

FLASH REPORT

SHIONOGI & CO., LTD.

<Consolidated>

1. Financial results for the period from April 1, 2000 to September 30, 2000

(1) Sales and income

Note: All amounts are rounded down to the nearest million Yen.

	Net sales (Millions of Yen)		Operating income (Millions of Yen)		Ordinary income (Millions of Yen)	
Six months ended September 30, 2000	210,321	% 6.3	10,940	% 6.7	11,226	% (3.0)
Six months ended September 30, 1999	189,353	—	10,257	—	11,575	—
Year ended March 31, 2000	400,280	7.6	25,421	11.0	26,581	0.7

	Net income (Millions of Yen)		Earnings per share (Yen)		Earnings per share (diluted) (Yen)	
Six months ended September 30, 2000	4,037	% (16.9)	11.63	—	—	—
Six months ended September 30, 1999	4,856	—	13.99	—	—	—
Year ended March 31, 2000	12,868	31.2	37.07	—	—	—

(2) Financial Position

	Total assets (Millions of Yen)	Shareholders' equity (Millions of Yen)	Ratio of Shareholders' equity to total assets (%)	Shareholders' equity per share (Yen)
As of September 30, 2000	495,683	284,831	57.5	820.57
As of September 30, 1999	431,093	249,019	57.8	717.39
As of March 31, 2000	442,547	255,170	57.7	735.14

(3) Cash Flows

	Cash flows from operating activities (Millions of Yen)	Cash flows from investing activities (Millions of Yen)	Cash flows from financing activities (Millions of Yen)	Cash and cash equivalents at end of the period (Millions of Yen)
Six months ended September 30, 2000	11,384	18,749	3,040	103,580
Six months ended September 30, 1999	—	—	—	—
Year ended March 31, 2000	17,428	(30,328)	(1,930)	70,313

2. Forecasts for the year ending March 31, 2001

	Net sales (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)
Year ending March 31, 2001	413,000	28,000	12,300

Reference: Estimated earnings per share for fiscal year 2001: Yen 35.44

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

MANAGEMENT POLICY

1. Fundamental Management Policy

Shionogi's corporate philosophy is to strive constantly to provide essential medicine of the best kind to ensure people's health. For this purpose, the Company thinks it is necessary to discover even better medicine, to manufacture such medicine, and to inform many people of such medicine so that it can be used widely. The Company believes that, by the constant improvement of the skills of all Shionogi people, it can contribute to the expansion of benefit of all who are stake-holders - consumers, shareholders, customers, the society and employees.

2. Management Strategy and Challenge Ahead

Regarding the operating environment for the Company, discussions of fundamental reforms to Japan's medical insurance system in response to the rising demographic share of seniors are continuing, and it is projected that the actual implementation of such reforms will inevitably cause stagnation in the domestic pharmaceuticals market. Moreover, in light of the decreasing significance of national borders, we expect to face increasingly intense competition from huge pharmaceutical companies based in Europe and the United States. Amid these circumstances, in order to continue to maintain its above philosophy, the Company articulated the following approaches to meet its challenges in the five-year Medium-Term Management Plan embarked upon in April 2000:

Clearly position prescription drug operations as the core business field of the Company; reevaluate other operations based on consideration of their profitability and long-term viability; consider the optimal operating modes for fully leveraging the assets of each operation; and improve the efficiency thereof.

In order to strengthen its R&D capabilities for the discovery and accelerated development of innovative new drug candidates, 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.

Establish infrastructure for the overseas development of new drug candidates with the future aim of establishing a worldwide sales infrastructure which would provide drugs meeting global needs.

In the domestic prescription drug 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.

In manufacturing, restructure its facilities to comply with global manufacturing standards and increase the efficiency of production.

3. Improvement of Management Control Structure

Under severe business circumstances, the Company believes it is necessary to speedily make appropriate decisions in order to efficiently overcome the challenges facing management, and that it is also important to clearly define how the decisionmaking is to be checked and to operate its business with high transparency. For this purpose, the Company has made the responsibilities on business operations clear by delegating authority, and the Company also has ensured that important issues on business operation are promptly dealt with at the senior management meetings, generally held once a week, the members of which consist of managing directors and other senior directors. 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 for their benefit, 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 the important meetings such as board meetings and senior management meetings, and also aggressively audit the Company and observe its group companies to check legal compliance and appropriateness of the operations thereof.

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 which reflect growth in earnings through execution of the above mentioned programs. Therefore, the Company will allocate funds from internal reserves to invest in the domestic/overseas R&D activities and expansion of manufacturing facilities as well as to make investments to increase the efficiency of various managerial activities. Through these measures, the Company is endeavoring to improve its profitability and to maximize its corporate value.

RESULTS OF OPERATIONS

1. Overview of Operations during the six month period ended September 30, 2000

GENERAL SITUATION

In the domestic market, pharmaceutical industry during this interim period (in April) experienced a reduction in the national health insurance (NHI) reimbursement prices (average in the industry: 7%, Shionogi 4.9%). Discussions on drastic reform of healthcare insurance system continued, and the pressure to suppress drug expenditure grew much stronger. On the other hand, in the overseas market, reorganization of the companies aiming to improve operative efficiency to cope with the increase in R&D costs occurred at a rapid pace. Further, integration of pharmaceutical markets around the world including Japan continued to progress. Facing such an environment, the Company established the five-year Medium-Term Management Plan in April and started its implementation.

Consolidated financial results for this interim period are as follows:

Net sales	Yen	201,321 millions	Increased 11,968 millions to the same period of the previous year	(6.3% increase)
Operating income	Yen	10,940 millions	Increased 683 millions	" (6.7% increase)
Ordinary income	Yen	11,226 millions	Decreased 349 millions	" (3.0% decrease)
Net income	Yen	4,037 millions	Decreased 819 millions	" (16.9% decrease)

Non-consolidated net sales remained almost flat due to the reduction in the NHI prices on principal prescription drugs, but consolidated net sales increased by 6.3% compared to the same period of the previous year due to sales increase by the wholesaler and consolidated subsidiary, Ohmori Co., Ltd. as the result of a merger. On the other hand, regarding incomes, we endeavored to decrease headcount and to improve productivity throughout the Shionogi group, also on a non-consolidated basis, increasing the proportion of the sales of products developed in-house helped to reduce the manufacturing cost. As a result, operating income increased by 6.7%, however, ordinary income decreased by 3.0% due to decrease of non-operating accounts. Net income decreased by 16.9% due to amortization of unrecognized differences arising from application of new accounting standard for retirement benefits which was done by setting up assets such as holding securities in trust.

An interim cash dividends per share for this interim period amounted to Yen 4.25, the as same as in the previous year.

Regarding the R&D situation, in Japan, an analgesic for cancer pain, an antihypertensive, an antidepressant, an oral cephem antibiotic and an injectable antibiotic among others are now in the late stage of clinical trials. Moreover, we have started clinical trials overseas on an anti-rheumatism drug, an anti HIV drug and an antihyperlipidemic agent which can meet global market needs. Also as a topic in this period, we have established a new organization, Manufacturing Technology R&D Laboratories, which is expected to increase efficiency in the fields from development to manufacturing. As a result of the above, consolidated R&D expenditure in this period increased by 9.3% to Yen 14,559 millions.

SEGMENT INFORMATION

Pharmaceuticals and Related Business

Despite the influence of the NHI price reduction, the Company increased the sales of FLOMOX, an oral cephem antibiotic developed in-house, and IMUNACE, a recombinant interleukin-2 agent. As a result, non-consolidated net sales of prescription drugs slightly increased. With regard to OTC products, despite the launch of a newly reformulated multivitamin POPON-S during this period, non-consolidated net sales of OTC products decreased due to slackness in this market. On the other hand, Shionogi's consolidated net sales in both pharmaceuticals and OTC products increased due to the fact that Ohmori Co., Ltd., a subsidiary and wholesaler, merged with Minatogawa Tsuruta Yakuhin Co., Ltd. in October of the previous year. In the Diagnostics and Clinical Testing Services fields, severe sales circumstances, such as reduction in testing fees, continued. Net sales of diagnostics grew by the BNP product which is the principal line of diagnostics, however, facing heavy price competition, net sales of clinical testing services shrank. Consequently, Shionogi's total consolidated net sales in pharmaceuticals and related business grew by 7.5% to Yen 187,989 millions. Profitability in this segment was influenced negatively by the increase in R&D expenditure due to an increase in the number of products being developed. On the other hand, the reduction of headcount and increase in operational efficiency, as well as downward pressure on cost resulting from the growth in sales of products developed in-house boosted operating income for this segment by 12.4% to Yen 9,901 millions.

Capsule business

Despite effort to expand sales by obtaining customer satisfaction through high quality products, accurate on-time delivery and appropriate technical services, continuing difficulty to increase the volume of capsule consumption by pharmaceutical companies as principal users and a temporary slump in sales by resulting from the Y2K issues led to a decrease in sales. Also sales of capsule machinery like filling machines, inspection machines, etc., showed a noticeable decline. Further, net sales of overseas capsule operations were devaluated by currency fluctuation. As a result, net sales decreased by 16.4% to Yen 4,678 millions. Due to lower utilization of facilities in line with a decrease in sales volume, operating income dropped by 59.3% to Yen 361 millions.

Other business

Sales of animal health products, agrochemicals and industrial chemicals remained stagnant due to the dull market condition of these businesses and stagnation of the economy as a whole, among other factors. Further, net sales of various services such as real estate rental or distribution services remained flat. As a result, while net sales of this segment dropped slightly by 2.4% to Yen 8,653 millions, operating income rose 20.0% to Yen 659 millions by placing emphasis on sales which would be profitable, as well as by making effort to reduce headcount and minimize sales expenses.

CASH FLOWS

In addition to net income before tax and depreciation and amortization expenses for the interim period, a decrease in notes and accounts receivables resulted in a Yen 11,384 millions increase in net cash provided by operating activities. On the other hand, although investment in manufacturing equipment for injectable products at the Settsu plant and reinforcement of testing facilities cost Yen 4,978 millions, with the proceeds from the withdrawal of time deposits, this resulted in a Yen 18,749 millions increase in net cash provided by investing activities. Net cash provided by financing activities amounted to Yen 3,040 millions, reflecting cash dividends and increase in bank borrowings by subsidiaries. As a result of these changes and adjustments, cash and cash equivalents at the end of this interim period increased Yen 33,267 millions to Yen 103,580 millions.

2. FORECAST FOR THE YEAR

It is recognized that the prescription drug market will become severer due to medical cost containment and intense competition with overseas companies. Under these circumstances, we intend to work to expand our market share through collection and feedback of medical information, and to overcome our challenges by strictly adhering to the Medium-Term Management Plan, such as to reexamine the organization of the businesses and to establish an overseas development structure. Based on this, our financial forecast for the fiscal year is as follows:

Net sales	Yen	413,000 million	3.2% increase
Ordinary income	Yen	28,000 million	5.3% increase
Net income	Yen	12,300 million	4.4% decrease

Interim Consolidated Statements of Income

	Six months ended September 30,				Increase (Decrease)	Year ended March 31, 2000	
	2000		1999			(Millions of Yen)	%
	(Millions of Yen)	%	(Millions of Yen)	%			
Net sales	¥ 201,321	100.0	¥ 189,353	100.0	¥ 11,968	¥ 400,280	100.0
Cost of sales	128,964	64.1	119,723	63.2	9,241	253,202	63.3
Gross profit	72,356	35.9	69,629	36.8	2,727	147,078	36.7
Selling, general and administrative expenses	61,416	30.5	59,372	31.4	2,044	121,657	30.4
Operating income	10,940	5.4	10,257	5.4	683	25,421	6.3
Non-operating income	1,837	0.9	3,336	1.8	(1,499)	5,001	1.3
Interest income	304		528		(224)	806	
Dividends income	430		394		36	726	
Royalty income	254		372		(118)	1,482	
Other income	847		2,041		(1,194)	1,986	
Non-operating expenses	1,551	0.7	2,019	1.1	(468)	3,841	1.0
Interest expenses	367		382		(15)	770	
Contributions	459		529		(70)	957	
Loss on disposal of inventories	253		120		133	479	
Other expenses	471		987		(516)	1,634	
Ordinary income	11,226	5.6	11,575	6.1	(349)	26,581	6.6
Extraordinary gains	30,416	15.1	241	0.1	30,175	3,869	1.0
Gain on marketable securities in trust for the purpose of retirement benefits	29,696		-		29,696	-	
Gain on sales of property, plant and equipment	387		-		387	-	
Reversal of allowance for doubtful accounts	332		241		91	116	
Gain on sales of investments in securities	-		-		-	2,413	
Gain on sales of investments in non-consolidated subsidiary	-		-		-	725	
Gain on sales of marketable securities	-		-		-	612	
Extraordinary losses	32,850	16.3	326	0.2	32,524	2,753	0.7
Amortization of unrecognized differences arising from application of new accounting standard for retirement benefits	32,344		-		32,344	-	
Loss on revaluation of investments in securities	505		326		179	326	
Loss on cancellation of specified money in trust	-		-		-	2,427	
Income before income taxes and minority interests	8,792	4.4	11,490	6.0	(2,698)	27,697	6.9
Income taxes, current	6,745	3.4	7,477	3.9	(732)	17,190	4.2
Deferred	(1,866)	(0.9)	(717)	(0.4)	(1,149)	(2,232)	(0.5)
Minority interests	124	0.1	126	0.1	(2)	128	0.0
Net income	¥ 4,037	2.0	¥ 4,856	2.6	¥ (819)	¥ 12,868	3.2

Interim Consolidated Balance Sheets

ASSETS

	As of September 30, 2000		As of March 31, 2000		Increase (Decrease)	As of September 30, 1999	
	(Millions of Yen)	%	(Millions of Yen)	%		(Millions of Yen)	%
Current assets							
Cash and bank deposits	¥ 111,599		¥ 103,193		¥ 8,406	¥ 105,612	
Notes and accounts receivables	137,399		144,292		(6,893)	131,877	
Marketable securities	–		4,486		(4,486)	4,892	
Inventories	61,340		59,156		2,184	60,155	
Deferred income taxes	3,627		3,198		429	3,226	
Other current assets	13,881		13,401		480	11,828	
Allowance for doubtful accounts	(528)		(934)		406	(851)	
Total current assets	327,320	66.0	326,794	73.9	526	316,741	73.5
Fixed assets							
Property, plant and equipment							
Buildings and structures	39,652		40,114		(462)	40,941	
Machinery and equipment	15,252		15,536		(284)	15,649	
Land	21,821		21,685		136	21,296	
Construction in progress	6,196		4,152		2,044	4,168	
Others	5,285		5,124		161	5,152	
Property, plant and equipment, net	88,209	17.8	86,613	19.6	1,596	87,207	20.2
Intangible fixed assets	3,494	0.7	2,557	0.6	937	3,025	0.7
Investments and other assets							
Investments in securities	69,499		14,826		54,673	14,804	
Long-term loans receivables	1,625		942		683	1,037	
Deferred income taxes	582		1,630		(1,048)	108	
Other assets	5,166		6,359		(1,193)	6,960	
Allowance for doubtful accounts	(215)		(118)		(97)	(109)	
Total investments and other assets	76,658	15.5	23,640	5.3	53,018	22,801	5.3
Total fixed assets	168,363	34.0	112,811	25.5	55,552	113,034	26.2
Translation adjustments	–	–	2,940	0.6	(2,940)	1,317	0.3
Total assets	¥ 495,683	100.0	¥ 442,547	100.0	¥ 53,136	¥ 431,093	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY

	As of September 30, 2000		As of March 31, 2000		Increase (Decrease)	As of September 30, 1999	
	(Millions of Yen)	%	(Millions of Yen)	%		(Millions of Yen)	%
LIABILITIES							
Current liabilities							
Notes and accounts payable	¥ 79,427		¥ 79,215		¥ 212	¥ 77,980	
Short-term bank loans and current portion of long-term debt	21,973		17,260		4,713	17,935	
Accrued income taxes	7,170		9,725		(2,555)	7,090	
Reserve:							
Reserve for bonuses	10,196		10,118		78	10,139	
Other reserves	568		635		(67)	619	
Other current liabilities	16,978		17,184		(206)	17,709	
Total current liabilities	136,315	27.5	134,138	30.3	2,177	131,474	30.5
Long-term liabilities							
Long-term debt	20,000		20,000		0	20,000	
Deferred income taxes	19,149		–		19,149	–	
Reserve for retirement benefits (*)	29,175		27,257		1,918	24,333	
Other reserve	371		–		371	–	
Other long-term liabilities	3,581		3,555		26	4,036	
Total long-term liabilities	72,278	14.6	50,812	11.5	21,466	48,370	11.2
Total liabilities	208,594	42.1	184,951	41.8	23,643	179,844	41.7
MINORITY INTERESTS							
Minority interests	2,258	0.4	2,425	0.5	(167)	2,228	0.5
SHAREHOLDERS' EQUITY							
Common stock	21,279	4.3	21,279	4.8	0	21,279	5.0
Additional paid-in capital	20,227	4.1	20,227	4.6	0	20,227	4.7
Retained earnings	216,434	43.7	213,975	48.4	2,459	207,800	48.2
Unrealized gain on securities	29,991	6.0	–	–	29,991	–	–
Translation adjustments	(2,799)	(0.5)	–	–	(2,799)	–	–
Less, treasury stock	(16)	(0.0)	(25)	(0.0)	9	(2)	(0.0)
Parent-company's stock held by subsidiaries	(285)	(0.1)	(285)	(0.1)	0	(285)	(0.1)
Total shareholders' equity	284,831	57.5	255,170	57.7	29,661	249,019	57.8
Total liabilities, minority interests and shareholders' equity	¥ 495,683	100.0	¥ 442,547	100.0	¥ 53,136	¥ 431,093	100.0

(*) Effective April 1, 2000, the company and consolidated subsidiaries have adopted new accounting standard for retirement benefits.

Interim Consolidated Statements of Cash Flows

		Six months ended September 30, 2000	Year ended March 31, 2000
		Millions of Yen	Millions of Yen
I	OPERATING ACTIVITIES		
	Income before income taxes and minority interests	¥ 8,792	¥ 27,697
	Depreciation and amortization	4,293	9,085
	Amortization of excess of cost over net assets acquired	136	661
	Loss on disposal of property, plant and equipment	210	297
	Reversal of allowance for doubtful accounts	(309)	(176)
	Provision for retirement benefits, less payments	3,052	2,544
	Interest income and dividends income	(735)	(1,533)
	Interest expenses	367	770
	Exchange (gain) loss, net	(100)	304
	Decrease (increase) in notes and accounts receivables, trade	6,889	(916)
	Increase in inventories	(2,146)	(1,742)
	Increase (decrease) in notes and accounts payable, trade	197	(1,562)
	Increase (decrease) in accrued expenses	186	(950)
	Decrease in accounts payable, other	(1,070)	(1,529)
	Bonuses to directors and statutory auditors	(105)	(103)
	Others	475	(1,599)
	Sub-total	20,133	31,247
	Interest and dividend income received	848	1,490
	Interest paid	(308)	(652)
	Income taxes paid	(9,288)	(14,657)
	Net cash provided by operating activities	11,384	17,428
II	INVESTING ACTIVITIES		
	Increase in time deposits	(7,665)	(32,656)
	Decrease in time deposits	32,536	196
	Proceeds from cancellation of specified money in trust	-	6,335
	Payments for purchases of marketable securities	(836)	(125)
	Proceeds from sales of marketable securities	592	776
	Payments for purchases of investments in securities	(1,179)	(113)
	Proceeds from sales of investments in securities	6	4,224
	Payments for purchases of property, plant and equipment	(4,978)	(9,355)
	Proceeds from sales of property, plant and equipment	501	518
	Proceeds from collection of loans receivable	74	103
	Others	(302)	(234)
	Net cash provided by (used in) investing activities	18,749	(30,328)
III	FINANCING ACTIVITIES		
	Increase in short-term loans, net	4,730	1,537
	Proceeds from long-term debt	-	725
	Repayment of long-term debt	(105)	(1,040)
	Cash dividends paid	(1,460)	(3,116)
	Cash dividends to minority interests	(132)	(18)
	Others	8	(17)
	Net cash provided by (used in) financing activities	3,040	(1,930)
IV	Effect of exchange rate changes on cash and cash equivalents	92	(129)
V	Increase (decrease) in cash and cash equivalents	33,267	(14,961)
VI	Cash and cash equivalents at beginning of the period	70,313	82,553
VII	Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	-	2,134
VIII	Increase in cash and cash equivalents resulting from merger of other companies by consolidated subsidiaries	-	587
IX	Cash and cash equivalents at end of the period	¥ 103,580	¥ 70,313

Note: No interim consolidated statement of cash flows for the six months ended September 30, 1999 is presented since the preparation and disclosure of consolidated statement of cash flows was required effective the year ended March 31, 2000.

Segment Information

For the six months ended September 30, 2000

Unit: Millions of Yen

	Pharmaceuticals and related business	Capsule business	Other	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales:						
(1)Sales to third parties	187,989	4,678	8,653	201,321	-	201,321
(2)Intergroup sales and transfers	-	119	2,748	2,867	(2,867)	-
Total	187,989	4,798	11,401	204,188	(2,867)	201,321
Operating expenses	178,087	4,437	10,742	193,266	(2,886)	190,380
Operating income	9,901	361	659	10,921	18	10,940

For the six months ended September 30, 1999

Unit: Millions of Yen

	Pharmaceuticals and related business	Capsule business	Other	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales:						
(1)Sales to third parties	174,892	5,596	8,864	189,353	-	189,353
(2)Intergroup sales and transfers	-	235	2,666	2,901	(2,901)	-
Total	174,892	5,831	11,530	192,254	(2,901)	189,353
Operating expenses	166,081	4,945	10,980	182,007	(2,911)	179,095
Operating income	8,811	886	549	10,247	10	10,257

For the year ended March 31, 2000

Unit: Millions of Yen

	Pharmaceuticals and related business	Capsule business	Other	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales:						
(1)Sales to third parties	369,786	10,256	20,237	400,280	-	400,280
(2)Intergroup sales and transfers	-	916	5,263	6,180	(6,180)	-
Total	369,786	11,173	25,501	406,461	(6,180)	400,280
Operating expenses	347,133	9,674	24,060	380,869	(6,009)	374,860
Operating income	22,652	1,498	1,441	25,592	(171)	25,421

<Non-consolidated>

1. Financial results for the period from April 1, 2000 to September 30, 2000

(1) Sales and income

Note: All amounts are rounded down to the nearest million Yen.

	Net sales (Millions of Yen)		Operating income (Millions of Yen)		Ordinary income (Millions of Yen)	
Six months ended September 30, 2000	104,990	% 0.0	9,396	% 9.3	10,684	% 2.5
Six months ended September 30, 1999	104,941	2.5	8,594	2.4	10,429	(11.9)
Year ended March 31, 2000	220,743	1.8	22,531	8.7	26,404	4.3

	Net income (Millions of Yen)		Earnings per share (Yen)
Six months ended September 30, 2000	4,880	% 3.6	13.90
Six months ended September 30, 1999	4,710	(4.9)	13.42
Year ended March 31, 2000	13,475	38.8	38.38

(2) Dividends

	Interim dividends per share (Yen)	Annual dividends per share (Yen)
Six months ended September 30, 2000	4.25	-
Six months ended September 30, 1999	4.25	-
Year ended March 31, 2000	-	8.50

(3) Financial Position

	Total assets (Millions of Yen)	Shareholders' equity (Millions of Yen)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (Yen)
As of September 30, 2000	390,670	271,193	69.4	772.33
As of September 30, 1999	335,777	231,992	69.1	660.69
As of March 31, 2000	340,427	239,264	70.3	681.40

2. Forecasts for the year ending March 31, 2001

	Net sales (Millions of Yen)	Ordinary income (Millions of Yen)	Net income (Millions of Yen)	Annual dividends per share (Yen)	
				Year ended dividends per share (Yen)	
Year ending March 31, 2001	221,000	26,500	13,000	4.25	8.50

The interim non-consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan.

Interim non-consolidated Statement of Income

	Six months ended September 30,				Increase (Decrease)	Year ended March 31, 2000	
	2000		1999			Millions of Yen	%
	Millions of Yen	%	Millions of Yen	%			
Net sales	¥ 104,990	100.0	¥ 104,941	100.0	¥ 49	¥ 220,743	100.0
Cost of sales	46,272	44.1	49,084	46.8	(2,812)	101,370	45.9
Gross profit	58,717	55.9	55,857	53.2	2,860	119,373	54.1
Selling, general and administrative expenses	49,320	47.0	47,263	45.0	2,057	96,841	43.9
Operating income	9,396	8.9	8,594	8.2	802	22,531	10.2
Non-operating income	2,552	2.4	3,015	2.8	(463)	6,368	2.9
Interest income	244		434		(190)	623	
Interest on securities	125		163		(38)	309	
Dividends income	731		542		189	1,017	
Rental income of real estate	781		777		4	1,546	
Royalty income	254		372		(118)	1,482	
Other income	415		724		(309)	1,389	
Non-operating expense	1,263	1.2	1,180	1.1	83	2,495	1.1
Interest expense	109		121		(12)	244	
Bond interest	201		202		(1)	401	
Contributions	438		516		(78)	912	
Loss on disposal of inventories	246		118		128	479	
Other expense	268		222		46	458	
Ordinary income	10,684	10.1	10,429	9.9	255	26,404	12.0
Extraordinary gains	29,696	28.3	194	0.2	29,502	3,182	1.4
Gain on marketable securities in trust for the purpose of retirement benefit	29,696		-		29,696	-	
Reversal of allowance for doubtful accounts	-		194		(194)	156	
Gain on sales of investments in securities	-		-		-	2,413	
Gain on sales of marketable securities	-		-		-	612	
Extraordinary losses	30,920	29.4	326	0.3	30,594	2,753	1.2
Amortization of unrecognized differences arising from application of new accounting standard for retirement benefits	30,424		-		30,424	-	
Loss on revaluation of investments in securities	496		326		170	326	
Loss on cancellation of specified money in trust	-		-		-	2,427	
Income before income taxes	9,461	9.0	10,296	9.8	(835)	26,833	12.2
Income taxes, current	5,730	5.5	6,040	5.7	(310)	15,420	7.0
Deferred	(1,149)	(1.1)	(453)	(0.4)	(696)	(2,061)	(0.9)
Net income	4,880	4.6	4,710	4.5	170	13,475	6.1
Retained earnings brought forward	6,622		3,330		3,292	3,330	
Prior year's tax effect of adoption of accounting for deferred income taxes	-		2,549		(2,549)	2,549	
Reversal of reserve for special depreciation due to adoption of accounting for deferred income taxes	-		379		(379)	379	
Reversal of reserve for deferred capital gain on property due to adoption of accounting for deferred income taxes	-		11		(11)	11	
Interim dividends	-		-		-	1,492	
Unappropriated earnings at the end of the period	¥ 11,503		¥ 10,981		¥ 522	¥ 18,253	

Interim non-consolidated Balance Sheets

ASSETS

	As of September 30, 2000		As of March 31, 2000		Increase (Decrease)	As of September 30, 1999	
	Millions of Yen	%	Millions of Yen	%		Millions of Yen	%
Current assets							
Cash and bank deposits	¥ 101,656		¥ 92,998		¥ 8,658	¥ 95,879	
Notes receivables	17,567		19,788		(2,221)	18,695	
Accounts receivables	63,977		68,932		(4,955)	62,253	
Marketable securities	–		4,361		(4,361)	4,463	
Merchandise and finished goods	21,003		19,428		1,575	20,469	
Work in process and semi-finished goods	15,770		17,462		(1,692)	16,372	
Raw materials and supplies	9,735		8,750		985	10,168	
Deferred income taxes	3,156		2,655		501	2,543	
Short-term loan receivables	6,010		5,892		118	5,034	
Other current assets	1,802		2,539		(737)	2,929	
Allowance for doubtful accounts	(413)		(460)		47	(421)	
Total current assets	240,266	61.5	242,351	71.2	△ 2,085	238,389	71.0
Fixed assets							
Property, plant and equipment							
Buildings	25,375		25,604		(229)	25,988	
Structures	1,851		1,911		(60)	1,963	
Machinery and equipment	9,364		9,773		(409)	9,827	
Land	9,683		9,623		60	9,576	
Others	10,692		8,249		2,443	8,053	
Property, plant and equipment, net	56,968	14.6	55,162	16.2	1,806	55,409	16.5
Intangible fixed assets	924	0.2	799	0.2	125	814	0.2
Investments and other assets							
Investment in securities	83,103		30,269		52,834	30,215	
Long-term loans receivables	6,555		6,715		(160)	6,850	
Long-term prepaid expenses	1,085		1,302		(217)	1,620	
Deferred income taxes	–		1,955		(1,955)	460	
Other assets	1,871		1,905		(34)	2,052	
Allowance for doubtful accounts	(103)		(34)		(69)	(35)	
Total investments and other assets	92,511	23.7	42,144	12.4	50,397	41,164	12.3
Total fixed assets	150,403	38.5	98,076	28.8	52,327	97,388	29.0
Total assets	¥ 390,670	100.0	¥ 340,427	100.0	¥ 50,243	¥ 335,777	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY

	As of September 30, 2000		As of March 31, 2000		Increase (Decrease)	As of September 30, 1999	
	Millions of Yen	%	Millions of Yen	%		Millions of Yen	%
LIABILITIES							
Current liabilities							
Notes payable	¥ 8,100		¥ 8,265		¥ (165)	¥ 9,479	
Accounts payable	11,953		8,768		3,185	14,146	
Short-term bank loans	7,948		7,953		(5)	9,207	
Accrued income taxes	6,184		8,501		(2,317)	5,517	
Reserve for bonuses	8,501		8,400		101	8,480	
Other reserves	693		748		(55)	742	
Other current liabilities	12,383		13,298		(915)	13,290	
Total current liabilities	55,764	14.3	55,936	16.4	(172)	60,864	18.1
Long-term liabilities							
Long-term debt	20,000		20,000		0	20,000	
Long-term loans	1,268		1,351		(83)	1,418	
Deferred income tax	18,121		-		18,121	-	
Reserve for retirement benefits (*)	23,929		23,851		78	21,478	
Other reserve	371		-		371	-	
Other long-term liabilities	21		23		(2)	23	
Total long-term liabilities	63,712	16.3	45,226	13.3	18,486	42,920	12.8
Total liabilities	119,477	30.6	101,162	29.7	18,315	103,785	30.9
SHAREHOLDERS' EQUITY							
Common stock	21,279	5.4	21,279	6.3	0	21,279	6.3
Additional paid-in capital	20,227	5.2	20,227	5.9	0	20,227	6.0
Legal reserve	5,319	1.4	5,319	1.6	0	5,319	1.6
Retained earnings	195,745	50.1	192,437	56.5	3,308	185,165	55.2
Reserve:							
Special depreciation	583		523		60	523	
Deferred capital gain on property	14		15		(1)	15	
General reserve	183,645		173,645		10,000	173,645	
Unappropriated retained earnings	11,503		18,253		(6,750)	10,981	
Unrealized gain on securities	28,620	7.3	-		28,620	---	
Total shareholders' equity	271,193	69.4	239,264	70.3	31,929	231,992	69.1
Total liabilities and shareholders' equity	¥ 390,670	100.0	¥ 340,427	100.0	¥ 50,243	¥ 335,777	100.0

(*) Effective April 1, 2000, the company have adopted new accounting standard for retirement benefits.