

Financial Statements (Non-consolidated) for The Year Ended March 31, 2002

May 20, 2002

Name of
Listed Company:

SHIONOGI & CO., LTD.

Listed Exchanges:

Section I of Tokyo, Osaka and
Nagoya, and Fukuoka and
Sapporo

Code: 4507
(URL <http://www.shionogi.co.jp>)

Location of Head Office: Osaka Prefecture

Contact: Title of Person in Charge: General Manager, Public Relations Unit
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Date of Meeting of Board of Directors
for Approving Financial Statements: May 20, 2002
Date of Regular General Meeting of the Share holders: June 27, 2002

Interim Dividend System: Available

Unit Share System : Available (1 Unit: 1000shares)

1. Financial results for the period from April 1, 2001 to March 31, 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	%
Year ended March 31, 2002	206,403	(4.4)	16,398	(23.4)	17,663	(26.8)
Year ended March 31, 2001	215,894	(2.2)	21,410	(5.0)	24,117	(8.7)

	Net income		Earnings per share	Earnings per share (diluted)	Return on Equity	Ordinary income to total assets	Ordinary income to net sales
	Million yen	%	Yen	Yen	%	%	%
Year ended March 31, 2002	10,639	(11.0)	30.30	---	4.0	4.6	8.6
Year ended March 31, 2001	11,958	(11.3)	34.06	---	4.7	6.6	11.2

(Notes) [1] Average number of shares outstanding during the period
Year ended March 31, 2002: 351,117,424 shares Year ended March 31, 2001: 351,136,165 shares

[2] Changes in accounting method: None

[3] 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 period of the prior year.

(2) Dividends

	Annual dividend per share			Annual dividend payment	Dividend payout ratios	Payout ratio per equity
	Yen	Yen	Yen			
Year ended March 31, 2002	8.50	4.25	4.25	Million yen 2,984	% 28.1	% 1.1
Year ended March 31, 2001	8.50	4.25	4.25	2,984	25.0	1.1

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of March 31, 2002	371,735	266,729	71.8	759.74
As of March 31, 2001	388,085	271,556	70.0	773.37

(Notes) [1] Shares outstanding as of the period end
As of March 31, 2002: 351,080,993 shares As of March 31, 2001: 351,136,165 shares

[2] Treasury stocks held as of the period end
As of March 31, 2002: 55,172 shares

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

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	Million yen	million yen	Million yen	Yen	Yen	Yen
For the six months ending September 30, 2002	93,000	6,000	3,200	4.25	---	---
For the year ending March 31, 2003	194,000	16,500	8,500	---	4.25	8.50

(Reference) Estimated earnings per share (for the year ending March 31, 2003): ¥24.21

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

Note: These estimates on May 20, 2002 include in a number of assumptions, forward-looking projection and plans. The actual results may differ substantially depending on the situations of competitors, uncertainties in the market. Refer to page 8.

Non-consolidated Statements of Income

(Units: millions of yen)

Account	Year ended March 31, 2002		Year ended March 31, 2001		Increase (decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Net sales	206,403	100.0	215,894	100.0	(9,491)	(4.4)
Cost of sales	87,325	42.3	95,326	44.2	(8,001)	(8.4)
Gross profit	119,078	57.7	120,568	55.8	(1,490)	(1.2)
Selling, general and administrative expenses	102,680	49.8	99,157	45.9	3,523	3.6
Operating income	16,398	7.9	21,410	9.9	(5,012)	(23.4)
Non-operating income	4,768	2.3	5,564	2.6	(796)	(14.3)
Interest income	445		661		(216)	
Interest on securities	291		251		40	
Dividend income	1,084		1,224		(140)	
Income from real estate rental	1,148		1,473		(325)	
Royalty income	643		329		314	
Exchange gain	412		685		(273)	
Other income	741		939		(198)	
Non-operating expenses	3,502	1.6	2,857	1.3	645	22.6
Interest expense	193		231		(38)	
Interest on bonds	397		401		(4)	
Contributions	770		880		(110)	
Loss on disposal of inventories	1,072		570		502	
Loss on disposal of property, plant and equipment	387		389		(2)	
Other expenses	679		384		295	
Ordinary income	17,663	8.6	24,117	11.2	(6,454)	(26.8)
Extraordinary income	4,546	2.2	29,696	13.8	(25,150)	(84.7)
Gain on sales of investment in an affiliate	2,705		-		2,705	
Gain on sales of business	1,601		-		1,601	
Gain on sales of subsidiaries' securities	239		-		239	
Gain on marketable securities in trust for the purpose of retirement benefits	-		29,696		(29,696)	
Extraordinary loss	1,686	0.8	30,984	14.4	(29,298)	(94.6)
Loss on related to sales of business	1,481		-		1,481	
Loss on revaluation of investments in securities	141		560		(419)	
Loss on liquidation of business	63		-		63	
Amortization of unrecognized differences arising from application of new accounting standard for retirement benefits	-		30,424		(30,424)	
Income before income taxes	20,523	10.0	22,829	10.6	(2,306)	(10.1)
Income taxes, current	13,640	6.6	12,890	6.0	750	
Income taxes, deferred	(3,755)	(1.8)	(2,018)	(0.9)	(1,737)	
Net income	10,639	5.2	11,958	5.5	(1,319)	(11.0)
Retained earnings brought forward	5,568		6,622		(1,054)	
Interim dividends	1,492		1,492		0	
Unappropriated retained earnings at the end of the year	14,715		17,089		(2,374)	

Non-consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	Period	As of March 31, 2002		As of March 31, 2001		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Assets)			%		%	
Current assets						
Cash and bank deposits		69,226		105,119		(35,893)
Notes receivable		7,297		13,408		(6,111)
Accounts receivable – trade		65,917		71,904		(5,987)
Marketable securities		2,206		-		2,206
Treasury stock		-		3		(3)
Merchandise		4,930		5,882		(952)
Finished goods		13,025		13,096		(71)
Raw materials		6,598		5,851		747
Semifinished goods		8,046		7,341		705
Work in process		6,915		10,315		(3,400)
Supplies		878		839		39
Raw materials to arrive		-		218		(218)
Accounts receivable, other		4,249		830		3,419
Deferred income taxes		3,800		2,932		868
Short-term loans receivable		6,495		6,318		177
Other current assets		2,589		2,242		347
Allowance for doubtful accounts		(799)		(484)		(315)
Total current assets		201,378	54.2	245,821	63.3	(44,443)
Fixed assets:						
Property, plant and equipment:						
Buildings		25,148		24,791		357
Structures		1,765		1,803		(38)
Machinery and equipment		12,214		8,630		3,584
Vehicles		82		77		5
Tools, furniture and fixtures		4,521		4,616		(95)
Land		9,696		9,684		12
Constructions in progress		2,961		8,085		(5,124)
Property, plant and equipment, net		56,389	15.2	57,687	14.9	(1,298)
Software		2,114		558		1,556
Others		278		318		(40)
Total intangible fixed assets		2,393	0.6	877	0.2	1,516
Investments and other assets:						
Investments in securities		75,119		57,613		17,506
Investments in subsidiaries' and affiliates' securities		24,470		17,115		7,355
Long-term deposits		145		155		(10)
Investments in affiliates		2,957		-		2,957
Long-term loans receivable		43		53		(10)
Long-term loans receivable to employees		386		528		(142)
Long-term loans receivable to subsidiaries		6,200		5,850		350
Long-term prepaid expenses		796		832		(36)
Other assets		1,577		1,654		(77)
Allowance for doubtful accounts		(124)		(103)		(21)
Total investments and other assets		111,573	30.0	83,698	21.6	27,875
Total fixed assets		170,357	45.8	142,264	36.7	28,093
Total assets		371,735	100.0	388,085	100.0	(16,350)

Non-consolidated Balance Sheets

(Liabilities and shareholders' equity)

(Units: millions of yen)

Account	Period	As of March 31, 2002		As of March 31, 2001		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Liabilities)			%		%	
Current liabilities:						
Notes payable		6,061		6,766		(705)
Accounts payable		8,031		11,187		(3,156)
Short-term bank loans		7,900		7,900		0
Current portion of long-term debt		32		43		(11)
Accounts payable, other		2,406		2,883		(477)
Accrued expenses		6,351		6,430		(79)
Accrued income taxes		7,215		6,666		549
Deposits received		5,992		3,758		2,234
Reserve for bonuses		8,300		8,470		(170)
Reserve for sales rebates		575		583		(8)
Reserve for losses on sales returns		103		112		(9)
Notes payable for construction		1,206		2,260		(1,054)
Other current liabilities		53		5		48
Total current liabilities		54,230	14.5	57,065	14.7	(2,835)
Long-term liabilities:						
Bonds		20,000		20,000		0
Long-term debt		1,071		1,203		(132)
Deferred income taxes		1,460		13,246		(11,786)
Accrued retirement benefits for employees		27,780		24,564		3,216
Accrued retirement benefits for directors and statutory auditors		450		432		18
Other long-term liabilities		12		17		(5)
Total long-term liabilities		50,775	13.7	59,463	15.3	(8,688)
Total liabilities		105,006	28.2	116,529	30.0	(11,523)
(Shareholders' equity)						
Common stock		21,279	5.7	21,279	5.5	0
Additional paid-in capital		20,227	5.5	20,227	5.2	0
Legal reserve		5,319	1.4	5,319	1.4	0
Retained earnings		208,906	56.2	201,331	51.9	7,575
Reserves:		194,190		184,242		9,948
Special depreciation		516		583		(67)
Deferred capital gain on property		29		14		15
General reserve		193,645		183,645		10,000
Unappropriated retained earnings		14,715		17,089		(2,374)
Unrealized gain on securities		11,110	3.0	23,398	6.0	(12,288)
Less: Treasury stock		(114)	(0.0)	-	-	(114)
Total shareholders' equity		266,729	71.8	271,556	70.0	(4,827)
Total liabilities and shareholders' equity		371,735	100.0	388,085	100.0	(16,350)

Proposed Appropriations of Retained Earnings

(Units: millions of yen)

Account \ Period	Year ended March 31, 2002	Year ended March 31, 2001	Increase (Decrease)
Unappropriated retained earnings	14,715	17,089	(2,374)
Reversal of special depreciation reserve	128	66	62
Reversal of reserve for deferred capital gain on property	0	---	0
Total	14,845	17,155	(2,310)
Appropriations			
Dividends	1,492	1,492	0
	(4.25 yen per share)	(4.25 yen per share)	
Bonuses to directors and statutory auditors	80	80	0
(Directors)	(76.5)	(76.5)	0
(Statutory auditors)	(3.5)	(3.5)	0
Reserve for deferred capital gain on property	---	15	(15)
General reserve	10,000	10,000	0
Total appropriations	11,572	11,587	(15)
Retained earnings brought forward to the next year	3,273	5,568	(2,295)

Notes: An interim dividends payment of ¥1,492 million (¥4.25 per share) was made on December 3, 2001.

Notes to non-consolidated financial statements

1. Significant accounting policies

(1) Basis and method of significant asset evaluation

[1] Securities

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

Investments in subsidiaries and affiliates ----- At cost determined by the moving average method

Other securities

Market value available ----- At fair value, based on market price or other appropriate quotation as of 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

Merchandise, raw materials ----- At the lower-of-cost-or-market method determined by the average method.

Finished goods, semifinished goods, work in process and supplies ----- At cost determined by the average method

(2) Depreciation method of significant depreciable assets

[1] Property, plant and equipment ----- 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 as follows:
Buildings and structures: 3 to 60 years
Machinery and equipment and vehicles: 3 to 17 years]

[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). Software programs for internal use are amortized over their useful life (five years).]

(3) Transactions denominated in foreign currencies

Monetary receivables and payable denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Gain or loss resulting from translation is credited or charged to income.

(4) Basis for providing significant allowances and reserves

[1] Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.

[2] Reserve for bonuses

To prepare for 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

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 the each year following 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] Accrued retirement benefits for directors and statutory auditors
To prepare for the payment of retirement benefits to directors and statutory auditors, a reserve for retirement benefits is provided at an estimated amount as of the year end based on the Company's internal rules.
- [5] Reserve for sales rebates
To prepare for future discounts and rebates for certain agents, a reserve for discounts and rebates is provided based on the amount of their stock as of the year end the estimated rebate rate for the year.
- [6] Reserve for losses on sales returns
To prepare for loss on sales return, a reserve for loss on sales returns is provided at the maximum amount stipulated in the Corporation Tax Law of Japan.
- (5) 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.
- (6) 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 for receivables and payables denominated in foreign currencies. |
- (7) Consumption tax
Amounts reflected in the unconsolidated financial statements are stated exclusive of consumption tax.

[Additional information]

Treasury stock

Treasury stock was formerly reported as a component of assets. Effective the period of fiscal 2001, in accordance with the revised regulations for financial statements, treasury stock has been reclassified and is reflected as a component of shareholders' equity.

[Notes to unconsolidated statements of income]	[As of March 31, 2002]	[As of March 31, 2001]
1. Transaction to affiliated companies	million yen	Million yen
Net sales	78,021	80,752
Income from real estate rental	1,060	1,405
2. The major items and amounts included in sales, general and administrative expenses were as follows:		
Advertising	5,316 million yen	5,240 Million yen
Sales promotional activities	8,844	6,987
Salaries	17,582	18,515
Provision for reserve for bonuses	8,765	9,048
Provision for retirement benefits	4,654	3,430
Provision for retirement benefits for directors and statutory auditors	18	121
Depreciation	841	846
R & D expenses	30,375 million yen	28,706 million yen
(R&D expenses above include following amounts provided to reserves and depreciation:)		
Provision for reserve for bonuses	4,106 million yen	4,233 million yen
Provision for retirement benefits	2,032	1,331
Depreciation	2,305	2,485

[Notes to unconsolidated balance sheets]	[As of March 31, 2002]	[As of March 31, 2001]
1. Receivables and Obligations to affiliated companies		
Notes receivable	66 million yen	1,908 million yen
Accounts receivable-trade	28,789	29,564
Accounts receivables, other	3,891	228
Short-term loans receivable	6,495	6,315
2. Accumulated depreciation of property, plant and equipment	142,085 million yen	140,333 million yen
3. Guaranteed liabilities	3,832 million yen	549 million yen
4. Pledged assets and secured liabilities		
Assets listed below have been pledged as collateral security for loans and other debts:		
Book value of pledged assets		
Investment securities	300 million yen	644 million yen
Liabilities secured by the above assets		
Long-term loans payable	725 million yen	725 million yen
5. 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 March 31, 2001 were bank holidays, the balances of notes receivable as of the end of the year include the following notes which matured but were not settled on each day:		
Notes receivable	766 million yen	866 million yen

[Notes to lease transactions]

Finance leases other than those under which the lease property is deemed transferred to the lessee

	[As of March 31, 2002]	[As of March 31, 2001]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties		
Acquisition cost equivalent	281 million yen	929 million yen
Accumulated depreciation equivalent	78	432
Term-end balance	203 million yen	496 million yen
* Tools and furniture account for most of the above balances.		
2. Breakdown of period end balance equivalent of unexpired leases		
Within one year	57 million yen	154 million yen
Exceeding one year	146	342
Total	203 million yen	496 million yen
3. Lease payments and accumulated depreciation equivalent		
Lease payments	158 million yen	303 million yen
Accumulated depreciation equivalent	158 million yen	303 million yen
4. Calculation of depreciation equivalent	<p>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.</p>	
	The same as at left	

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

[Notes to securities]

Stocks of subsidiaries and affiliates with quoted market prices

(Units: millions of yen)

	As of March 31, 2002			As of March 31, 2001		
	Value reported in balance sheet	Market price	Difference	Value reported in balance sheet	Market price	Difference
(1) Subsidiaries' stock	-	-	-	-	-	-
(2) Affiliates' stock	20	367	346	20	356	336
Total	20	367	346	20	356	336

[Notes to tax effects]

1. The contents of significant evidences from which Deferred income taxes arisen

	<u>As of March 31, 2002</u>	<u>(Units: millions of yen) As of March 31, 2001</u>
(1) Current:		
Deferred tax assets:		
Accrued bonuses	2,323	1,778
Accrued enterprise tax	661	593
Allowance for doubtful accounts	256	-
Reserve for sales rebates	242	325
Other	334	234
Total deferred tax assets	<u>3,817</u>	<u>2,932</u>
Deferred tax liabilities:	(16)	-
Net deferred tax assets	<u>3,800</u>	<u>2,932</u>
(2) Non-current:		
Deferred tax assets:		
Research and development expenses	1,317	1,060
Excess of cost over Retirement benefits	4,611	2,227
Provision for retirement benefits for directors and statutory auditors	189	181
Depreciation of computer software	195	260
Loss on revaluation of investments in securities	289	-
Other	281	362
Total deferred tax assets	<u>6,885</u>	<u>4,092</u>
Deferred tax liabilities:		
Unrealized gain on other securities	(8,044)	(16,943)
Special depreciation	(280)	(374)
Other	(20)	(21)
Total deferred tax liabilities	<u>(8,345)</u>	<u>(17,338)</u>
Net deferred tax liabilities	<u>(1,460)</u>	<u>(13,246)</u>

2. The effective tax rates for the years ended March 31, 2002 and 2001 differ from the statutory tax rate above for the following reasons:

	<u>As of March 31, 2002</u>	<u>As of March 31, 2001</u>
Statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	7.3	6.9
Amortization of excess of cost over net assets acquired	(1.7)	(1.7)
Inhabitants' per capita taxes	0.6	0.5
Other	-	(0.1)
Effective tax rates	<u>48.2%</u>	<u>47.6%</u>