



Financial Results for the First Quarter of Fiscal Year 2007

July 30, 2007

Name of Listed Company: **SHIONOGI & CO., LTD.**

Code: 4507

Representative: Title of Person in Charge: President

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

Listed Exchanges: Section I of Tokyo and Osaka

URL <http://www.shionogi.co.jp>

Name: Motozo Shiono

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(Note: All amounts are rounded down to the nearest million yen.)

1. Consolidated results for the period from April 1, 2007 to June 30, 2007

(1) Results of operations

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2007	50,215	8.7	7,995	53.4	8,549	66.2	5,374	76.2
Three months ended June 30, 2006	46,193	(4.7)	5,212	(24.6)	5,145	(28.1)	3,049	(45.4)
Year ended March 31, 2007	199,759	1.7	28,863	(1.2)	28,113	(5.2)	18,594	(18.2)

	Earnings per share	Earnings per share (diluted)
	yen	yen
Three months ended June 30, 2007	15.79	—
Three months ended June 30, 2006	8.96	—
Year ended March 31, 2007	54.61	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of June 30, 2007	428,997	348,604	81.2	1,023.19
As of June 30, 2006	422,264	335,872	79.5	985.48
As of March 31, 2007	429,569	345,752	80.4	1,014.73

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Three months ended June 30, 2007	336	(1,983)	(2,960)	70,043
Three months ended June 30, 2006	(1,890)	(3,761)	(3,680)	66,763
Year ended March 31, 2007	14,115	(8,418)	(7,180)	74,546

2. Forecasted consolidated results for the year ending March 31, 2008 (April 1, 2007 to March 31, 2008) (Reference)
 (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending September 30, 2007	105,000	13.9	17,500	59.3	17,500	59.4	10,000	56.4	29 . 37
For the year ending March 31, 2008	215,000	7.6	40,000	38.6	40,000	42.3	24,000	29.1	70 . 49

3. Others

- (1) Significant changes to consolidated subsidiaries resulting in change of scope of consolidation during the period [Yes/No] : *No*
 (2) Adoption of simplified methods of accounting [Yes/No] : *Yes*
 (3) Changes in method of accounting [Yes/No] : *No*

Note: For details, please see page 4 "4.Others" of "Qualitative information on consolidated results and consolidated financial statements".

Note: These estimates on July 30, 2007 include a number of assumptions, forward-looking projections and plans. The actual results may differ substantially depending on the situation of competitors, uncertainties in the market.

【Qualitative information on consolidated results and consolidated financial statements】

1. Qualitative information on results of operations

For the first quarter ended June 30, 2007, net sales were ¥50,215 million, operating income was ¥7,995 million, ordinary income was ¥8,549 million and net income was ¥5,374 million.

With regard to net sales, steady expansion of domestic market share for the hyperlipidemia treatment Crestor, which Shionogi stepped up to regular promotional sales in September 2006, contributed to growth, but overall sales of prescription drugs were essentially unchanged compared with the same period of the previous fiscal year due to a decrease in sales of existing products such as Flomox, Flumarin and Vancomycin. As a result of significant growth in royalty income from licensing fees, however, net sales increased 8.7 percent.

In terms of profit, the increase in royalty income reduced the cost of sales ratio 1.4 points to 32.1 percent from 33.5 percent in the same period of the previous fiscal year. As a result, gross profit increased 11.1 percent. Total selling, general and administrative (SG&A) expenses increased 2.4 percent to ¥26,114 million due to factors including a 7.2 percent increase in research and development expenses and increases in advertising and promotional expenses. However, the increase in gross profit more than compensated for the increase in SG&A expenses. Consequently, operating income increased 53.4 percent compared with the same period of the previous fiscal year. Ordinary income rose 66.2 percent because of an increase in interest and dividend income and lower non-operating expenses resulting from the effect of exchange rate changes. Net income increased 76.2 percent due to gain on sales of investment securities and other factors.

2. Qualitative information on financial position

As of June 30, 2007, total assets were ¥428,997 million and net assets were ¥348,604 million.

Total assets decreased ¥572 million compared with the end of the previous fiscal year, primarily because of a decrease in cash and deposits due to the payment of income tax and dividends while, property, plant and equipment, net, and investments and other assets increased. Total liabilities decreased ¥3,425 million, primarily due to a decrease in accrued income taxes. Net assets increased ¥2,852 million compared with the end of the previous fiscal year because of increases in retained earnings and net unrealized holding gain on securities.

Net cash provided by operating activities during the three months ended June 30, 2007 was ¥336 million as a result of income taxes paid and other factors using cash that offset income before income taxes and minority interests of ¥8,800 million. Net cash used in investing activities was ¥1,983 million, due to factors such as purchases of property, plant and equipment and increase in investments in securities. Net cash used in financing activities was ¥2,960 million, due to cash dividends paid and other factors. As a result, cash and cash equivalents as of June 30, 2007 totaled ¥70,043 million, a decrease of ¥4,502 million from the end of the previous fiscal year.

3. Qualitative information on forecasted consolidated results

We have not revised the performance forecasts announced on May 14, 2007.

4. Others

(1) Significant changes to consolidated subsidiaries resulting in change of scope of consolidation during the period

N/A

(2) Adoption of simplified methods of accounting

The Company has partially adopted simplified methods of accounting for inventory valuation and others.

(3) Changes in method of accounting

N/A

5. Consolidated Financial Statements

(1) Consolidated Statements of Income

(Units : Millions of yen)

Account	period	Three months ended June 30, 2007		Three months ended June 30, 2006		Increase (decrease)		(Reference) Year ended March 31, 2007	
		Amount	%	Amount	%	Amount	%	Amount	%
I Net sales		50,215	100.0	46,193	100.0	4,022	8.7	199,759	100.0
II Cost of sales		16,105	32.1	15,489	33.5	616	4.0	67,542	33.8
Gross profit		34,109	67.9	30,703	66.5	3,406	11.1	132,216	66.2
III Selling, general and administrative expenses		26,114	52.0	25,491	55.2	623	2.4	103,353	51.7
[Research and development expenses]		[9,741]	[19.4]	[9,088]	[19.7]	[653]	[7.2]	[37,455]	[18.8]
Operating income		7,995	15.9	5,212	11.3	2,783	53.4	28,863	14.5
IV Non-operating income		1,223	2.4	856	1.8	367	42.9	3,368	1.7
V Non-operating expenses		669	1.3	924	2.0	(255)	(27.5)	4,118	2.1
Ordinary income		8,549	17.0	5,145	11.1	3,404	66.2	28,113	14.1
VI Extraordinary income		276	0.6	—	—	276	—	3,610	1.8
VII Extraordinary loss		25	0.1	—	—	25	—	—	—
Income before income taxes		8,800	17.5	5,145	11.1	3,655	71.0	31,723	15.9
Income taxes-current		1,957	3.9	772	1.7	1,185	153.4	8,702	4.4
Income taxes-deferred		1,474	2.9	1,319	2.8	155	11.7	4,387	2.2
Minority interests in loss and income		5	0.0	(3)	(0.0)	8	—	(39)	(0.0)
Net income		5,374	10.7	3,049	6.6	2,325	76.2	18,594	9.3

(2) Consolidated Balance Sheets

(Units : Millions of yen)

Account	As of June 30, 2007		(Reference) As of March 31, 2007		Increase (decrease)		As of June 30, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
(Assets)								
I Current assets								
Cash and deposits	82,411		86,853		(4,442)		81,287	
Notes and accounts receivable-trade	67,054		67,575		(521)		67,256	
Inventories	32,981		32,395		586		29,392	
Other	24,134		22,079		2,055		22,915	
Allowance for doubtful accounts	(12)		(12)		0		(13)	
Total current assets	206,568	48.2	208,890	48.6	(2,322)	(1.1)	200,838	47.6
II Fixed assets								
Property, plant and equipment								
Buildings and structures	30,976		31,142		(166)		30,817	
Other	37,590		36,672		918		34,922	
Total property, plant and equipment	68,567	16.0	67,815	15.8	752	1.1	65,739	15.6
Intangible fixed assets	6,182	1.4	6,135	1.4	47	0.8	6,851	1.6
Investments and other assets								
Investment securities	124,034		123,368		666		128,726	
Prepaid pension cost	20,965		20,168		797		16,572	
Other	2,846		3,360		(514)		3,697	
Allowance for doubtful accounts	(168)		(168)		0		(162)	
Total investments and other assets	147,678	34.4	146,728	34.2	950	0.6	148,834	35.2
Total fixed assets	222,428	51.8	220,679	51.4	1,749	0.8	221,426	52.4
Total assets	428,997	100.0	429,569	100.0	(572)	(0.1)	422,264	100.0

(Units : Millions of yen)

Account	period	As of June 30, 2007		(Reference) As of March 31, 2007		Increase (decrease)		As of June 30, 2006	
		Amount	%	Amount	%	Amount	%	Amount	%
(Liabilities)									
I Current liabilities									
Notes and accounts payable-trade		12,720		12,189		531		12,552	
Reserves									
Reserve for bonuses		8,467		5,958		2,509		10,989	
Other reserves		956		1,088		(132)		984	
Other		20,878		28,299		(7,421)		24,649	
Total current liabilities		43,023	10.0	47,535	11.1	(4,512)	(9.5)	49,175	11.7
II Non-current liabilities									
Reserves									
Reserve for retirement benefits		8,376		8,352		24		8,501	
Other reserves		168		185		(17)		185	
Other		28,824		27,742		1,082		28,529	
Total non-current liabilities		37,369	8.7	36,281	8.4	1,088	3.0	37,216	8.8
Total liabilities		80,392	18.7	83,817	19.5	(3,425)	(4.1)	86,392	20.5
(Net assets)									
I Owners' equity									
Capital stock		21,279	5.0	21,279	5.0	0	0.0	21,279	5.0
Capital surplus		20,227	4.7	20,227	4.7	0	0.0	20,227	4.8
Retained earnings		281,522	65.6	278,871	64.9	2,651	1.0	266,050	63.0
Treasury stock		(9,130)	(2.1)	(9,088)	(2.1)	(42)	0.5	(8,834)	(2.1)
Total owners' equity		313,899	73.2	311,289	72.5	2,610	0.8	298,723	70.7
II Valuation and translation adjustments									
Valuation difference on available-for-sale securities		34,605	8.1	34,262	7.9	343	1.0	37,018	8.7
Translation adjustment		(175)	(0.1)	(83)	(0.0)	(92)	109.4	(117)	(0.0)
Total valuation and translation adjustments		34,429	8.0	34,178	7.9	251	0.7	36,900	8.7
III Minority interests									
		275	0.1	283	0.1	(8)	(2.9)	247	0.1
Total net assets		348,604	81.3	345,752	80.5	2,852	0.8	335,872	79.5
Total liabilities and net assets		428,997	100.0	429,569	100.0	(572)	(0.1)	422,264	100.0

(3) Statements of Cash Flows

(Units : Millions of yen)

	Three months ended June 30, 2007	Three months ended June 30, 2006	(Reference) Year ended March 31, 2007
	Amount	Amount	Amount
I Net cash provided by (used in) operating activities			
Income before income taxes	8,800	5,145	31,723
Depreciation and amortization	2,271	2,017	8,797
Decrease in notes and accounts receivable-trade	506	2,660	2,330
Increase in inventories	(596)	(2,206)	(5,198)
Increase in notes and accounts payable-trade	532	2,330	1,956
Other	(5,145)	(599)	(13,981)
Subtotal	6,369	9,348	25,629
Interest and dividends income received	971	548	1,971
Interest expenses paid	(14)	(17)	(62)
Income tax paid	(6,990)	(11,770)	(13,423)
Net cash provided by (used in) operating activities	336	(1,890)	14,115
II Net cash used in investment activities			
Purchase of marketable securities and investment securities	(634)	(1,411)	(6,029)
Proceeds from sales of marketable securities and investment securities	731	—	5,010
Purchase of property, plant and equipment	(1,897)	(2,190)	(11,410)
Proceeds from sales of property, plant and equipment	15	9	28
Other	(198)	(169)	3,983
Net cash used in investment activities	(1,983)	(3,761)	(8,418)
III Net cash used in financing activities			
Cash dividends paid	(2,725)	(3,407)	(6,122)
Other	(235)	(272)	(1,058)
Net cash used in financing activities	(2,960)	(3,680)	(7,180)
IV Effect of exchange rate change on cash and cash equivalents	104	(46)	(113)
V Decrease in cash and cash equivalents	(4,502)	(9,378)	(1,596)
VI Cash and cash equivalents at beginning of period	74,546	76,142	76,142
VII Cash and cash equivalents at end of period	70,043	66,763	74,546

(4) Segment Information

[Business segment information]

[Three months ended June 30, 2007]

(Units : Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:					
Net sales					
(1) Sales to third parties	49,680	534	50,215	—	50,215
(2) Inter-group sales and transfers	—	842	842	(842)	—
Total	49,680	1,377	51,058	(842)	50,215
Operating expenses	41,993	1,069	43,062	(842)	42,219
Operating income	7,687	307	7,995	—	7,995

[Three months ended June 30, 2006]

(Units : Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:					
Net sales					
(1) Sales to third parties	45,600	593	46,193	—	46,193
(2) Inter-group sales and transfers	—	1,573	1,573	(1,573)	—
Total	45,600	2,166	47,766	(1,573)	46,193
Operating expenses	40,897	1,657	42,554	(1,573)	40,981
Operating income	4,703	509	5,212	(0)	5,212

(Reference) [Year ended March 31, 2007]

(Units : Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:					
Net sales					
(1) Sales to third parties	191,914	7,844	199,759	—	199,759
(2) Inter-group sales and transfers	—	4,883	4,883	(4,883)	—
Total	191,914	12,728	204,642	(4,883)	199,759
Operating expenses	164,757	11,022	175,779	(4,883)	170,895
Operating income	27,157	1,706	28,863	0	28,863

First Quarter Result for the year ending March 31, 2008 < Supplement >

30-Jul-07

SHIONOGI & CO., LTD

① Sales by segment

(Unit: 100 million yen)

	2007 1st half (forecast)	2007 full year (forecast)	2007 1st quarter (result)	2006 1st quarter (result)	change	% progress vs 1st half forecast
Pharmaceuticals and related business	1,007 (10.8)	2,096 (9.2)	496 (8.9)	456 (1.0)	40	49.3
Ethical drugs	758 (3.4)	1,583 (4.2)	378 (Δ 0.1)	379 (Δ 3.5)	Δ 1	49.9
FLOMOX	135	305	65	71	Δ 6	48.1
FLUMARIN	62	122	30	34	Δ 4	48.5
VANCOMYCIN	55	102	30	37	Δ 7	54.9
IMUNACE	57	99	32	30	2	55.4
RINDERON	52	100	27	27	0	51.1
CLARITIN	34	88	16	14	2	48.4
OXYCONTIN	29	62	16	13	3	55.3
CRESTOR	42	106	19	1	18	45.1
AVELOX	13	33	4	7	Δ 3	28.2
FINIBAX	15	32	5	5	0	35.2
Export/Overseas operations	30 (9.4)	63 (19.3)	15 (28.3)	12 (Δ 9.9)	3	51.3
Contract manufacturing	25 (48.1)	50 (24.9)	9 (26.8)	8 (184.2)	1	39.6
OTC and quasi-drugs	31 (0.2)	64 (4.4)	14 (Δ 4.0)	15 (Δ 5.2)	Δ 1	47.4
SEDES	13	27	6	6	0	47.4
POPON-S	6	12	3	3	0	42.5
Diagnostics	18 (6.2)	36 (8.7)	9 (3.8)	9 (Δ 5.7)	0	51.4
Royalty income	145 (74.4)	300 (41.1)	69 (107.8)	33 (88.4)	36	47.6
CRESTOR	135	280	67	31	36	49.5
Other business	43 (236.2)	54 (Δ 31.2)	5 (Δ 9.9)	6 (3.7)	Δ 1	12.4
Total	1,050 (13.9)	2,150 (7.6)	502 (8.7)	461 (Δ 4.7)	41	47.8

() percent increase to the same period of previous year

Sales of prescription drugs are shown on a non-consolidated basis.

Drugs Under Development

July 2007

<In Japan>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
SCH29851 (Loratadine)	Histamine H1 receptor antagonist (Oral)	Additional indication: Pediatric use (allergic rhinitis and itch caused by various dermatitis)	NDA submission (September, 2004: Schering-Plough K.K.)	Schering-Plough Corp. (USA)	Co-development: Schering-Plough K.K.
SR47436 (Irbesartan)	Angiotensin II receptor antagonist (Oral)	Hypertension	NDA submission (December, 2006)	Sanofi-Aventis (France)	Co-development: Dainippon Sumitomo Pharma Co., Ltd.
S-7701 (Pirfenidone)	Anti-fibrosis (Oral)	Idiopathic pulmonary fibrosis	NDA submission (March,2007)	Marnac, Inc. (USA) &KDL, Inc. (Japan)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Depression	Phase 3	Eli Lilly and Company (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Diabetic Peripheral neuropathic pain	Phase 3 (in preparation)	Eli Lilly and Company (USA)	Co-development: Nippon Eli Lilly Co., Ltd.
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Pediatric infection	Phase 3 (in preparation)	In-house	In-house
S-013420	Novel macrolide antibiotic (Oral)	Bacterial infection	Phase 2b	Enanta Pharmaceuticals, Inc. (USA)	In-house
NS75B (Cetrorelix pamoate)	Gonadotropin releasing hormone antagonist (Injection)	Benign Prostatic Hypertrophy	Phase 2b	Zentaris AG (Germany)	In-house
NS75A (Cetrorelix acetate)	Gonadotropin releasing hormone antagonist (Injection)	Uterine myoma	Phase 2	Zentaris AG (Germany)	Co-development: Nippon Kayaku Co., Ltd.
S-777469	Antipruritic anti-inflammatory agent (Oral)	Atopic Dermatitis	Phase 1	In-house	In-house
S-021812(Peramivir)	Neuraminidase inhibitor (Injection)	Influenza infection	Phase 1	BioCryst Pharmaceuticals, Inc. (USA)	In-house
S-888711	Small molecule TPO mimetic (Oral)	thrombocytopenia	Phase 1 (in preparation)	In-house	In-house

<Outside Japan>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-2367	Central nervous system antagonist (Oral)	Obesity	USA: Phase 2b	In-house	In-house
S-0139	Endothelin A receptor antagonist (Injection)	Cerebrovascular diseases	Japan: Phase 2a Europe: Phase 1	In-house	In-house
S-777469	Antipruritic anti-inflammatory agent (Oral)	Atopic Dermatitis	USA:Phase 1	In-house	In-house

<Out-Licensing Activity>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Bacterial infection	USA: NDA submission(December, 2006) EU: NDA submission (June, 2007)	In-house	Peninsula (USA) ↓ Johnson & Johnson (USA)

<In-Licensing Activity>

Generic name	Category (Administration)	Indication	Stage	Origin	Development
Adapalene gel	Retinoic acid nuclear receptor agonist (Topical)	Acne vulgaris	NDA submission (June, 2006)	Galderma (France)	Galderma K.K.

Since May, 2007

Change of phases	S-4661(out-Licensed) in Europe: In preparation for an NDA filing → Filed NDA(June.2007) Peramivir (in Japan):In preparation for Phase I →Assigned development code No. of S-021812 and move to Phase I				
compound added to the pipeline	S-4661 (in Japan):In preparation for Phase IIIfor pediatric use				
	S-888711(in Japan):in preparation for Phase I				
	S-777469(Outside Japan):Phase I				
compound erased	S-8116(in Japan):Launched in February 2007				
	S-364735<Shionogi—GSK> Interim analysis of POC study demonstrate strong anti-HIV activities of S-364735 as we had anticipated, but we decided to terminate development of S-364735 based on the results of pre-clinical studies. However, Shionogi-GlaxoSmithKline Pharmaceuticals LLC continues to conduct the collaborative research for development of the second-generation of integrase inhibitor.				