

Interim Financial Statements (Non-consolidated) for The Year Ending March 31, 2004

November 10, 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
Contact responsibility: Title of Person in Charge: General Manager, Public Relations Unit

Name: Motozo Shiono
Name: Hiromichi Yoshino

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Date of Meeting of Board of Directors for Approving Financial Statements: November 10, 2003
Commencement of Interim Dividend Payment: December 1, 2003

Interim Dividend System: Available

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

1. Financial results for the period from April 1, 2003 to September 30, 2003

(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, 2003	89,958	(2.8)	5,583	(0.1)	5,508	(3.0)
Six months ended September 30, 2002	92,560	(11.0)	5,590	(23.5)	5,680	(32.0)
Year ended March 31, 2003	191,155	(7.4)	14,072	(14.2)	15,019	(15.0)

	Net income (loss)		Earnings (loss) per share
	Million yen	%	Yen
Six months ended September 30, 2003	(3,231)	---	(9.34)
Six months ended September 30, 2002	887	(80.0)	2.53
Year ended March 31, 2003	3,456	(67.5)	9.62

(Notes) [1] Average number of shares outstanding during the period
Six months ended September 30, 2003: 345,935,172 shares
Six months ended September 30, 2002: 351,038,152 shares
Year ended March 31, 2003: 350,891,488 shares

[2] Changes in accounting method: Yes

[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

	Interim dividend per share	Annual dividend per share
	Yen	Yen
Six months ended September 30, 2003	4.25	---
Six months ended September 30, 2002	4.25	---
Year ended March 31, 2003	---	8.50

(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 September 30, 2003	375,862	274,630	73.1	793.95
As of September 30, 2002	367,279	267,997	73.0	763.54
As of March 31, 2003	351,554	259,970	73.9	741.19

(Notes) [1] Shares outstanding as of the period end
As of September 30, 2003: 345,903,682 shares
As of September 30, 2002: 350,994,002 shares
As of March 31, 2003: 350,640,718 shares

[2] Treasury stocks held as of the period end
As of September 30, 2003: 5,232,483 shares
As of September 30, 2002: 142,163 shares
As of March 31, 2003: 495,447 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	
				Year-end dividend per share	Yen
For the year ending March 31, 2004	191,900	21,000	4,200	4.25	8.50

(Reference) Estimated earnings per share for FY 2004: ¥12.14

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

Note: These estimates on November 10, 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 7.

Interim Non-consolidated Statements of Income

(Units: millions of yen)

Account	Six months ended September 30, 2003		Six months ended September 30, 2002		Increase (decrease)	Year ended March 31, 2003	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
Net sales	89,958	100.0	92,560	100.0	(2,602)	191,155	100.0
Cost of sales	36,211	40.3	38,125	41.2	(1,914)	76,845	40.2
Gross profit	53,747	59.7	54,435	58.8	(688)	114,310	59.8
Selling, general and administrative expenses	48,164	53.5	48,844	52.8	(680)	100,237	52.4
Operating income	5,583	6.2	5,590	6.0	(7)	14,072	7.4
Non-operating income	2,229	2.5	2,038	2.2	191	4,450	2.3
Interest income	142		149		(7)	296	
Interest on securities	289		237		52	474	
Dividend income	574		661		(87)	929	
Income from real estate rental	1,030		605		425	1,156	
Other income	192		384		(192)	1,594	
Non-operating expenses	2,304	2.6	1,948	2.1	356	3,504	1.8
Interest expense	44		54		(10)	104	
Interest on bonds	202		202		--	400	
Contributions	564		526		38	956	
Loss on revaluation of inventories	299		--		299	--	
Loss on disposal of inventories	262		221		41	606	
Other expenses	932		943		(11)	1,436	
Ordinary income	5,508	6.1	5,680	6.1	(172)	15,019	7.9
Extraordinary income	--	--	154	0.2	(154)	154	0.0
Gain on sales of investments in securities	--		154		(154)	154	
Extraordinary loss	10,270	11.4	3,940	4.2	6,330	7,489	3.9
Costs related to outplacement support	6,542		--		6,542	3,013	
Additional retirement benefits	3,630		904		2,726	961	
Loss on revaluation of investments in securities	97		2,541		(2,444)	663	
Loss on sales of investments in securities	--		450		(450)	450	
Loss on transfer of investments in securities	--		44		(44)	44	
Loss on liquidation of a consolidated subsidiary	--		--		--	2,355	
Income (loss) before income taxes	(4,761)	(5.3)	1,893	2.1	(6,654)	7,684	4.0
Income taxes, current	63	0.1	1,960	2.1	(1,897)	5,050	2.6
Income taxes, deferred	(1,593)	(1.8)	(953)	(1.0)	(640)	(821)	(0.4)
Net income (loss)	(3,231)	(3.6)	887	1.0	(4,118)	3,456	1.8
Retained earnings brought forward	2,789		3,273		(484)	3,273	
Interim dividends	--		--		--	1,491	
Unappropriated retained earnings taken over upon the merger	12,848		--		12,848	--	
Unappropriated earnings at the end of the period	12,407		4,160		8,247	5,237	

Interim Non-consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	Period	As of September 30, 2003		As of March 31, 2003		Increase (decrease)	As of September 30, 2002	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Assets)			%		%			%
Current assets								
Cash and deposits		80,194		68,020		12,174	66,939	
Notes receivable		807		1,037		(230)	3,251	
Accounts receivable - trade		65,864		70,934		(5,070)	65,533	
Inventories		35,604		37,121		(1,517)	38,921	
Other current assets		28,377		26,248		2,129	18,577	
Allowance for doubtful accounts		(783)		(727)		(56)	(800)	
Total current assets		210,065	55.9	202,634	57.6	7,431	192,422	52.4
Fixed assets:								
Property, plant and equipment:								
Buildings		28,232		24,525		3,707	24,874	
Other		30,478		29,722		756	31,248	
Property, plant and equipment, net		58,710	15.6	54,248	15.4	4,462	56,122	15.3
Intangible fixed assets		4,093	1.1	3,976	1.2	117	3,157	0.8
Investments and other assets:								
Investments in securities		98,418		82,668		15,750	102,879	
Other assets		4,697		8,144		(3,447)	12,824	
Allowance for doubtful accounts		(122)		(119)		(3)	(126)	
Total investments and other assets		102,993	27.4	90,693	25.8	12,300	115,576	31.5
Total fixed assets		165,797	44.1	148,919	42.4	16,878	174,857	47.6
Total assets		375,862	100.0	351,554	100.0	24,308	367,279	100.0

Interim Non-consolidated Balance Sheets

(Liabilities and shareholders' equity)

(Units: millions of yen)

Account	Period	As of September 30, 2003		As of March 31, 2003		Increase (decrease)	As of September 30, 2002	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Liabilities)			%		%			%
Current liabilities:								
Notes payable		--		--		--	7,596	
Accounts payable		9,312		11,090		(1,778)	9,022	
Short-term loans		8,101		7,376		725	7,379	
Accounts payable, other		25,432		3,181		22,251	2,689	
Reserve for bonuses		6,459		7,350		(891)	7,626	
Other reserves		667		727		(60)	772	
Other current liabilities		9,476		15,204		(5,728)	13,100	
Total current liabilities		59,448	15.8	44,931	12.8	14,517	48,185	13.1
Long-term liabilities:								
Bonds		20,000		20,000		--	20,000	
Deferred income taxes		3,600		--		3,600	2,038	
Accrued retirement benefits for employees		16,781		25,205		(8,424)	27,641	
Other reserves		439		416		23	366	
Other long-term liabilities		961		1,030		(69)	1,049	
Total long-term liabilities		41,782	11.1	46,652	13.3	(4,870)	51,096	13.9
Total liabilities		101,231	26.9	91,583	26.1	9,648	99,281	27.0
(Shareholders' equity)								
Common stock		21,279	5.6	21,279	6.0	--	21,279	5.8
Additional paid-in capital		20,227	5.4	20,227	5.8	--	20,227	5.5
Additional paid-in capital		20,227		20,227		--	20,227	
Earned Surplus		222,734	59.3	214,618	61.0	8,116	213,542	58.1
Legal reserve		5,388		5,319		69	5,319	
Reserves		204,938		204,061		877	204,061	
Unappropriated retained earnings		12,407		5,237		7,170	4,160	
Unrealized gain on securities		11,627	3.1	4,659	1.3	6,968	13,192	3.6
Less: Treasury stock		(1,238)	(0.3)	(814)	(0.2)	(424)	(243)	(0.0)
Total shareholders' equity		274,630	73.1	259,970	73.9	14,660	267,997	73.0
Total liabilities and shareholders' equity		375,862	100.0	351,554	100.0	24,308	367,279	100.0

Notes to interim non-consolidated financial statements

1. Basis and method of 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 another 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

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 fixed 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

[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. Basis for providing 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

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 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 lease transactions

Finance leases other than those under which the leased property is deemed transferred to the lessee are accounted for as operating leases.

5. 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.

6. Consumption tax

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

[Change of accounting method]

Through the year ended March 31, 2003, the profit derived from license fees on royalties had been presented as royalty income included in other income in non-consolidated non-operating income. However, these fees are a portion of the results of major operating activities and this profit is expected to increase in the future assuming an increase in the active usage of the Company's intellectual property. As the materiality of this amount is increasing, effective the six months ended September 30, 2003, the Company has included profit on license fees as royalty income in non-consolidated net sales in order to achieve a more accurate presentation of non-consolidated profit and loss appropriately. As a result of this change, net sales and operating income increased by ¥265 million and non-operating income decreased by ¥265 million in comparison with the amounts which would have been recorded if the presentation had been the same as that of the prior year. This change, however, had no effect on non-consolidated ordinary income.

[Notes to interim non-consolidated statements of income]	[Six months ended September 30, 2003]	[Six months ended September 30, 2002]	[Year ended March 31, 2003]
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1. The major items and amounts included in sales, general and administrative expenses were as follows:

Advertising	2,445	Millions of yen	2,612	Millions of yen	4,911	Millions of yen
Sales promotional activities	4,293		4,010		10,074	
Salaries	8,103		8,804		17,148	
Provision for reserve for bonuses	3,757		4,017		7,891	
Provision for retirement benefits	3,271		2,655		5,616	
R & D expenses	14,385	Millions of yen	14,878	Millions of yen	31,175	Millions of yen
(R&D expenses above include following amounts provided as reserves and depreciation:)						
Provision for reserve for bonuses	1,573	Millions of yen	1,860	Millions of yen	3,712	Millions of yen
Provision for retirement benefits	1,151		943		1,853	

2. Depreciation for the period

Property, plant and equipment	3,258	Millions of yen	3,416	Millions of yen	7,133	Millions of yen
Intangible fixed assets	529		353		734	

[Notes to interim non-consolidated balance sheets]	[As of September 30, 2003]	[As of March 31, 2003]	[As of September 30, 2002]
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1. Accumulated depreciation of property, plant and equipment	150,014	Millions of yen	141,617	Millions of yen	142,511	Millions of yen
2. Guaranteed liabilities	335	Millions of yen	267	Millions of yen	10,457	Millions of yen
3. Pledged assets and secured liabilities						

Assets listed below have been pledged as collateral for loans:

Book value of pledged assets						
Investment securities	253	Millions of yen	116	Millions of yen	371	Millions of yen
Liabilities secured by the above assets						
Short-term loans payable	725	Millions of yen	--	Millions of yen	--	Millions of yen
Long-term loans payable	--		725		725	

4. Consumption tax

Consumption tax paid and consumption tax received are netted and the amount is included in accounts payable, other.

[Notes to lease transactions]

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

	[Six months ended September 30, 2003]	[Year ended March 31, 2003]	[Six months ended September 30, 2002]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties			
Acquisition cost equivalent	264 Millions of yen	253 Millions of yen	253 Millions of yen
Accumulated depreciation equivalent	150	125	101
Period-end balance	114 Millions of yen	128 Millions of yen	152 Millions of yen
* Tools and furniture account for most of the above balances.			
2. Breakdown of period-end balance equivalent of unexpired leases			
Within one year	49 Millions of yen	47 Millions of yen	47 Millions of yen
Exceeding one year	64	80	104
Total	114 Millions of yen	128 Millions of yen	152 Millions of yen
3. Lease payments and depreciation equivalent			
Lease payments	24 Millions of yen	48 Millions of yen	24 Millions of yen
Depreciation equivalent	24 Millions of yen	48 Millions of yen	24 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 interest paid.

Notes to securities:

Stocks of subsidiaries and affiliates with available quoted market prices

(Units: millions of yen)

	As of September 30, 2003			As of March 31, 2003			As of September 30, 2002		
	Value reported in interim balance sheet	Market price	Difference	Value reported in annual balance sheet	Market price	Difference	Value reported in interim balance sheet	Market price	Difference
(1) Subsidiaries' stock	--	--	--	--	--	--	--	--	--
(2) Affiliates' stock	--	--	--	20	402	382	20	370	349
Total	--	--	--	20	402	382	20	370	349

(Amounts per share)

	[Six months ended September 30, 2003]	[Six months ended September 30, 2002]	[Year ended March 31, 2003]
Shareholders' equity per share	793.95 Yen	763.54 Yen	741.19 Yen
Earnings(loss) per share	(9.34)	2.53	9.62

(Notes)

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

	[Six months ended September 30, 2003]	[Six months ended September 30, 2002]	[Year ended March 31, 2003]
Net income(loss)	(3,231) Millions of yen	887 Millions of yen	3,456 Millions of yen
The amount which is not attributable to ordinary shareholders (Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	--	--	80
Net income (loss) related to common stocks	(3,231)	887	3,376
Average number of shares outstanding during the period	345,935 Thousands of stocks	351,038 Thousands of stocks	350,891 Thousands of stocks