exclusion of consolidated subsidiaries	983	1,883	--	3,818	--	8,456
III. Deductions						
Cash dividends paid	1,479		1,476		2,960	
Bonuses to directors and statutory auditors	117		125		125	
Decrease in exclusion of consolidated subsidiaries	28	1,625	--	1,602	--	3,086
IV. Balance at end of the period		229,155		225,743		228,898

Interim Consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	As of September 30, 2002		As of March 31, 2002		Increase (decrease)	As of September 30, 2001	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
(Assets)		%		%			%
Current assets:							
Cash and bank deposits	83,268		87,380		(4,112)	124,381	
Notes and accounts receivable	110,113		126,675		(16,562)	135,978	
Inventories	54,812		56,915		(2,103)	58,560	
Deferred income taxes	8,158		4,895		3,263	4,837	
Other current assets	17,305		20,781		(3,476)	17,300	
Allowance for doubtful accounts	(231)		(835)		604	(647)	
Total current assets	273,427	59.9	295,813	61.5	(22,386)	340,411	69.9
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	36,859		38,497		(1,638)	38,091	
Machinery and equipment	16,432		17,441		(1,009)	13,357	
Land	20,289		21,700		(1,411)	21,661	
Construction in progress	3,382		3,836		(454)	9,760	
Other	5,641		4,910		731	4,939	
Property, plant and equipment, net	82,604	18.0	86,387	18.0	(3,783)	87,811	18.0
Intangible fixed assets	4,965	1.1	5,213	1.1	(248)	3,607	0.7
Investments and other assets:							
Investments in securities	86,652		82,053		4,599	48,837	
Long-term loans receivable	2,253		2,164		89	2,379	
Deferred income taxes	1,516		2,950		(1,434)	985	
Other	5,823		6,427		(604)	3,297	
Allowance for doubtful accounts	(443)		(341)		(102)	(222)	
Total investments and other assets	95,801	21.0	93,253	19.4	2,548	55,277	11.4
Total fixed assets	183,371	40.1	184,854	38.5	(1,483)	146,696	30.1
Total assets	456,798	100.0	480,668	100.0	(23,870)	487,107	100.0

Interim Consolidated Balance Sheets

(Liabilities, minority interests and shareholders' equity)

(Units: millions of yen)

Account	Period	As of September 30, 2002		As of March 31, 2002		Increase (decrease)	As of September 30, 2001	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Liabilities)			%		%			%
Current liabilities:								
Note and accounts payable		66,955		82,102		(15,147)	82,371	
Short-term bank loans and current portion of long- term debt		19,259		18,939		320	20,739	
Accrued income taxes		2,884		9,391		(6,507)	7,992	
Reserves:								
Reserve for bonuses		8,821		9,936		(1,115)	10,123	
Other reserves		677		561		116	551	
Other current liabilities		20,707		19,641		1,066	17,134	
Total current liabilities		119,306	26.1	140,573	29.2	(21,267)	138,913	28.5
Long-term liabilities:								
Bonds		20,000		20,000		0	20,000	
Deferred income taxes		3,965		2,390		1,575	7,551	
Accrued retirement benefits for employees		28,628		33,722		(5,094)	32,422	
Other reserves		366		450		(84)	441	
Other long-term liabilities		2,128		2,407		(279)	2,741	
Total long-term liabilities		55,089	12.1	58,971	12.3	(3,882)	63,157	13.0
Total liabilities		174,395	38.2	199,545	41.5	(25,150)	202,070	41.5
Minority interests		185	0.0	448	0.1	(263)	1,840	0.4
(Shareholders' equity)								
Common stock		--	--	21,279	4.4	(21,279)	21,279	4.4
Additional paid-in capital		--	--	20,227	4.2	(20,227)	20,227	4.1
Retained earnings		--	--	228,898	47.6	(228,898)	225,743	46.3
Unrealized gain on securities		--	--	12,060	2.5	(12,060)	17,988	3.7
Translation adjustments		--	--	(1,476)	(0.3)	1,476	(1,834)	(0.4)
Less:								
Treasury stock, at cost		--	--	(114)	(0.0)	114	(7)	(0.0)
Shares of the Company's common stock held by subsidiaries		--	--	(200)	(0.0)	200	(200)	(0.0)
Total shareholders' equity		--	--	280,674	58.4	(280,674)	283,196	58.1
Common stock		21,279	4.6	--	--	21,279	--	--
Additional paid-in capital		20,227	4.4	--	--	20,227	--	--
Retained earnings		229,155	50.2	--	--	229,155	--	--
Unrealized gain on securities		13,955	3.1	--	--	13,955	--	--
Translation adjustments		(1,957)	(0.4)	--	--	(1,957)	--	--
Less:								
Treasury stock, at cost		(243)	(0.1)	--	--	(243)	--	--
Shares of the Company's common stock held by subsidiaries		(200)	(0.0)	--	--	(200)	--	--
Total shareholders' equity		282,217	61.8	--	--	282,217	--	--
Total liabilities, minority interests and shareholders' equity		456,798	100.0	480,668	100.0	(23,870)	487,107	100.0

Interim Consolidated Statements of Cash Flows

(Units: millions of yen)

	Six months ended September 30, 2002	Six months ended September 30, 2001	Year ended March 31, 2002
	Amount	Amount	Amount
I Operating activities			
Income before income taxes and minority interests	784	8,031	18,755
Depreciation and amortization	4,843	4,060	9,491
Amortization of excess of cost over net assets acquired	181	155	321
Loss on disposal of property, plant and equipment	308	204	426
Reversal of (provision for) allowance for doubtful accounts	(239)	35	280
Reversal of (provision for) retirement benefits, net of payments	(4,123)	2,391	3,675
Interest and dividend income	(751)	(686)	(1,090)
Interest expense	312	361	737
Exchange loss (gain), net	787	(105)	(570)
Gain on sales of business	--	--	(1,601)
Gain on sales of investments in an affiliate	--	--	(2,705)
Decrease in notes and accounts receivable, trade	20,753	8,216	16,356
Increase (decrease) in inventories	(437)	128	(32)
Increase in notes and accounts payable, trade	(13,770)	(1,631)	(1,962)
Decrease in accrued expenses	(1,091)	(146)	(315)
Increase in accounts payable, other	2,507	125	480
Bonuses to directors and statutory auditors	(118)	(126)	(126)
Other	209	(2,123)	(143)
Subtotal	10,158	18,888	41,977
Interest and dividend income received	1,127	819	1,009
Interest paid	(292)	(301)	(647)
Income taxes paid	(8,336)	(7,892)	(16,115)
Net cash provided by operating activities	2,656	11,513	26,224
II Investing activities			
Increase in time deposits	(5,947)	(9,986)	(15,792)
Decrease in time deposits	7,611	10,135	18,480
Purchases of marketable securities	(29)	(107)	(2,159)
Proceeds from sales of marketable securities	306	107	159
Increase in investments in securities	(54)	(95)	(45,481)
Proceeds from sales of investments in securities	740	0	626
Purchases of property, plant and equipment	(4,523)	(4,826)	(8,809)
Proceeds from sales of property, plant and equipment	319	90	140
Long-term loans made	(294)	--	--
Proceeds from collection of loans receivable	66	84	58
Proceeds from sales of a subsidiary's stock, resulting in change in scope of consolidation	530	152	152
Proceeds from sales of business	--	--	3,210
Other	(699)	(1,219)	(1,601)
Net cash used in investing activities	(1,974)	(5,666)	(51,016)
III Financing activities			
Increase in short-term loans, net	292	2,906	743
Repayment of long-term debt	(36)	(763)	(851)
Cash dividends paid to shareholders of the Company	(1,477)	(1,477)	(2,954)
Cash dividends paid to minority interests	(6)	(18)	(21)
Other	(278)	55	(141)
Net cash used in (provided by) financing activities	(1,506)	703	(3,225)
IV Effect of exchange rate changes on cash and cash equivalents	(292)	167	336
V Increase in cash and cash equivalents	(1,117)	6,718	(27,681)
VI Cash and cash equivalents at beginning of period	79,715	107,264	107,264
VII Decrease (increase) in cash and cash equivalents resulting from change in scope of consolidation	(1,478)	124	131
VIII Cash and cash equivalents at end of period	77,119	114,107	79,715

Notes to Interim Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 22

Shionogi Qualicaps Co., Ltd., Ohmori Group Honsha Co., Ltd., Ohmori Co., Ltd., Osaka Yakuhin Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi Europe B.V., Shionogi Qualicaps, Inc., Shionogi Qualicaps, S.A., Daiwa Trading Co., Ltd., Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries, Ltd., Shionogi Engineering Service Co., Ltd., Shionogi Medical Information Co., Ltd., Saishin Igaku Co., Ltd., Soei Co., Ltd., Shionogi Distribution Service Co., Ltd., Shionogi General Service Co., Ltd., Kyosaido Co., Ltd., Wakayama Yakuhin Co., Ltd., Shionogi Holding USA, Inc., Shionogi USA, Inc., SG Holding Inc.,

Excluded from consolidation:

Ohmori Tohoku Co., Ltd., Ohmori Shikoku Co., Ltd., Ohmori Chugoku Co., Ltd., and Ohmori Kyushu Co., Ltd., were merged.

The Company's equity in SHIONOGI BIOMEDICAL LABORATORIES, INC., Shionogi Clinical Laboratories Co., Ltd., and Shionogi BioResearch Corp., was sold.

That portion of the total assets, net sales and net profit (loss) of the 1 unconsolidated subsidiary for the six months ended September 30, 2002 attributable to the Company in proportion to its shareholding ratio had no significant effect on the accompanying interim consolidated financial statements.

2. Application of equity method

No unconsolidated subsidiaries were accounted for by the equity method for the six months ended September 30, 2002.

Shionogi-GlaxoSmithKline Holding L.P. was accounted for by the equity method and its interim closing date differs from the interim consolidated closing date, therefore the interim financial statements in its fiscal year have been used. That portion of the net profit (loss) of the 1 unconsolidated subsidiary and the 10 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the interim consolidated net income or earned surplus of the Company for the current period.

3. Closing date of consolidated subsidiaries

Five domestic consolidated subsidiaries close their accounts on September 15, and 7 overseas consolidated subsidiaries close their accounts on June 30, for financial reporting purpose. The accompanying interim consolidated financial statements of the Company have been prepared on the basis of the consolidated subsidiaries' interim financial statements prepared as of their respective closing dates. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the interim consolidated financial statements.

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

[1] Securities

Held-to-maturity securities ----- Amortized cost method (straight-line method)

Other securities

Market value available ----- At fair value, based on market price or other appropriate quotation as of the period end (Unrealized gain is charged directly to capital; cost of sales is accounted for by the moving average method.)

Market value not available ----- At cost determined by the moving average method

[2] Inventories ----- Most items are evaluated at cost determined by the average method.

(2) Method of depreciation of significant depreciable assets

- | | | |
|-----------------------------------|-------|--|
| [1] Property, plant and equipment | ----- | Most items are depreciated by the declining balance method. |
| | | Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method.
The useful lives are principally as follows:
Buildings and structures: 2 to 60 years
Machinery and equipment and vehicles: 2 to 17years |
| [2] Intangible fixed assets | ----- | Straight-line method |
| | | The cost of development of software intended for internal use is amortized over the useful life of the respective assets (in general, five years). |

(3) Basis for providing significant allowances and reserves

- [1] Allowance for doubtful accounts
The allowance for doubtful accounts is provided to cover loss on bad debts. The amount provided for general receivables is based on the historical rate of bad debts; for certain accounts with considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining all possibilities for collection.
- [2] Reserve for bonuses
To prepare for the payment of bonuses to employees, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid.
- [3] Accrued retirement benefits for employees
To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end.
Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.
Actuarial gain or loss is proportionally amortized in each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

(4) Accounting for significant lease transactions

Finance leases other than those under which the leased property is deemed transferred to the lessee are accounted for as operating leases; however, certain overseas consolidated subsidiaries account for such finance leases as ordinary sales transactions.

(5) Significant hedge accounting

- | | | |
|--|-------|--|
| [1] Method of hedge accounting | ---- | Gain (loss) resulting from forward foreign exchange contracts relating to transactions denominated in a foreign currency is allocated over the applicable periods. |
| [2] Hedging instruments and hedged items | | |
| a. Hedging instruments | ----- | Forward foreign exchange contracts |
| b. Hedged items | ----- | Receivables and payables denominated in foreign currencies |
| [3] Hedging policy | ----- | The Company enters into forward foreign exchange contracts to hedge against the risk of exchange rate fluctuation on receivables and payables denominated in foreign currencies. |

(6) Consumption tax

Amounts reflected in the interim consolidated financial statements are stated exclusive of consumption tax.

5. Definition of cash and cash equivalents in the interim consolidated statements of cash flows

Cash and cash equivalents reported in the interim consolidated statements of cash flows include cash on hand, bank deposits and deposits in other financial institutions immediately withdrawable upon request, or liquid short-term investments with only a minor risk of any fluctuation in their value which mature within three months of their acquisition dates.

[Additional information]

Effective the six months ended September 30, 2002, "Accounting Standard of Treasury Stock and Reversal of Legal Reserve"(Financial Accounting Standard No.1) has been applied. This had no effect on interim consolidated net income.

As a result of the amendment to "Accounting Standards for Interim Consolidated Financial Statements", shareholders' equity in the interim consolidated balance sheet at September 30, 2002 and the interim consolidated statement of retained earnings for the six months ended September 30, 2002 has been presented in accordance with the revised standard.

[Notes to interim consolidated statements of income]	[Six months ended September 30, 2002]	[Six months ended September 30, 2001]	[Year ended March 31, 2002]
--	---------------------------------------	---------------------------------------	-----------------------------

The major items and amounts included in sales, general and administrative expenses are summarized as follows:

Salaries	13,862	Millions of yen	15,071	Millions of yen	30,108	Millions of yen
Provision for reserve for bonuses	4,514		5,634		10,834	
Provision for retirement benefits	3,008		2,867		5,849	
R & D expenses	14,914	Millions of yen	15,423	Millions of yen	30,601	Millions of yen
(R&D expenses above include the following amounts provided as reserves:)						
Provision for reserve for bonuses	1,861	Millions of yen	2,093	Millions of yen	4,107	Millions of yen
Provision for retirement benefits	943		1,060		2,033	

[Notes to interim consolidated balance sheets]	[As of September 30, 2002]	[As of March 31, 2002]	[As of September 30, 2001]			
1. Accumulated depreciation of property, plant and equipment	163,261	Millions of yen	163,327	Millions of yen	166,489	Millions of yen
2. Guaranteed liabilities	19	Millions of yen	25	Millions of yen	28	Millions of yen
3. Pledged assets and secured liabilities						

(1) The assets listed below have been pledged as collateral against borrowings and other debts:

Book value of pledged assets:						
Cash and deposits	5	Millions of yen	5	Millions of yen	5	Millions of yen
Investments in securities	371		300		479	
Total	377	Millions of yen	305	Millions of yen	485	Millions of yen
Liabilities secured by the above assets:						
Other current liabilities	5	Millions of yen	5	Millions of yen	5	Millions of yen
Other long-term liabilities Long-term loans	725		725		725	
Total	730	Millions of yen	730	Millions of yen	730	Millions of yen

(2) The assets listed below have been pledged as collateral for trading transactions:

Book value of pledged assets:						
Cash and deposits	75	Millions of yen	115	Millions of yen	115	Millions of yen
Guaranteed deposits	1,170		--		--	
Buildings and structures	461		999		1,095	
Land	3,666		1,993		1,972	
Investments in securities	225		39		39	
Total	5,598	Millions of yen	3,147	Millions of yen	3,222	Millions of yen

4. Accounting for notes which matured at the period end

In general, the settlement of notes is recorded on the clearing date. Because March 31, 2002 and September 30, 2001 were bank holidays, the balances of notes receivable and payable as of the end of each respective period include the following notes which matured, but were not settled on those dates:

	[As of September 30, 2002]	[As of March 31, 2002]	[As of September 30, 2001]
Notes receivable	--	2,208	1,001
Notes payable (including notes payable related to construction and installation contracts)	--	338	11

5. Accrued consumption tax is included in other current liabilities.

[Notes to interim consolidated statements of cash flow]

Reconciliation of balances of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:

	(As of September 30, 2002)	(As of September 30, 2001)	(As of March 31, 2002)
Cash and deposits	83,268 Millions of yen	124,381 Millions of yen	87,380 Millions of yen
Time deposits with a maturity exceeding three months	(6,148)	(10,389)	(7,878)
Short-term investments maturing within three months of the date of acquisition (marketable securities)	--	115	213
<u>Cash and cash equivalents</u>	<u>77,119 Millions of yen</u>	<u>114,107 Millions of yen</u>	<u>79,715 Millions of yen</u>

[Notes to lease transactions]

Finance leases other than those under which the leased property is deemed to have been transferred to the lessee:

	[As of September 30, 2002]	[As of March 31, 2002]	[As of September 30, 2001]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period-end balance equivalent of leased properties			
Acquisition cost equivalent	1,573 Millions of yen	2,242 Millions of yen	2,800 Millions of yen
Accumulated depreciation equivalent	1,077	1,366	1,483
<u>Period-end balance</u>	<u>496 Millions of yen</u>	<u>876 Millions of yen</u>	<u>1,317 Millions of yen</u>
* Tools and furniture account for most of the above balances.			
2. Breakdown of period-end balance equivalent of unexpired leases			
Within one year	250 Millions of yen	425 Millions of yen	550 Millions of yen
Exceeding one year	246	451	767
<u>Total</u>	<u>496 Millions of yen</u>	<u>876 Millions of yen</u>	<u>1,317 Millions of yen</u>
3. Lease payments and accumulated depreciation equivalent			
Lease payments	310 Millions of yen	573 Millions of yen	479 Millions of yen
Accumulated depreciation equivalent	310 Millions of yen	573 Millions of yen	479 Millions of yen
4. Calculation of depreciation equivalent	The lease period is deemed as the useful life of the leased property. The acquisition cost equivalent is depreciated by the straight-line method over the useful life, assuming a nil residual value.	The same as at left	The same as at left

(Note) The amounts shown in 1 and 2 above include the interest portion.

[Notes to securities]

1. Bonds to be held until maturity with quoted market prices

(Units: millions of yen)

	As of September 30, 2002			As of March 31, 2002			As of September 30, 2001		
	Value reported in interim consolidated balance sheet	Market price	Difference	Value reported in annual consolidated balance sheet	Market price	Difference	Value reported in interim consolidated balance sheet	Market price	Difference
(1) National, local government and other public bonds	40,857	41,212	354	41,052	41,078	25	159	159	(0)
(2) Corporate bonds	--	--	--	--	--	--	--	--	--
(3) Other bonds	--	--	--	--	--	--	--	--	--
Total	40,857	41,212	354	41,052	41,078	25	159	159	(0)

2. Other securities; market value available

(Units: millions of yen)

	As of September 30, 2002			As of March 31, 2002			As of September 30, 2001		
	Acquisition cost	Value reported in interim consolidated balance sheet	Difference	Acquisition cost	Value reported in annual consolidated balance sheet	Difference	Acquisition cost	Value reported in interim consolidated balance sheet	Difference
(1) Stocks	9,354	31,603	22,248	8,699	28,355	19,655	8,833	38,602	29,768
(2) Bonds									
[1] National, local government and other public bonds	0	0	0	--	--	--	0	0	0
[2] Corporate bonds	--	--	--	12	12	0	13	13	0
[3] Other bonds	2,820	4,505	1,684	2,853	4,517	1,664	2,884	4,274	1,390
(3) Other securities	5,065	4,614	(451)	5,264	4,794	(470)	5,264	5,136	(128)
Total	17,241	40,724	23,482	16,829	37,679	20,849	16,997	48,027	31,030

3. Major securities (market value not available) and their value reported in consolidated balance sheets

(Units: millions of yen)

	As of September 30, 2002		As of March 31, 2002		As of September 30, 2001	
	Value reported in interim consolidated balance sheet		Value reported in annual consolidated balance sheet		Value reported in interim consolidated balance sheet	
(1) Bonds and commercial paper to be held until maturity	--		--		--	
(2) Other securities						
[1] Unlisted stocks (excluding OTC stocks)	1,944		890		862	
[2] Certificates of deposits (domestic)	61,600		61,840		110,900	

(Note) Certificates of deposits (domestic) have been included in cash and bank deposits in the interim (annual) consolidated balance sheets.

[Notes to derivative transactions]

1. Status of derivatives

The Company enters into forward foreign exchange contracts to hedge against the risk of foreign exchange rate fluctuation for receivables and payables denominated in foreign currencies, but does not use derivative transactions for speculative purposes or for gaining quick profits from sales of financial instruments. As the Company enters into transactions only with reputable banks with high credit ratings, it believes there is little credit risk in dealing with them. The Company utilizes forward foreign exchange contracts within the normal transaction range established for these banks. These forward foreign exchange contracts are entered into and managed by the Accounting and Financial Department which reports the results of settlement of the contracts regularly to the Board of Directors. No consolidated subsidiaries had derivatives positions as of September 30, 2002.

2. Market prices of derivative transactions

The Company did not have any open derivatives positions other than certain hedges against receivables and payables denominated in foreign currency as of September 30, 2002, March 31, 2002 or September 30, 2001.

(Segment Information)

1. Business Segment Information

Six months ended September 30, 2002

(Units: millions of yen)

Segment Account	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	169,413	5,713	2,280	177,407	--	177,407
(2) Intergroup sales and transfers	--	114	2,972	3,086	(3,086)	--
Total	169,413	5,828	5,252	180,494	(3,086)	177,407
Operating expenses	163,853	5,131	4,438	173,423	(3,096)	170,327
Operating income	5,559	696	814	7,070	9	7,079

Six months ended September 30, 2001

(Units: millions of yen)

Segment Account	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	191,198	5,556	7,109	203,864	--	203,864
(2) Intergroup sales and transfers	--	185	2,568	2,754	(2,754)	--
Total	191,198	5,742	9,678	206,619	(2,754)	203,864
Operating expenses	184,223	5,051	9,606	198,881	(2,746)	196,134
Operating income	6,974	691	71	7,738	(8)	7,729

Year ended March 31, 2002

(Units: millions of yen)

Segment Account	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	397,498	12,087	10,601	420,188	--	420,188
(2) Intergroup sales and transfers	--	379	5,332	5,711	(5,711)	--
Total	397,498	12,466	15,934	425,900	(5,711)	420,188
Operating expenses	382,623	10,915	16,205	409,745	(5,740)	404,004
Operating income (loss)	14,874	1,551	(270)	16,155	28	16,183

(Notes)

- Businesses of the Group are segmented into Pharmaceuticals and Related Businesses, Capsule Business and Other Businesses, considering the types of products/merchandise handled and the similarities in their markets.
- Major products/merchandise and services provided by each segment

Business Segment	Major products/merchandise and services
Pharmaceuticals and related businesses	Ethical drugs, quasi-drugs and OTC drugs and other services
Capsule business	Capsules
Other businesses	Industrial chemicals, Real estate leases, Physical distribution and other services

2. Segment Information by Geographic Area

Segment information by geographic area for the six months from April 1, 2001 to September 30, 2001, the year from April 1, 2001 to March 31, 2002 and the six months from April 1, 2002 to September 30, 2002.

Because more than 90% of the total sales in all business segments were conducted in Japan, the disclosure of segment information by geographic area has been omitted.

3. Overseas Sales

Overseas sales for the six months from April 1, 2001 to September 30, 2001, the year from April 1, 2001 to March 31, 2002 and the six months from April 1, 2002 to September 30, 2002.

Because overseas sales accounted for less than 10% of the total consolidated sales, the disclosure of overseas sales has been omitted.

Status of Production, Orders and Sales

1. Production

The consolidated production results for each business segment for the six months ended September 30, 2002 and September 30, 2001 and the year ended March 31, 2002 were as follows:

(Units: millions of yen)

Business Segment	[Six months ended September 30, 2002]	[Six months ended September 30, 2001]	[Year ended March 31, 2002]
Pharmaceuticals and related businesses	75,654	79,599	165,662
Ethical drugs	70,026	74,659	154,990
Quasi drugs and OTC drugs	4,390	3,524	7,603
Diagnostics	1,238	1,416	3,069
Capsule business	5,710	6,031	13,004
Other businesses	591	4,132	5,580
Animal health products	--	487	1,266
Agrochemicals	--	2,807	2,807
Industrial chemicals	591	838	1,507
Total	81,955	89,762	184,246

(Notes) 1. Amounts are calculated based on net sales prices.

2. Amounts are stated exclusive of consumption tax.

2. Purchases

The consolidated purchases for each business segment for the six months ended September 30, 2002 and September 30, 2001 and the year ended March 31, 2002 were as follows:

(Units: millions of yen)

Business Segment	[Six months ended September 30, 2002]	[Six months ended September 30, 2001]	[Year ended March 31, 2002]
Pharmaceuticals and related businesses	86,014	99,174	198,637
Ethical drugs	81,125	93,967	191,716
Quasi drugs and OTC drugs	4,586	4,909	6,341
Diagnostics	303	298	580
Capsule business	--	--	--
Other businesses	300	1,890	3,097
Animal health products	--	1,160	2,053
Agrochemicals	--	413	413
Industrial chemicals	300	317	631
Total	86,314	101,064	201,734

(Notes) 1. Amounts are based on actual purchases.

2. Amounts are stated exclusive of consumption tax.

3. Orders

The Shionogi Group companies manufacture products in accordance with their production plan which, in turn, is based on the sales plan. Certain subsidiaries manufacture products upon receipt of orders from customers, but these order amounts and balances do not significantly affect the Group's overall results.

4. Sales

The consolidated sales results for each business segment for the six months ended September 30, 2002 and September 30, 2001 and the year ended March 31, 2002 were as follows:

(Units: millions of yen)

Business Segment	[Six months ended September 30, 2002]	[Six months ended September 30, 2001]	[Year ended March 31, 2002]
Pharmaceuticals and related businesses	169,413	191,198	397,498
Ethical drugs	159,328	176,257	368,008
Quasi drugs and OTC drugs	8,286	9,147	18,124
Diagnostics	1,799	1,547	3,150
Clinical testing	--	4,247	8,216
Capsule business	5,713	5,556	12,087
Other businesses	2,280	7,109	10,601
Animal health products	--	1,708	3,210
Agrochemicals	--	2,910	2,395
Industrial chemicals	1,088	1,309	2,420
Real estate lease/Physical distributing and other services	1,192	1,182	2,574
Total	177,407	203,864	420,188

(Notes) 1. Amounts are sales to customers outside the Shionogi Group.

2. Amounts are stated exclusive of consumption tax.