



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

May 17, 2004

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
TEL: (06)6202-2161

Date of Meeting of Board of Directors for Approving Financial Statements: May 17, 2004
Date of Regular General Meeting of the Share holders: June 29, 2004

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

1. Financial results for the period from April 1, 2003 to March 31, 2004

(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, 2004	183,274	(4.1)	16,168	14.9	15,458	2.9
Year ended March 31, 2003	191,155	(7.4)	14,072	(14.2)	15,019	(15.0)

	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, 2004	1,335	(61.3)	3.63	----	0.5	4.3	8.4
Year ended March 31, 2003	3,456	(67.5)	9.62	----	1.3	4.2	7.9

(Notes) Average number of shares outstanding during the period
Year ended March 31, 2004: 345,902,642 shares
Year ended March 31, 2003: 350,891,488 shares

Changes in accounting method: Yes

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
	Interim	Year end				
	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2004	8.50	4.25	4.25	2,939	234.2	1.0
Year ended March 31, 2003	8.50	4.25	4.25	2,981	88.4	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, 2004	366,113	286,468	78.2	828.07
As of March 31, 2003	351,554	259,970	73.9	741.19

(Notes) Shares outstanding as of the period end
As of March 31, 2004: 345,850,340 shares
As of March 31, 2003: 350,640,718 shares

Treasury stocks held as of the period end
As of March 31, 2004: 5,285,825 shares
As of March 31, 2003: 495,447 shares

2. Forecasted results for the year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

	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, 2004	87,500	7,000	6,000	4.25	----	----
For the year ending March 31, 2005	185,500	25,000	17,000	----	4.25	8.50

(Reference) Estimated earnings per share (for the year ending March 31, 2005): ¥49.15

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 17, 2004 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, 2004		Year ended March 31, 2003		Increase (decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Net sales	183,274	100.0	191,155	100.0	(7,881)	(4.1)
Cost of sales	70,754	38.6	76,845	40.2	(6,091)	(7.9)
Gross profit	112,519	61.4	114,310	59.8	(1,791)	(1.6)
Selling, general and administrative expenses	96,351	52.6	100,237	52.4	(3,886)	(3.9)
Operating income	16,168	8.8	14,072	7.4	2,096	14.9
Non-operating income	4,256	2.3	4,450	2.3	(194)	(4.4)
Interest income	255		296		(41)	
Interest on securities	520		474		46	
Dividend income	1,035		929		106	
Income from real estate rental	2,055		1,156		899	
Other income	390		1,594		(1,204)	
Non-operating expenses	4,966	2.7	3,504	1.8	1,462	41.7
Interest expense	85		104		(19)	
Interest on bonds	401		400		1	
Contributions	1,091		956		135	
Loss on disposal of inventories	706		606		100	
Other expenses	2,681		1,436		1,245	
Ordinary income	15,458	8.4	15,019	7.9	439	2.9
Extraordinary income	16	0.0	154	0.0	(138)	(89.6)
Gain on sales of subsidiary's securities	13		7		6	
Gain on sales of investments in securities	2		146		(144)	
Extraordinary loss	12,192	6.6	7,489	3.9	4,703	62.8
Costs related to outplacement support	7,081		3,013		4,068	
Additional retirement benefits	3,652		961		2,691	
Loss on revaluation of investments in securities	99		663		(564)	
Loss on liquidation of a consolidated subsidiary	--		2,355		(2,355)	
Loss on sales of subsidiary's securities	--		450		(450)	
Loss on transfer of investments in securities	--		44		(44)	
Other losses	1,357		--		1,357	
Income before income taxes	3,282	1.8	7,684	4.0	(4,402)	(57.3)
Income taxes, current	1,130	0.6	5,050	2.6	(3,920)	
Income taxes, deferred	816	0.5	(821)	(0.4)	1,637	
Net income	1,335	0.7	3,456	1.8	(2,121)	(61.3)
Retained earnings brought forward	2,789		3,273		(484)	
Interim dividends	1,470		1,491		(21)	
Unappropriated retained earnings taken over upon the merger	12,848		--		12,848	
Unappropriated retained earnings at the end of the year	15,504		5,237		10,267	

Non-consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	Period	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Assets)			%		%	
Current assets						
Cash and deposits		64,971		68,020		(3,049)
Notes receivable		838		1,037		(199)
Accounts receivable – trade		67,003		70,934		(3,931)
Marketable securities		23,039		2,259		20,780
Merchandise		3,616		4,326		(710)
Finished goods		7,037		11,328		(4,291)
Raw materials		5,581		6,910		(1,329)
Semifinished goods		5,273		5,771		(498)
Work in process		7,399		7,770		(371)
Supplies		999		1,015		(16)
Deferred income taxes		4,178		4,349		(171)
Accounts receivable, other		3,374		4,528		(1,154)
Short-term loans receivable		6,378		12,324		(5,946)
Other current assets		2,226		2,786		(560)
Allowance for doubtful accounts		(909)		(727)		(182)
Total current assets		201,008	54.9	202,634	57.6	(1,626)
Fixed assets:						
Property, plant and equipment:						
Buildings		27,632		24,525		3,107
Structures		1,593		1,665		(72)
Machinery and equipment		11,001		11,508		(507)
Vehicles		95		68		27
Tools, furniture and fixtures		4,890		5,029		(139)
Land		11,048		9,696		1,352
Constructions in progress		1,038		1,754		(716)
Property, plant and equipment, net		57,301	15.7	54,248	15.4	3,053
Software		3,623		3,614		9
Others		395		361		34
Total intangible fixed assets		4,018	1.1	3,976	1.2	42
Investments and other assets:						
Investments in securities		74,421		66,655		7,766
Investments in subsidiaries' and affiliates' securities		20,066		16,013		4,053
Long-term deposits		132		138		(6)
Investments in affiliates		965		701		264
Long-term loans receivable		12		331		(319)
Long-term loans receivable to employees		223		315		(92)
Long-term loans receivable to subsidiaries		5,904		795		5,109
Long-term prepaid expenses		1,017		775		242
Deferred income taxes		--		3,592		(3,592)
Other assets		1,166		1,495		(329)
Allowance for doubtful accounts		(124)		(119)		(5)
Total investments and other assets		103,785	28.3	90,693	25.8	13,092
Total fixed assets		165,104	45.1	148,919	42.4	16,185
Total assets		366,113	100.0	351,554	100.0	14,559

Non-consolidated Balance Sheets

(Liabilities and shareholders' equity)

(Units: millions of yen)

Account	Period	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Liabilities)			%		%	
Current liabilities:						
Accounts payable		9,375		11,090		(1,715)
Short-term bank loans		--		7,350		(7,350)
Current portion of long-term debt		743		26		717
Accounts payable, other		6,163		3,139		3,024
Accrued expenses		4,980		6,146		(1,166)
Accrued income taxes		1,003		3,221		(2,218)
Deposits received		3,647		5,857		(2,210)
Reserve for bonuses		5,862		7,350		(1,488)
Reserve for sales rebates		620		634		(14)
Reserve for losses on sales		89		93		(4)
Other current liabilities		11		21		(10)
Total current liabilities		32,496	8.9	44,931	12.8	(12,435)
Long-term liabilities:						
Bonds		20,000		20,000		0
Long-term debt		174		1,011		(837)
Deferred income taxes		7,753		--		7,753
Accrued retirement benefits		18,051		25,205		(7,154)
Accrued retirement benefits for directors and statutory auditors		462		416		46
Other long-term liabilities		707		19		688
Total long-term liabilities		47,148	12.9	46,652	13.3	496
Total liabilities		79,644	21.8	91,583	26.1	(11,939)
(Shareholders' equity)						
Common stock		21,279	5.8	21,279	6.0	0
Additional paid-in capital		20,227	5.5	20,227	5.8	0
Additional paid-in capital		20,227		20,227		0
Retained earnings		225,831	61.7	214,618	61.0	11,213
Legal reserve		5,388		5,319		69
Reserves:		204,938		204,061		877
Special depreciation		266		387		(121)
Deferred capital gain on property		27		28		(1)
General reserve		204,645		203,645		1,000
Unappropriated retained earnings		15,504		5,237		10,267
Unrealized gain on securities		20,473	5.6	4,659	1.3	15,814
Less: Treasury stock		(1,343)	(0.4)	(814)	(0.2)	(529)
Total shareholders' equity		286,468	78.2	259,970	73.9	26,498
Total liabilities and shareholders' equity		366,113	100.0	351,554	100.0	14,559

Proposed Appropriations of Retained Earnings

(Units: millions of yen)

Account \ Period	Year ended March 31, 2004	Year ended March 31, 2003	Increase (Decrease)
Unappropriated retained earnings	15,504	5,237	10,267
Reversal of special depreciation reserve	--	121	(121)
Reversal of reserve for deferred capital gain on property	0	0	0
Total	15,504	5,359	10,145
Appropriations			
Dividends	1,469 (4.25 yen per share)	1,490 (4.25 yen per share)	(21)
Bonuses to directors and statutory auditors	80	80	0
(Directors)	(76.5)	(76.5)	0
(Statutory auditors)	(3.5)	(3.5)	0
Special depreciation reserve	189	--	189
General reserve	10,000	1,000	9,000
Total appropriations	11,739	2,570	9,169
Retained earnings brought forward to the next year	3,765	2,789	976

Notes: An interim dividends payment of ¥1,470 million (¥4.25 per share) was made on December 1, 2003.

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
Investments in subsidiaries and affiliates	-----	At cost determined by the moving average method
Other securities		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 available	-----	
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, 5 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.

(Additional information)

The Company transfers a certain portion of its retirement benefit plans to a defined contribution pension plan in April 2004. With respect to this transfer, the Company will adopt "Accounting for Transfers Among Retirement Benefit Plans" ("Financial Accounting Standard Implementation Guidance No. 1"). The effect of the adoption of this accounting standard is projected to generate gain of 3,563 million yen for the year ending March 31, 2005.

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.

[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 year ended March 31, 2004, 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 ¥1,244 million and non-operating income decreased by ¥1,244 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 unconsolidated statements of income]

[Year ended March 31,2004]

[Year ended March 31,2003]

1. Transaction to affiliated companies		Million yen		Million yen
Net sales	--		41,875	
Income from real estate rental	1,672		1,076	
Dividend income	529		541	
2. The major items and amounts included in sales, general and administrative expenses were as follows:				
Advertising	4,434	Million yen	4,911	Million yen
Sales promotional activities	9,632		10,074	
Salaries	20,263		17,148	
Provision for reserve for bonuses	3,577		7,891	
Provision for retirement benefits	6,146		5,616	
Provision for retirement benefits for directors and statutory auditors	46		99	
Depreciation	1,188		970	
R & D expenses	29,498	Million yen	31,175	Million yen
(R&D expenses above include following amounts provided to reserves and depreciation:)				
Provision for reserve for bonuses	1,438	Million yen	3,712	Million yen
Provision for retirement benefits	2,271		1,853	
Depreciation	2,401		2,523	

[Notes to unconsolidated balance sheets]

[As of March 31, 2004]

[As of March 31, 2003]

1. Receivables and Obligations to affiliated companies				
Accounts receivable-trade	5,505	Million yen	7,315	Million yen
Short-term loans receivable	6,378		12,324	
2. Accumulated depreciation of property, plant and equipment	148,765	Million yen	141,617	Million yen
3. Shares				
Number of authorized shares				
Common stocks	1,000,000	thousands shares	The same as at left	
Number of shares in issue				
Common stocks	351,136	thousands shares	The same as at left	
4. Commitments ---- Lines of Credit				
The Company entered into line-of-credit commitments with 9 banks in order to enhance its working capital efficiency. The outstanding balances of these lines of credit at March 31, 2004 were as follows:				
Total amount of lines of credit	20,000	Million yen	--	Million yen
The amount of borrowing	--		--	
Outstanding balances	20,000		--	
5. The number of shares of treasury stocks held by the Company				
Common stocks	5,285	thousands shares	495	thousands shares
6. Guaranteed liabilities	362	Million yen	267	Million yen
7. 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	437	Million yen	116	Million yen
Liabilities secured by the above assets				
Current portion of long-term debt	725	Million yen	--	Million yen
Long-term debt	--		725	

[Notes to lease transactions]

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

	[As of March 31, 2004]	[As of March 31, 2003]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties		
Acquisition cost equivalent	257 Million yen	253 Million yen
Accumulated depreciation equivalent	168	125
Term-end balance	89 Million yen	128 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	48 Million yen	47 Million yen
Exceeding one year	41	80
Total	89 Million yen	128 Million yen
3. Lease payments and depreciation equivalent		
Lease payments	49 Million yen	48 Million yen
Depreciation equivalent	49 Million yen	48 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 style="text-align: right;">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, 2004			As of March 31, 2003		
	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
Total	--	--	--	20	402	382

[Notes to tax effects]

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

	<u>As of March 31, 2004</u>	<u>(Units: millions of yen) As of March 31, 2003</u>
(1) Current:		
Deferred tax assets:		
Accrued bonuses	2,379	2,572
Accrued enterprise tax	125	301
Allowance for doubtful accounts	363	273
Reserve for sales rebates	251	266
Other	1,137	1,005
Total deferred tax assets	<u>4,257</u>	<u>4,419</u>
Deferred tax liabilities:	(79)	(70)
Net deferred tax assets	<u>4,178</u>	<u>4,349</u>
(2) Non-current:		
Deferred tax assets:		
Excess of cost over retirement benefits	4,786	5,652
Research and development expenses	772	--
Retirement benefits for directors and statutory auditors	187	171
Depreciation of computer software	49	121
Loss on revaluation of investments in securities	507	541
Other	220	534
Total deferred tax assets	<u>6,523</u>	<u>7,021</u>
Deferred tax liabilities:		
Unrealized gain on other securities	(13,946)	(3,223)
Special depreciation	(311)	(186)
Other	(18)	(19)
Total deferred tax liabilities	<u>(14,276)</u>	<u>(3,429)</u>
Net deferred tax (liabilities) assets	<u>(7,753)</u>	<u>3,592</u>

2. The effective tax rates for the years ended March 31, 2004 and 2003 differ from the statutory tax rate above for the following reasons:

	<u>As of March 31, 2004</u>	<u>As of March 31, 2003</u>
Statutory tax rate	42.0%	42.0%
Expenses not deductible for income tax purposes	40.6	17.0
Dividends not taxable for income tax purpose	(7.3)	(3.1)
Inhabitants' per capita taxes	3.8	1.6
Tax credit	(23.2)	(2.4)
Loss carry forward taken over upon the merger of consolidated and unconsolidated subsidiaries	(4.8)	--
Decrease in deferred tax assets at end of year due to change in statutory tax rate	7.5	1.5
Other	0.7	(1.6)
Effective tax rates	<u>59.3%</u>	<u>55.0%</u>

[Amounts per share]

	Year ended March 31,2004	(Units: yen) Year ended March 31,2003
Shareholders' equity per share	828.07	741.19
Earnings per share	3.63	9.62

(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 31,2004	Year ended March 31,2003
Net income (millions of yen)	1,335	3,456
The amount which is not attributable to ordinary shareholders (millions of yen)	80	80
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(80)	(80)
Net income related to common stocks (millions of yen)	1,255	3,376
Average number of shares outstanding during the period (thousands of stocks)	345,902	350,891

Change of Directors and Auditors (Scheduled for 29th June, 2004)

1. Change of Representatives

Representative Director Kiyoshi Miyamoto (Senior Managing Director, Representative Director)

Director and Advisor Takashi Maeda (Executive Vice President, Representative Director)

2. Change of other Directors and Auditors

(1) Resignation of Directors

Hideo Shibagaki (Managing Director)

Hideki Okuda (Managing Director)

Hitoshi Arita (Director)

Mitsuaki Ohtani (Director)

Reiji Takeda (Director)

Moriyasu Takami (Director)

Tomiyasu Hirachi (Director)

Nobuzo Takeda (Director)

Norio Yamada (Director)

(2) Appointment of an Auditor

Corporate Auditor Mitsuaki Ohtani (Director)

(3) Resignation of an Auditor

Mikihiko Matsumiya (Corporate Auditor)

Note: Directors and Auditors are scheduled to be appointed at the Board of Directors meeting and Board of Auditors meeting to be held on the day of the Annual General Meeting of Shareholders.