

Financial Statements (Non-consolidated) for The Year Ended March 31, 2003

May 19, 2003

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

Representative: Title of Person in Charge: President

Name Motozo Shiono

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

Name Hiromichi Yoshino

TEL: (06)6202-2161

Date of Meeting of Board of Directors

for Approving Financial Statements: May 19, 2003

Interim Dividend System: Available

Date of Regular General Meeting of the Share holders: June 27, 2003

Unit Share System : Available (1 Unit:1,000 shares)

1. Financial results for the period from April 1, 2002 to March 31, 2003

(1) Results of operations

(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, 2003	191,155	(7.4)	14,072	(14.2)	15,019	(15.0)
Year ended March 31, 2002	206,403	(4.4)	16,398	(23.4)	17,663	(26.8)

	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, 2003	3,456	(67.5)	9.62		1.3	4.2	7.9
Year ended March 31, 2002	10,639	(11.0)	30.30		4.0	4.6	8.6

(Notes) Average number of shares outstanding during the period Year ended March 31, 2003: 350,891,488 shares Year ended March 31, 2002: 351,117,424 shares

Changes in accounting method: None

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, 2003	8.50	4.25	4.25	2,981	88.4	1.1
Year ended March 31, 2002	8.50	4.25	4.25	2,984	28.1	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, 2003	351,554	259,970	73.9	741.19
As of March 31, 2002	371,735	266,729	71.8	759.74

(Notes) Shares outstanding as of the period end As of March 31, 2003: 350,640,718 shares As of March 31, 2002: 351,080,993 shares

Treasury stocks held as of the period end As of March 31, 2003: 495,447 shares As of March 31, 2002: 55,172 shares

2. Forecasted results for the year ending March 31, 2004 (April 1, 2003 to March 31, 2004)

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	Yen
For the six months ending September 30, 2003	91,000	5,500	2,800	4.25		
For the year ending March 31, 2004	196,000	21,000	7,500		4.25	8.50

(Reference) Estimated earnings per share (for the year ending March 31, 2004): ¥21.39

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 19, 2003 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, 2003		Year ended March 31, 2002		Increase (decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Net sales	191,155	100.0	206,403	100.0	(15,248)	(7.4)
Cost of sales	76,845	40.2	87,325	42.3	(10,480)	(12.0)
Gross profit	114,310	59.8	119,078	57.7	(4,768)	(4.0)
Selling, general and administrative expenses	100,237	52.4	102,680	49.8	(2,443)	(2.4)
Operating income	14,072	7.4	16,398	7.9	(2,326)	(14.2)
Non-operating income	4,450	2.3	4,768	2.3	(318)	(6.7)
Interest income	296		445		(149)	
Interest on securities	474		291		183	
Dividend income	929		1,084		(155)	
Income from real estate rental	1,156		1,148		8	
Royalty income	1,087		643		444	
Other income	506		1,153		(647)	
Non-operating expenses	3,504	1.8	3,502	1.6	2	0.1
Interest expense	104		193		(89)	
Interest on bonds	400		397		3	
Contributions	956		770		186	
Loss on disposal of inventories	606		1,072		(466)	
Loss on disposal of property, plant and equipment	647		387		260	
Exchange loss	426		-		426	
Other expenses	362		679		(317)	
Ordinary income	15,019	7.9	17,663	8.6	(2,644)	(15.0)
Extraordinary income	154	0.0	4,546	2.2	(4,392)	(96.6)
Gain on sales of investments in securities	146		-		146	
Gain on sales of subsidiary's securities	7		239		(232)	
Gain on sales of investment in an affiliate	-		2,705		(2,705)	
Gain on sales of business	-		1,601		(1,601)	
Extraordinary loss	7,489	3.9	1,686	0.8	5,803	344.2
Costs related to outplacement support	3,013		-		3,013	
Loss on liquidation of a consolidated subsidiary	2,355		-		2,355	
Additional payments of retirement benefits	961		-		961	
Loss on revaluation of investments in securities	663		141		522	
Loss on sales of subsidiary's securities	450		-		450	
Loss on transfer of investments in securities	44		-		44	
Loss on related to sales of business	-		1,481		(1,481)	
Loss on liquidation of business	-		63		(63)	
Income before income taxes	7,684	4.0	20,523	10.0	(12,839)	(62.6)
Income taxes, current	5,050	2.6	13,640	6.6	(8,590)	
Income taxes, deferred	(821)	(0.4)	(3,755)	(1.8)	2,934	
Net income	3,456	1.8	10,639	5.2	(7,183)	(67.5)
Retained earnings brought forward	3,273		5,568		(2,295)	
Interim dividends	1,491		1,492		(1)	
Unappropriated retained earnings at the end of the year	5,237		14,715		(9,478)	

Non-consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	Period	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Assets)			%		%	
Current assets						
Cash and deposits		68,020		69,226		(1,206)
Notes receivable		1,037		7,297		(6,260)
Accounts receivable – trade		70,934		65,917		5,017
Marketable securities		2,259		2,206		53
Merchandise		4,326		4,930		(604)
Finished goods		11,328		13,025		(1,697)
Raw materials		6,910		6,598		312
Semifinished goods		5,771		8,046		(2,275)
Work in process		7,770		6,915		855
Supplies		1,015		878		137
Deferred income taxes		4,349		3,800		549
Accounts receivable, other		4,528		4,249		279
Short-term loans receivable		12,324		6,495		5,829
Other current assets		2,786		2,589		197
Allowance for doubtful accounts		(727)		(799)		72
Total current assets		202,634	57.6	201,378	54.2	1,256
Fixed assets:						
Property, plant and equipment:						
Buildings		24,525		25,148		(623)
Structures		1,665		1,765		(100)
Machinery and equipment		11,508		12,214		(706)
Vehicles		68		82		(14)
Tools, furniture and fixtures		5,029		4,521		508
Land		9,696		9,696		0
Constructions in progress		1,754		2,961		(1,207)
Property, plant and equipment, net		54,248	15.4	56,389	15.2	(2,141)
Software		3,614		2,114		1,500
Others		361		278		83
Total intangible fixed assets		3,976	1.2	2,393	0.6	1,583
Investments and other assets:						
Investments in securities		66,566		75,119		(8,553)
Investments in subsidiaries' and affiliates' securities		16,102		24,470		(8,368)
Long-term deposits		138		145		(7)
Investments in affiliates		701		2,957		(2,256)
Long-term loans receivable		331		43		288
Long-term loans receivable to employees		315		386		(71)
Long-term loans receivable to subsidiaries		795		6,200		(5,405)
Long-term prepaid expenses		775		796		(21)
Deferred income taxes		3,592		-		3,592
Other assets		1,495		1,577		(82)
Allowance for doubtful accounts		(119)		(124)		5
Total investments and other assets		90,693	25.8	111,573	30.0	(20,880)
Total fixed assets		148,919	42.4	170,357	45.8	(21,438)
Total assets		351,554	100.0	371,735	100.0	(20,181)

Non-consolidated Balance Sheets

(Liabilities and shareholders' equity)

(Units: millions of yen)

Account	Period	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Liabilities)			%		%	
Current liabilities:						
Notes payable		-		6,061		(6,061)
Accounts payable		11,090		8,031		3,059
Short-term bank loans		7,350		7,900		(550)
Current portion of long-term debt		26		32		(6)
Accounts payable, other		3,139		2,406		733
Accrued expenses		6,146		6,351		(205)
Accrued income taxes		3,221		7,215		(3,994)
Deposits received		5,857		5,992		(135)
Reserve for bonuses		7,350		8,300		(950)
Reserve for sales rebates		634		575		59
Reserve for losses on sales		93		103		(10)
Notes payable for construction		-		1,206		(1,206)
Other current liabilities		21		53		(32)
Total current liabilities		44,931	12.8	54,230	14.5	(9,299)
Long-term liabilities:						
Bonds		20,000		20,000		0
Long-term debt		1,011		1,071		(60)
Deferred income taxes		-		1,460		(1,460)
Accrued retirement benefits		25,205		27,780		(2,575)
Accrued retirement benefits for directors and statutory auditors		416		450		(34)
Other long-term liabilities		19		12		7
Total long-term liabilities		46,652	13.3	50,775	13.7	(4,123)
Total liabilities		91,583	26.1	105,006	28.2	(13,423)
(Shareholders' equity)						
Common stock		-	-	21,279	5.7	(21,279)
Additional paid-in capital		-	-	20,227	5.5	(20,227)
Legal reserve		-	-	5,319	1.4	(5,319)
Retained earnings		-	-	208,906	56.2	(208,906)
Reserves:		-		194,190		(194,190)
Special depreciation		-		516		(516)
Deferred capital gain on property		-		29		(29)
General reserve		-		193,645		(193,645)
Unappropriated retained earnings		-		14,715		(14,715)
Unrealized gain on securities		-	-	11,110	3.0	(11,110)
Less: Treasury stock		-	-	(114)	(0.0)	114
Total shareholders' equity		-	-	266,729	71.8	(266,729)
Common stock		21,279	6.0	-	-	21,279
Additional paid-in capital		20,227	5.8	-	-	20,227
Additional paid-in capital		20,227		-		20,227
Retained earnings		214,618	61.0	-	-	214,618
Legal reserve		5,319		-		5,319
Reserves:		204,061		-		204,061
Special depreciation		387		-		387
Deferred capital gain on property		28		-		28
General reserve		203,645		-		203,645
Unappropriated retained earnings		5,237		-		5,237
Unrealized gain on securities		4,659	1.3	-	-	4,659
Less: Treasury stock		(814)	(0.2)	-	-	(814)
Total shareholders' equity		259,970	73.9	-	-	259,970
Total liabilities and shareholders' equity		351,554	100.0	371,735	100.0	(20,181)

Proposed Appropriations of Retained Earnings

(Units: millions of yen)

Account \ Period	Year ended March 31, 2003	Year ended March 31, 2002	Increase (Decrease)
Unappropriated retained earnings	5,237	14,715	(9,478)
Reversal of special depreciation reserve	121	128	(7)
Reversal of reserve for deferred capital gain on property	0	0	(0)
Total	5,359	14,845	(9,486)
Appropriations			
Dividends	1,490 (4.25 yen per share)	1,492 (4.25 yen per share)	(2)
Bonuses to directors and statutory auditors	80	80	0
(Directors)	(76.5)	(76.5)	0
(Statutory auditors)	(3.5)	(3.5)	0
General reserve	1,000	10,000	(9,000)
Total appropriations	2,570	11,572	(9,002)
Retained earnings brought forward to the next year	2,789	3,273	(484)

Notes: An interim dividends payment of ¥1,491 million (¥4.25 per share) was made on December 2, 2002.

Notes to non-consolidated financial statements

1. Significant accounting policies

(1) Basis and method of significant asset evaluation

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
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

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]
Intangible fixed assets	----- Straight-line method
	[Expenditures relating to computer software intended for internal use are 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

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.

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.

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.

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.

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.

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

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.

Hedging instruments and hedged items

a. Hedging instruments ----- Forward foreign exchange contracts

b. Hedged items ----- Receivables and payables denominated in foreign currencies

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) Other significant accounting policies

Consumption tax

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

Accounting standards for treasury stock and reversal of legal reserve

Effective the year ended March 31, 2003, the Company has adopted Financial Accounting Standard No.1, "Accounting Standards for Treasury Stock and Reversal of Legal Reserve." The adoption of this standard had no effect on the statements of operations for the year ended March 31, 2003.

In accordance with an amendment to the "Regulations for Preparation of Financial Statements," shareholders' equity in the balance sheet at March 31, 2003 has been presented in accordance with the amended regulation.

Amounts per share

Effective the year ended March 31, 2003, the Company has adopted Financial Accounting Standard No.2, "Accounting Standards for Earnings per share" and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standards for Earnings per Share." The effect of the adoption of these standards has been disclosed in "Amounts per Share."

[Notes to unconsolidated statements of income]	[As of March 31, 2003]	[As of March 31, 2002]
1. Transaction to affiliated companies	Million yen	Million yen
Net sales	41,875	78,021
Income from real estate rental	1,076	1,060
2. The major items and amounts included in sales, general and administrative expenses were as follows:		
Advertising	4,911 Million yen	5,316 Million yen
Sales promotional activities	10,074	8,844
Salaries	17,148	17,582
Provision for reserve for bonuses	7,891	8,765
Provision for retirement benefits	5,616	4,654
Provision for retirement benefits for directors and statutory auditors	99	18
Depreciation	970	841
R & D expenses	31,175 Million yen	30,375 Million yen
(R&D expenses above include following amounts provided to reserves and depreciation:)		
Provision for reserve for bonuses	3,712 Million yen	4,106 Million yen
Provision for retirement benefits	1,853	2,032
Depreciation	2,523	2,305

[Notes to unconsolidated balance sheets]	[As of March 31, 2003]	[As of March 31, 2002]
1. Receivables and Obligations to affiliated companies		
Notes receivable	- Million yen	66 Million yen
Accounts receivable-trade	7,315	28,789
Accounts receivables, other	646	3,891
Short-term loans receivable	12,324	6,495
2. Accumulated depreciation of property, plant and equipment	141,617 Million yen	142,085 Million yen
3. Shares		
Number of authorized shares-----Common stock 1,000,000 thousands shares.		
At March 31,2003, the number of shares of common stocks in issue was 351,136 thousand shares.		
4. The number of shares of treasury stocks held by the Company at March 31, 2003 was 495 thousands shares of common stocks.		
5. Guaranteed liabilities	267 Million yen	3,832 Million yen
6. 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	116 Million yen	300 Million yen
Liabilities secured by the above assets		
Long-term loans payable	725 Million yen	725 Million yen
7. 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 was a bank holiday, 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	Million yen	766 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, 2003]	[As of March 31, 2002]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties		
Acquisition cost equivalent	253 Million yen	281 Million yen
Accumulated depreciation equivalent	125	78
Term-end balance	128 Million yen	203 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	47 Million yen	57 Million yen
Exceeding one year	80	146
Total	128 Million yen	203 Million yen
3. Lease payments and accumulated depreciation equivalent		
Lease payments	48 Million yen	158 Million yen
Accumulated depreciation equivalent	48 Million yen	158 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>	<p>The same as at left</p>

(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, 2003			As of March 31, 2002		
	Value reported in balance sheet	Market price	Difference	Value reported in balance sheet	Market price	Difference
(1) Subsidiaries' stock	-	-	-	-	-	-
(2) Affiliates' stock	20	402	382	20	367	346
Total	20	402	382	20	367	346

[Notes to tax effects]

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

	<u>As of March 31, 2003</u>	<u>(Units: millions of yen)</u> <u>As of March 31, 2002</u>
(1) Current:		
Deferred tax assets:		
Accrued bonuses	2,572	2,323
Accrued enterprise tax	301	661
Allowance for doubtful accounts	273	256
Reserve for sales rebates	266	242
Other	1,005	318
Total deferred tax assets	<u>4,419</u>	<u>3,801</u>
Deferred tax liabilities:	(70)	(0)
Net deferred tax assets	<u>4,349</u>	<u>3,800</u>
(2) Non-current:		
Deferred tax assets:		
Excess of cost over retirement benefits	5,652	4,611
Retirement benefits for directors and statutory auditors	171	189
Depreciation of computer software	121	195
Loss on revaluation of investments in securities	541	289
Research and development expenses	-	1,317
Other	534	281
Total deferred tax assets	<u>7,021</u>	<u>6,885</u>
Deferred tax liabilities:		
Unrealized gain on other securities	(3,223)	(8,044)
Special depreciation	(186)	(280)
Other	(19)	(20)
Total deferred tax liabilities	<u>(3,429)</u>	<u>(8,345)</u>
Net deferred tax assets (liabilities)	<u>3,592</u>	<u>(1,460)</u>

2. The effective tax rates for the years ended March 31, 2003 and 2002 differ from the statutory tax rate above for the following reasons:

	<u>As of March 31, 2003</u>	<u>As of March 31, 2002</u>
Statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	17.0	7.3
Dividends not taxable for income tax purpose	(3.1)	(1.7)
Inhabitants' per capita taxes	1.6	0.6
Tax credit	(2.4)	-
Decrease in deferred tax assets at end of year due to change in statutory tax rate	1.5	-
Other	(1.6)	0.0
Effective tax rates	<u>55.0%</u>	<u>48.2%</u>

[Amounts per share]

	Year ended March 31,2003	(Units: yen) Year ended March 31,2002
Shareholders' equity per share	741.19	759.74
Earnings per share	9.62	30.30

Effective the year ended March 31, 2003, the Company has adopted Financial Accounting Standard No.2, "Accounting Standards for Earnings per Share" and Financial Accounting Standard Implementation Guidance No.4, "Implementation Guidance for Accounting Standards for Earnings per Share."

If the Company had adopted these standards and its implementation guidance for the year ended March 31, 2002, the information per share is as follows:

	(Units: yen) Year ended March 31,2002
Shareholders' equity per share	759.51
Earnings per share	30.07

(Notes)

1. Net income after giving effect to the diluted potential of common stocks has not been presented since there are no such potential shares to be issued.
2. Information for the computation of net income per share is as follows.

	Year ended March 31,2003	Year ended March 31,2002
Earnings per share (yen)	9.62	-
Net income (millions of yen)	3,456	-
The amount which is not attributable to ordinary shareholders (millions of yen) (Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	80 (80)	- -
Net income related to common stocks (millions of yen)	3,376	-
Average number of shares outstanding during the period (thousands of stocks)	350,891	-