

Interim settlement for  
the six months  
ended September 30, 2003

<Supplement >

November 10, 2003

 **SHIONOGI & CO., LTD.**

## Business forecast

<Consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003
Net Sales	987 ( 44.3)	1,102 ( 2.2)	2,089 ( 26.8)	1,774 ( 13.0)	1,078 ( 50.2)	2,852 ( 32.1)
Operating income	77 ( 8.9)	163 ( 33.7)	240 ( 24.6)	70 ( 8.4)	121 ( 44.1)	192 ( 19.0)
Ordinary income	65 ( 8.9)	165 ( 36.7)	230 ( 27.1)	60 ( 25.6)	120 ( 59.8)	180 ( 15.6)
Net income	27 ( -)	79 ( 59.4)	52 ( 11.9)	9 ( 76.4)	50 ( 7.9)	59 ( 30.2)

( ) percent increase to the same periods of previous year

<Non-consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003
Net Sales	899 ( 2.8)	1,020 ( 3.4)	1,919 ( 0.4)	925 ( 11.0)	986 ( 3.7)	1,911 ( 7.4)
Operating income	55 ( 0.1)	144 ( 70.0)	200 ( 42.1)	55 ( 23.5)	84 ( 6.7)	140 ( 14.2)
Ordinary income	55 ( 3.0)	154 ( 65.9)	210 ( 39.8)	56 ( 32.0)	93 ( 0.3)	150 ( 15.0)
Net income	32 ( -)	74 (189.3)	42 ( 21.5)	8 ( 80.0)	25 ( 58.5)	34 ( 67.5)

( ) percent increase to the same periods of previous year

## Financial results of significant consolidated subsidiaries

### <Shionogi Qualicaps Co., Ltd.>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2003	2,825	522	525	294
Six months ended September 30, 2002	2,693	280	270	156
(% increase)	( 4.9)	( 86.4)	( 94.4)	( 88.5)
Year ending March 31, 2004	6,100	1,000	1,000	550
Year ended March 31, 2003	6,148	739	739	412
(% increase)	( 0.8)	( 35.3)	( 35.3)	( 33.5)

### <Overseas 3 capsule companies>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2003	3,371	208	208	114
Six months ended September 30, 2002	3,241	406	189	39
(% increase)	( 4.0)	( 48.8)	( 10.1)	(192.3)
Year ending March 31, 2004	6,200	300	250	120
Year ended March 31, 2003	6,266	650	365	67
(% increase)	( 1.1)	( 53.8)	( 31.5)	( 79.1)

### <Bushu Pharmaceuticals Ltd.>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2003	1,983	165	76	76
Six months ended September 30, 2002	1,825	135	18	17
(% increase)	( 8.7)	( 22.2)	(322.2)	(347.1)
Year ending March 31, 2004	4,000	300	130	60
Year ended March 31, 2003	3,862	244	8	8
(% increase)	( 3.6)	( 23.0)	(1525.0)	(650.0)

## Ratio of Consolidated financial results against non-consolidated financial results

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003
Net Sales	1.10	1.08	1.09	1.92	1.09	1.49
Operating income	1.38	1.13	1.20	1.27	1.44	1.37
Ordinary income	1.19	1.06	1.10	1.06	1.29	1.21
Net income	-	1.07	1.24	1.01	1.95	1.71

## Consolidated affiliated companies and affiliated company accounted for by the equity method

### < Consolidated affiliated companies >

	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Shionogi Qualicaps Co., Ltd.	Nara, Japan	JPY 400 million	Mfg. and sale of capsules	April 26, 1965	March 31	100
2	Bushu Pharmaceuticals Ltd.	Saitama, Japan	JPY 1,000 million	Contract mfg. of pharmaceuticals	August 3, 1998	March 31	100
3	Nichia Pharmaceutical Industries Ltd.	Tokushima, Japan	JPY 200 million	Mfg. of pharmaceutical raw materials	August 24, 1976	March 31	75
4	Ohmori Group Honsha Co., Ltd.	Osaka, Japan	JPY 2,634 million	Wholesaling of pharmaceuticals	August 19, 1963 (Reorganized on July 1, 1998)	March 15	100
5	Saishin Igaku Co., Ltd.	Osaka, Japan	JPY 90 million	Publication of medical information	December 21, 1998	March 31	100
6	Shionogi Engineering Service Co., Ltd.	Hyogo, Japan	JPY 20 million	Inspection and maintenance of pharmaceuticals mfg. equipment	November 2, 1992	March 31	100
7	Shionogi Buturyuu Service & Co., Ltd.	Osaka, Japan	JPY 10 million	Warehousing and logistic services	May 21, 1985	March 31	100
8	Shionogi General Service Co., Ltd.	Osaka, Japan	JPY 10 million	Traveling, Insurance agency	November 2, 1992	March 31	100
9	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TW\$ 92 million	Mfg. and sale of pharmaceuticals	December 26, 1963	December 31	100
10	Shionogi Europe B.V.	Amsterdam, The Netherlands	Euro 35,910 thousand	Holding company	June 17, 1992	December 31	100
11	Shionogi Qualicaps, Inc.	North Carolina, U.S.A.	US\$ 27 million	Mfg. and sale of capsules	June 10, 1992	December 31	* 100
12	Shionogi Qualicaps, S.A.	Madrid, Spain	Euro 15,626 thousand	Mfg. and sale of capsules	September 10, 1992	December 31	* 100
13	Shionogi USA, INC.	Delaware, U.S.A.	US\$ 1 million	Contract research for pharmaceuticals	February 15, 2001	December 31	100
14	SG Holding, INC.	Delaware, U.S.A.	US\$ 60	Holding company	September 27, 2001	December 31	100

### < Affiliated company accounted for by the equity method >

	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Shionogi-GlaxoSmithKline Holding L.P.	Cayman Islands	-	Holding company	October 19, 2001	December 31	* 50

\* Incl. Indirect ownership

## Sales by segment

### <Consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003
Pharmaceuticals and related businesses	903	1,028	1,931	1,694	989	2,683
Ethical drugs	847	970	1,817	1,593	935	2,528
OTC and quasi-drugs	35	38	73	83	36	119
Diagnostics	21	20	41	18	17	35
Capsule business	59	59	118	57	61	118
Other businesses	25	15	40	23	26	49
Industrial Chemicals	10	0	10	11	11	22
Real estate/Distributing service etc.	15	15	30	12	15	27
Total	987	1,102	2,089	1,774	1,078	2,852

### <Non-consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003
Pharmaceuticals and related businesses	889	1,020	1,909	915	975	1,890
Ethical drugs	833	962	1,795	859	919	1,778
OTC and quasi-drugs	35	38	73	38	37	75
Diagnostics	21	20	41	18	19	37
Industrial Chemicals	10	0	10	11	11	22
Total	899	1,020	1,919	925	986	1,911

## Main Products <Non-consolidated>

### Ethical drugs

(Unit: Yen 100 million)

Product name	Category	Apr. 2003- Sep. 2003	Oct. 2003- Mar. 2004 (forecast)	Apr. 2003- Mar. 2004 (forecast)	Apr. 2002- Sep. 2002	Oct. 2002- Mar. 2003	Apr. 2002- Mar. 2003	
Total ethical drugs		833	962	1,795	859	919	1,778	
Top 10 products								
1	FLOMOX	Oral cephem antibiotic (in-house)	150	210	360	141	202	343
2	FLUMARIN	Injectable Oxacephem antibiotic (in-house)	99	101	200	109	106	215
3	VANCOMYCIN	Glycopeptide antibiotic	95	93	188	101	93	194
4	RINDERON	Synthetic adrenocortical hormone	54	45	99	56	45	101
5	IMUNACE	Interleukin-2	46	51	97	46	48	94
6	MS CONTIN	Long-acting analgesic for cancer pain	40	36	76	49	44	93
7	LONGES	ACE inhibitor	29	27	56	34	30	64
8	KEFRAL	Oral cephem antibiotic	25	27	52	30	32	62
9	CLARITIN	Antiallergic agent	21	69	90	20	33	53
10	DOBUTREX	Agent for treatment of acute circulatory insufficiency	20	20	40	20	22	42
Other main products								
	PL GRANULES	Cold remedy	10	22	32	11	23	34
	BROACT	Injectable cephem antibiotic	15	14	29	18	17	35
	BERIZYM	Digestive enzymes	14	13	27	16	14	30
	RHYTHMY	Sleep inducer (in-house)	13	13	26	12	12	24
	LANDEL	Antihypertensive (Calcium antagonist)	11	11	22	12	11	23
	ULGUT	Gastritis and peptic ulcer therapeutic agent	7	7	14	9	8	17
	AQUPLA	Anticancer (in-house)	6	6	12	6	5	11
	MORPHINE-HYDROCHLORIDE	Injectable morphine hydrochloride analgesic	6	6	12	7	7	14
	KEFLEX	Oral cephem antibiotic	5	5	10	5	6	11
	KOLANTYL	Antacid	4	4	8	5	5	10
	CEFTIBUTEN (Export)	Oral cephem antibiotic (in-house)	15	9	24	10	11	21
New products								
	OXYCONTIN	Long-acting analgesic for cancer pain	2	15	17	-	-	-
	SG GRANULES	Analgesic and antipyretic	2	4	6	-	-	-

### OTC products

(Unit: Yen 100 million)

Product name	Category	Apr. 2003- Sep. 2003	Oct. 2003- Mar. 2004 (forecast)	Apr. 2003- Mar. 2004 (forecast)	Apr. 2002- Sep. 2002	Oct. 2002- Mar. 2003	Apr. 2002- Mar. 2003	
Total OTC products		35	38	73	38	37	75	
	SEDES	Analgesic and antipyretic	16	16	32	17	15	32
	POPON-S	Multivitamin with calcium	7	6	13	8	6	14

## Employees

(Unit: persons)

	End of March 2002	End of September 2002	End of March 2003	End of September 2003	End of March 2004 (forecast)
Consolidated	9,169	7,848	6,149	6,153	5,605
Non-consolidated	5,237	5,053	4,744	4,783	4,280

## Investments in equipments/Depreciation cost

(Unit: Yen 100 million)

	For the period from Apr. 1, 2002 to Sep. 30, 2002	For the period from Oct. 1, 2002 to Mar. 31, 2003	For the year ended March 31, 2003	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)
<Consolidated>						
Investment in equipments	50	38	88	29	41	70
Depreciation cost	48	51	99	46	48	94
<Non-consolidated>						
Investment in equipments	40	31	71	22	35	57
Depreciation cost	38	40	78	38	40	78

(Unit: Yen 100 million)

Main constructions	Total budget	Result until March 31, 2003	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)
Concentration of packaging line on solid dosage form	12	5	3	4	7
Mfg. equipment for S-4661	21	0	2	7	9

## Main investments on system

(Unit: Yen 100 million)

	For the year ended March 31, 2002	For the year ended March 31, 2003	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)
Sales task supporting	14	3	0	4	4
Production management	5	3	0	0	0
R&D management	9	5	1	2	3
Accounting & Purchasing	1	14	1	0	1

## R&D cost

(Unit: Yen 100 million)

	For the year ended March 31, 2002	For the year ended March 31, 2003	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004 (forecast)	For the year ending March 31, 2004 (forecast)
Consolidated (% to Net sales)	306 (7.3%)	313 (11.0%)	146 (14.8%)	179 (16.2%)	325 (15.6%)
Non-consolidated (% to Net sales)	303 (14.7%)	312 (16.3%)	144 (16.0%)	178 (17.5%)	322 (16.8%)

## &lt;in Japan&gt;

Stage/ Code No.	Administration	Indication/Mechanism	Origin	NDA submission
-----------------	----------------	----------------------	--------	----------------

**NDA's filed**

NS75A	SC	Prevention of premature ovulation during a controlled ovarian stimulation followed by assisted reproductive technology (ART). Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	December, 2000
SR47436	Oral	Antihypertensive Angiotensin II receptor antagonist Not prodrug unlike other antagonists. Not found cough appeared in ACE inhibitors. Generic name: irbesartan	Co-developed with Bristol Pharmaceuticals K.K. Licensed from Sanofi SA (France)	October, 2002
S-7701	Oral	Anti-fibrosis (idiopathic interstitial pulmonary fibrosis). Additional indications to other fibrosis may be possible. Generic name: pirfenidone	Licensed from Marnac, Inc. (USA)	December, 2002
Vancomycin	Injection	Glycopeptide antibiotic Additional indication: sepsis, pneumonia, meningitis caused by PRSP (orphan). Generic name: vancomycin	Licensed from Eli Lilly and Company (USA)	March, 2003
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Low renal toxicity and low response (convulsion) toward central nervous system. Generic name: doripenem	Developed in-house	September, 2003

**Phase 3**

LY248686	Oral	Antidepressant SNRI (serotonin & norepinephrine reuptake inhibitor). Considering the dosage in USA, additional study at higher dose is conducting to confirm the efficacy .	Licensed from Eli Lilly and Company (USA)	Refiling, 2007-2008
S-8116	Oral	Analgesic for-cancer pain. Immediate-release oxycodone preparation Generic name: oxycodone.	Licensed from Mundipharma AG (Netherlands)	2004 2Q(planned)
SCH29851	Oral	Antiallergic Histamine H1 receptor antagonist. Additional indication: Pediatric use (allergic rhinitis and itch caused by atopic dermatitis) Generic name: loratadine	Co-developed with Schering-Plough K.K. Licensed from Schering-Plough Corp. (USA)	2004 (planned)

**Phase 2**

S-6820	Injection	Recombinant interleukin-2 Additional indication: liver metastasis from colorectal cancer. Generic name: teceleukin	Licensed from Biogen, Inc. (USA)	2003 (planned)
NS75A	Injection	Uterine myoma Luteinizing hormone-releasing hormone antagonist. Once a week preparation Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany) Phase 2a (completed)	

**Phase 1**

S-3578	Injection	Cephem antibiotic. Broad spectrum(Gram (+), Gram (-)). Effective in MRSA-, MRSE-, and PRSP- infected <i>in vivo</i> animal model	Developed in-house	
--------	-----------	---	--------------------	--

**Phase 1 in preparation**

S-0373	Oral	Spinocerebellar ataxia A TRH derivative. Good intracerebral transfer and long-action Considering domestic and overseas development	Developed in-house	
NS75B	Injection	Prostatomegaly Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	

**<Outside Japan>**

Stage/ Code No.	Administration	Indication/Mechanism	Origin/Overseas	NDA submission
-----------------	----------------	----------------------	-----------------	----------------

**Phase 2**

S-5751	Oral	Antiallergic Prostaglandin D <sub>2</sub> receptor antagonist. First candidate as PGD <sub>2</sub> receptor antagonists.	Developed in-house Japan: Phase 1 US: Phase 2	
S-3304	Oral	Anticancer Matrix metalloproteinases inhibitor. Not cytotoxic, but prevent proliferation and metastasis. Great safety margin.	Developed in-house USA: Phase 2 (in preparation)	
S-8921	Oral	Antihyperlipidemia Inhibition of bile acid transporter in small intestine.	Developed in-house Europe: Phase 2a	
S-3013	Oral	Antiinflammatory	Developed by collaboration with Eli Lilly and Company (USA)	

**Phase 1**

S-2367	Oral	Anti-obesity agent Central nervous system antagonist Prevention of accumulation of visceral fat, amelioration of blood sugar and serum fat High safety and no rebound are expected.	Developed in-house	
S-3536	Oral	Drug for osteoarthritis (OA), Disease-modifying anti-OA drug (DMAOD) Selective matrix metalloproteinase (MMP) inhibitor	Developed in-house	

**<Shionogi-GlaxoSmithKline>**

Code No.	Administration	Indication/Mechanism	Stage	NDA submission
S-8510	Oral	Target indication: Alzheimer's Disease/Dementia Benzodiazepine receptor partial inverse agonist.	Japan: Phase 2 Europe: Phase 1	
S-0139	Injection	Target indication:Cerebrovascular diseases including acute ischemic stroke Endothelin A receptor antagonist	Japan: Phase 2 Europe: Phase 1	
S-1746	Injection	Target indication:Acute ischemic stroke AMPA/NMDA(glycine site) receptor antagonist	Pre-clinical	
RSC-1838	Oral	HIV integrase inhibitor	Pre-clinical	

**<Out-Licensing Activity>**

Code No.	Administration	Category/Indication	Remarks	NDA submission
S-4522	Oral	Antihyperlipidemia HMG CoA reductase inhibitor. Superior activity to other statines. Generic name: rosuvastatin	Licensed to "AstraZeneca , UK" in April, 1998	June, 2001 (world wide except Japan) April, 2002 (Japan) Launched in 13 countries including USA, Canada, Netherland, England
S-1153	Oral	Anti-HIV Non-nucleoside reverse transcriptase inhibitor Generic name: capravirine	Licensed to "Pfizer, USA" in June, 1998 Phase 2 trials on-going	
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Generic name: doripenem	Licensed to "Peninsula, USA" in May, 2003 Phase 2 trails on-going	

**<Launch>**

S-8117	Oral	Long-acting analgesic for cancer pain Oxycontin 5mg, 10mg, 20mg, 40mg Tablet Approved on April 16, 2003. Launched on July 7, 2003		
S-7878	Injection	Licensed from Baxter Oncology AG (Germany) Prevention of urinary disorders (hemorrhagic cystitis, dysuria, etc.) associated with ifosfamide administration or associated with cyclophosphamide administration used as a pretreatment regimen for hematopoietic stem cell transplantation. Uromitexan injection 100mg, 400mg Approved on October 9, 2003.		

**<Discontinued>**

S-1360	Oral	HIV integrase inhibitor.		
--------	------	--------------------------	--	--

## Sales by product category

<Non-consolidated>

	For the period from April 1, 2003 to September 30, 2003		For the period from April 1, 2002 to September 30, 2002		For the period from April 1, 2002 to March 31, 2003	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nervous system drugs	11,921	14.3	12,978	14.0	26,322	13.8
Circulatory and respiratory system drugs	9,683	10.8	10,217	11.0	21,675	11.3
Digestive system drugs	2,713	3.0	3,187	3.4	6,028	3.2
Hormone preparations	3,148	3.5	3,205	3.5	6,236	3.3
Topical and sensory organ drugs	7,108	7.9	7,278	7.9	13,204	6.9
Vitamins	3,240	3.6	3,195	3.4	6,068	3.2
Antibiotics and biological preparations	45,808	50.9	46,611	50.4	98,908	51.7
Chemotherapeutics and antitumor drugs	2,688	3.0	2,504	2.7	5,838	3.1
(Pharmaceuticals total)	( 86,309 )	( 95.9 )	( 89,175 )	( 96.3 )	( 184,279 )	( 96.4 )
Diagnostics	2,220	2.5	1,805	2.0	3,673	1.9
Industrial chemicals and other products	1,429	1.6	1,580	1.7	3,203	1.7
Total	89,958	100.0	92,560	100.0	191,155	100.0
(Export)	( 2,044 )	( 2.3 )	( 1,477 )	( 1.6 )	( 3,358 )	( 1.8 )

## Extraordinary Loss

Unit: Yen 100 million

		April 2003 - September 2003	October 2003 - March 2004 (forecast)	April 2003 - March 2004 (forecast)
Costs related to outplacement support	*1	65	-	65
Additional retirement benefits	*2	37	-	37
Loss on revaluation of investments in securities		1	-	1
Costs related to reform retirement pension plan	*3	-	13	13
Loss on disposal of property, plant and equipment	*4	-	7	7
Total		103	20	123

\*1 Costs for additional retirement benefits and related to outplacement support

Employees in SHIONOGI & CO., LTD. 375 persons  
(Date of retirement: September 30, 2003)

\*2 Costs for additional retirement benefits for employees transferred to Joint Venture and in affiliated companies

Employees transferred from CLINICAL TESTING SERVICE DIVISION  
to SHIONOGI BIOMEDICAL LABORATORIES, INC. 166 persons  
(Date of transfer: October 1, 2003)

Employees transferred from INDUSTRIAL CHEMICALS DIVISION  
to DSL. JAPAN, CO., LTD. 50 persons  
(Date of transfer: October 1, 2003)

Employees in SHIONOGI BUTURYUU SERVICE & CO., LTD. and  
SHIONOGI GENERAL SERVICE CO., LTD. 12 persons

\*3 Cost for reforming retirement pension plan

Current plan: Qualified pension plan  
Future plan: Defined contribution pension scheme and Defined benefit plan (Cash Balance Plan)  
(Scheduled after April 2004)

\*4 Costs for removing, disposing on disused equipments at Kuisse plant