



Interim Financial Statements (Consolidated) for The Year Ended March 31, 2008

November 5, 2007

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

Listed Exchanges: Section I of Tokyo and Osaka

Code: 4507

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

Representative: Title of Person in Charge: President

Name: Motozo Shiono

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Date of the filing of semiannual securities report (scheduled): December 7, 2007

Starting date of dividend payment (scheduled): December 3, 2007

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

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

(1) Results of operations

(% of change from the corresponding figures for the same interim period of the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2007	104,167	13.0	17,145	56.1	17,150	56.2	10,788	68.7
Six months ended September 30, 2006	92,154	(4.9)	10,984	(9.6)	10,977	(11.1)	6,394	(23.1)
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	
Six months ended September 30, 2007	31.70		—	
Six months ended September 30, 2006	18.78		—	
Year ended March 31, 2007	54.61		—	

Reference: Equity in losses of affiliates:

Six months ended September 30, 2007: (288) million yen

Six months ended September 30, 2006: (662) million yen

Year ended March 31, 2007: (1,100) million yen

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of September 30, 2007	420,361	346,475	82.4	1,018.49
As of September 30, 2006	425,155	339,358	79.8	995.78
As of March 31, 2007	429,569	345,752	80.4	1,014.73

Reference: Shareholders' equity

As of September 30, 2007: 346,188 million yen

As of September 30, 2006: 339,090 million yen

As of March 31, 2007: 345,468 million yen

(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
Six months ended September 30, 2007	9,178	(8,598)	(4,081)	71,131
Six months ended September 30, 2006	2,175	(20,957)	(3,916)	53,390
Year ended March 31, 2007	14,115	(8,418)	(7,180)	74,546

2. Dividends

(Date of record)	Cash dividends per share		
	Interim	Year-end	Annual
	yen	yen	yen
Year ended March 31, 2007	8.00	8.00	16.00
Year ending March 31, 2008 (Actual)	10.00		20.00
Year ending March 31, 2008 (Forecast)		10.00	

3. Forecasted consolidated results for the year ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(% 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 year ending March 31, 2008	215,000	7.6	40,000	38.6	40,000	42.3	24,000	29.1	70.61

4. Others

(1) Significant changes to consolidated subsidiaries during the fiscal year: None

(2) Changes in the accounting principles, procedure, and indication method regarding the preparation of interim consolidated financial statement

a) Changes and amendments of accounting standards : Yes

b) Other changes : None

Note: For details, please see page 17 "Changes in basis of presentation of interim consolidated financial statements "

(3) Number of shares issued (common stock)

a) Number of shares outstanding (including treasury stock)	As of September 30, 2007	351,136,165 shares
	As of September 30, 2006	351,136,165 shares
	As of March 31, 2007	351,136,165 shares
b) Treasury stock	As of September 30, 2007	11,233,815 shares
	As of September 30, 2006	10,609,787 shares
	As of March 31, 2007	10,683,759 shares

Note: For details, please see page 25 "Notes to amounts per share".

(Reference) Summary non-consolidated results

1. Non-consolidated results for the period from April 1, 2007 to September 30, 2007

(1) Results of operations

(% of change from the corresponding figures for the same interim period of the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2007	96,253	9.4	15,141	66.9	15,958	58.0	9,069	60.4
Six months ended September 30, 2006	88,021	0.5	9,073	(13.2)	10,099	(14.7)	5,653	(33.0)
Year ended March 31, 2007	185,686	1.3	24,893	(3.4)	25,985	(7.6)	17,324	(35.0)

	Earnings per share
	yen
Six months ended September 30, 2007	26 . 65
Six months ended September 30, 2006	16 . 60
Year ended March 31, 2007	50 . 88

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	yen
As of September 30, 2007	405,989	339,264	83.6	998 . 12
As of September 30, 2006	407,521	334,603	82.1	982 . 61
As of March 31, 2007	414,992	340,346	82.0	999 . 69

Reference: Shareholders' equity As of September 30, 2007: 339,264 million yen

As of September 30, 2006: 334,603 million yen

As of March 31, 2007: 340,346 million yen

2. Forecasted non-consolidated results for the year ending March 31, 2008 (April 1, 2007 to March 31, 2008)

(% 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 year ending March 31, 2008	202,000	8.8	37,000	48.6	38,500	48.2	22,500	29.9	66 . 20

Note: These estimates on November 5, 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. Refer to page 5.

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Results of Operations

(1) Analysis of Results of Operations

Results for the Six Months Ended September 30, 2007

a) General Overview

In the Japanese pharmaceutical industry during the six months ended September 30, 2007, against the backdrop of discussions on containing rising healthcare costs, the market environment became increasingly severe due to factors including further promotion of use of generic drugs and DRG/PPS (Diagnosis Related Group/Prospective Payment System) for medical expenses. Competition between companies, including global companies, in sales and R&D further intensified, and active business restructuring and consolidation continued.

Under these conditions, the Shionogi Group reviewed its approach to future activities and the targets of its second medium-term management plan (April 2005 to March 2010), which started in 2005, to respond to the severity of the market, and got off to a new start in the third year of the plan. In the area of research and development, Shionogi focused on enhancing its framework for continuously and quickly discovering and developing new world-class drugs and stepped up licensing activities to enhance the development pipeline. In the area of manufacturing, while paying heed to quality and stable supply, Shionogi continued working to cut costs through efforts including ongoing reduction of raw ingredient costs and process improvements. In the area of sales and marketing, market share for the antihyperlipidemia treatment Crestor, on which Shionogi has been concentrating resources, steadily expanded due to support for the drug's efficacy, safety and economy. Moreover, Shionogi further strengthened its efforts to provide accurate information in order to expand its presence in the field of antibacterials, and to relieve the pain and improve the quality of life of cancer patients.

Consolidated Results of Operations

(Units: Millions of yen, %)

	Net sales	Operating income	Ordinary income	Net income
Six months ended 9/07	104,167	17,145	17,150	10,788
Six months ended 9/06	92,154	10,984	10,977	6,394
Percent increase	13.0	56.1	56.2	68.7

Sales

Sales of prescription drugs increased slightly overall. While sales of Crestor increased significantly, sales of antibiotics declined as a result of the shrinking market and other factors. Royalty income from industrial property rights increased substantially due to an increase in overseas sales of Crestor by AstraZeneca plc. In other businesses, contract manufacturing sales also increased. As a result, net sales totaled ¥104,167 million, an increase of 13.0 percent compared with the same period of the previous fiscal year.

Income

The increase in net sales, particularly the increase in royalty income from industrial property rights, covered the substantial increase in research and development expenses arising from steady progress in R&D activities. As a result, operating income for the six months ended September 30, 2007 increased 56.1 percent compared with the same period of the previous fiscal year to ¥17,145 million, and ordinary income increased 56.2 percent to ¥17,150 million. Net income was ¥10,788 million, an increase of 68.7 percent.

Research and Development

In research and development, Shionogi awaited marketing approval for irbesartan (generic name) for hypertension and pirfenidone (generic name) for idiopathic pulmonary fibrosis. Work progressed on new drugs currently under development, including an antidepressant, an antibacterial, an anti-obesity agent and an antipruritic treatment. In particular, development of anti-obesity and antipruritic treatments is being conducted globally, with Shionogi USA, Inc. as the development base. Johnson & Johnson continued to develop doripenem (generic name), a carbapenem antibiotic that Shionogi out-licensed in the territories of North America and Europe. In October 2007, Johnson & Johnson received an approval for the drug in the United States. Sales of the anti-allergic Claritin are also expected to expand further with the October 2007 approval of an additional pediatric indication for Claritin products as well as addition of dry syrup formulation.

As a result of these activities, research and development expenses for the Shionogi Group during the six months ended September 30, 2007 were ¥19,586 million, equivalent to 18.8 percent of net sales.

Capital Investment

The Shionogi Group's capital investment during the interim period totaled ¥6.1 billion, and centered on expanding manufacturing and research facilities.

b) Segment Information**Pharmaceuticals and Related Businesses**

Regarding prescription drugs, sales of Crestor increased as market share steadily expanded. However, overall sales of prescription drugs increased only slightly because sales of existing products such as Flomox, Flumarin and Vancomycin declined due to the shrinking market, increasing use of generic drugs and other factors. In addition, sales of over-the-counter products declined and sales of diagnostics were flat amid intense market competition. On the other hand, contract manufacturing sales, centered on subsidiary Bushu Pharmaceuticals Ltd., increased due to an increase in manufacturing contracts received from outside the Shionogi Group, and royalty income from industrial property rights rose substantially.

As a result, sales of Pharmaceuticals and Related Businesses increased 9.9 percent compared with the same period of the previous fiscal year to ¥99,892 million.

The substantial increase in royalty income from industrial property rights absorbed the increase in research and development expenses. As a result, operating income of Pharmaceuticals and Related Businesses increased 57.9 percent compared with the same period of the previous fiscal year to ¥16,240 million.

Other Businesses

Net sales of Other Businesses increased 234.2 percent compared with the same period of the previous fiscal year to ¥4,275 million due to the increase in contract construction at Shionogi Engineering Service Co., Ltd.

Total operating income of Other Businesses increased 29.7 percent to ¥904 million.

Forecast for the Year Ending March 31, 2008

Projected results for the year ending March 31, 2008 are as follows.

	(Units: Millions of yen)			
	Net sales	Operating income	Ordinary income	Net income
Year ending 3/08	215,000	40,000	40,000	24,000
Year ended 3/07	199,759	28,863	28,113	18,594
Percentage Increase	7.6	38.6	42.3	29.1

Shionogi forecasts that the market environment for prescription drugs will become even more challenging, with continuing strong pressure to reduce spending on health care and the scheduled revision of National Health Insurance (NHI) drug prices in April 2008. Moreover, the business environment of pharmaceutical companies is expected to become even more severe due to factors including rising research and development expenses.

In these conditions, the Shionogi Group will focus on actively implementing its second medium-term management plan, comprising measures aimed at long-term growth centered on its prescription drug business. In particular, in sales and marketing, Shionogi will work to expand market share by concentrating resources on Crestor, Finibax, Avelox and other new products while taking steps to reinforce its sales organization by enhancing activities focused on improving quality of life through alleviation of cancer pain. In research and development, Shionogi will enhance its framework for continuously discovering world-class development compounds. In addition to building an organizational framework for simultaneous development in Japan, the United States and the European Union, Shionogi will strengthen its strategic investment efforts, including aggressive promotion of in-licensing aimed at enhancing the development pipeline.

For the full fiscal year, the Company forecasts higher revenues from expanded domestic sales of prescription drugs centered on Crestor, as well as increased royalty income from industrial property rights.

Although research and development expenses are expected to increase in tandem with the steady progress of products under development, Shionogi projects that operating income, ordinary income and net income will all increase as a result of sales growth and efforts to cut costs, including reducing raw material costs and lowering costs regularly borne in general and administrative expenses.

(2) Analysis of Financial Position**Assets, Liabilities and Net Assets**

Total assets at September 30, 2007 were ¥420,361 million, a decrease of ¥9,208 million compared with the end of the previous fiscal year. The principal factors in the decrease were a decrease in cash and deposits due to payment of income tax and a decrease in investments in securities due to lower market values reflecting the downward trend of stock prices. As of September 30, 2007, certificates of deposit (domestic), formerly reported as cash and deposits, are reported as marketable securities. Total liabilities decreased ¥9,932 million from the previous fiscal year-end, mainly due to decreases in accrued income taxes and deferred tax liabilities. Net assets increased ¥723 million due to a decrease in unrealized gain on securities, an increase in retained earnings and other factors.

Cash Flow

Net cash provided by operating activities increased ¥7,003 million compared with the same period of the previous fiscal year to ¥9,178 million due to an increase in income, a decrease in income tax paid and other factors.

Net cash used in investment activities was ¥8,598 million, primarily for capital expenditures for manufacturing facilities and purchase of investment securities.

Net cash used in financing activities totaled ¥4,081 million, due to factors including cash dividends paid to shareholders of the Company and purchase of treasury stock.

As a result, cash and cash equivalents at September 30, 2007 stood at ¥71,131 million, a decrease of ¥3,414 million from March 31, 2007.

Trends in Cash Flow Indicators

	Year ended March 2006	Six months ended September 2006	Year ended March 2007	Six months ended September 2007
Net worth ratio (%)	78.8	79.8	80.4	82.4
Net worth ratio calculated based on market value (%)	153.8	173.8	168.0	143.2
Interest-bearing liabilities/ Cash flow ratio	0.2	0.7	0.2	0.1
Interest coverage ratio (times)	72.1	68.6	225.6	374.8

Notes: Net worth ratio: Net worth/Total assets
 Net worth ratio calculated based on market value: Total market value of stock/Total assets
 Interest-bearing liabilities/Cash flow ratio: Interest-bearing liabilities/Cash flow
 (Net cash flows in the interim period represent double the amount of actual cash flows.)
 Interest coverage ratio: Net cash provided by operating activities/Interest expense

1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated based on the total number of shares outstanding excluding treasury stock.
3. Cash flow is net cash provided by operating activities as reported in the consolidated statement of cash flows.
4. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid.

(3) Fundamental Policy on Appropriation of Retained Earnings

In order to increase corporate value from a medium-to-long-term perspective, Shionogi aggressively invests in its business. Moreover, while Shionogi follows a policy of distributing dividends in proportion to results for each fiscal term, it aims to make stable increases. Internal capital reserves are mainly earmarked for capital demands for future business development, including investment in research and development of new products. Shionogi has set a target of raising its payout ratio to 35 percent by the fiscal year ending March 31, 2010.

For the fiscal year ending March 31, 2008, Shionogi will pay an interim dividend of ¥10 per share, and plans to pay a year-end dividend of ¥10 per share. As a result, total cash dividends for the fiscal year will be ¥20 per share, a year-on-year increase of ¥4 per share.

Furthermore, at its meeting on September 18, 2007, the Board of Directors resolved to repurchase a maximum of 5,500,000 shares of treasury stock at a cost of ¥10.0 billion during the period from September 19 to November 16 in order to raise the level of shareholder returns and improve capital efficiency.

(4) Business and Other Risks**Health Care System and Regulatory Risk**

Trends in the ethical drug industry in Japan, including further revision of the National Health Insurance (NHI) system and its drug pricing system, may exert a material influence on the Shionogi Group's business results.

Risk of Pharmaceutical Side Effects

Possible events such as termination of production or recall of pharmaceutical products due to the occurrence of unforeseen side effects may exert a material influence on the Shionogi Group's business results.

Pharmaceutical Research and Development Risks

Research and development of ethical drugs requires a substantial investment of business resources and time. In addition, various uncertainties exist during the period leading up to the actual launch of a new drug. There also exist possible risks that our various intellectual property rights may fail to fully protect our products and/or infringe intellectual property rights of a third party.

Intensifying Global Competition

Competition in the ethical drug industry, including competition with foreign companies, is intensifying in the areas of research and development and sales.

Other Risks

The occurrence of natural disasters or calamities may exert a material influence on the Shionogi Group's business results. Other risks include, but are not limited to, governmental and financial factors.

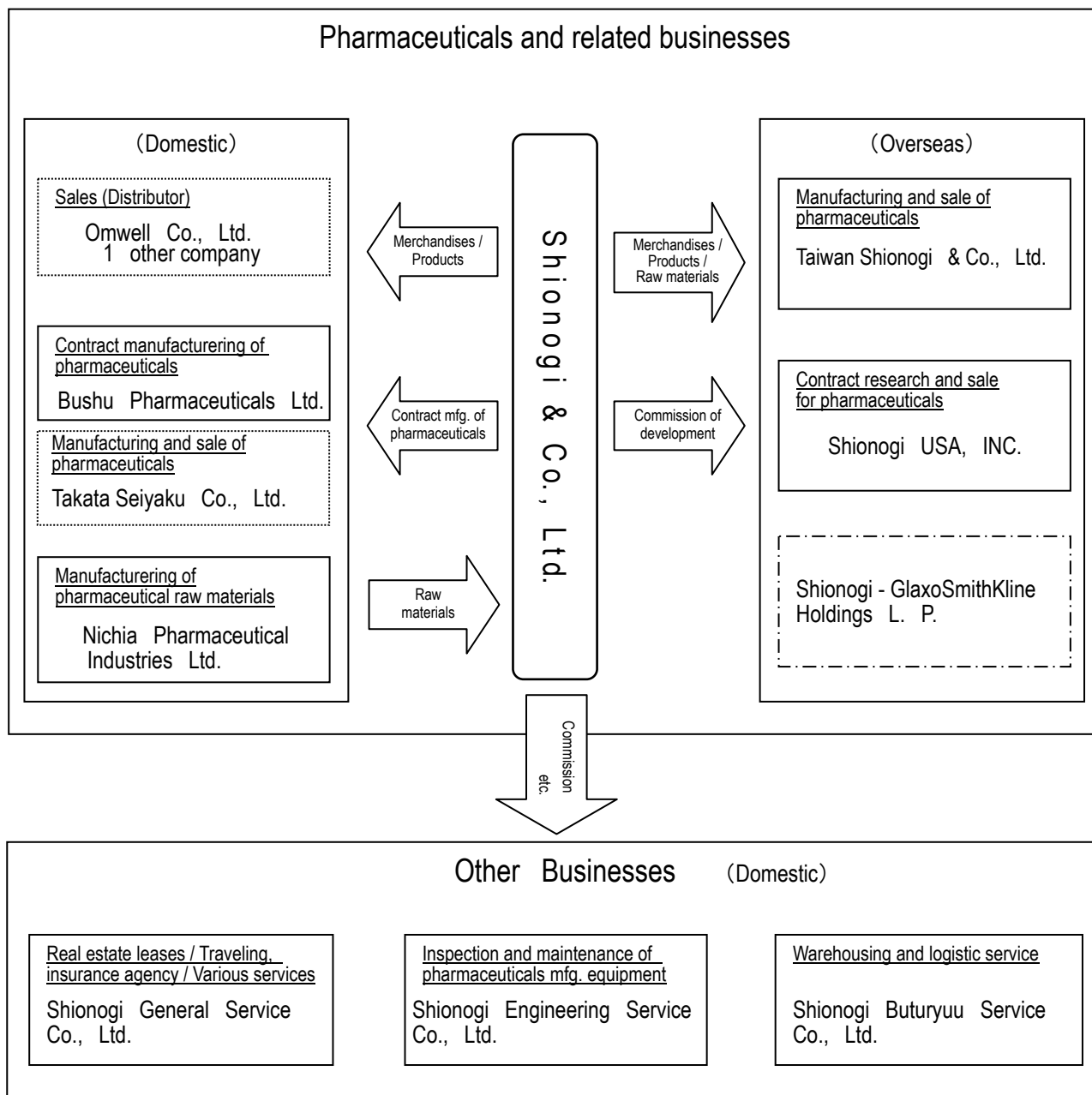
Companies in the Shionogi Group

As of September 30, 2007, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 10 consolidated subsidiaries and 6 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs. In addition, they render related services.

The business segments of the Company, and its subsidiaries and affiliates are summarized as follows:

Business segments	Main products/ merchandise and services	Major companies
Pharmaceuticals and related businesses	Ethical drugs, OTC drugs and Diagnostics	Shionogi & Co., Ltd. Bushu Pharmaceuticals Ltd. Nichia Pharmaceutical Industries Ltd. Takata Seiyaku Co., Ltd. Omwel Co., Ltd. Taiwan Shionogi & Co., Ltd. Shionogi USA, INC. Shionogi-GlaxoSmithKline Holdings L.P. 4 other companies (12 companies in total)
Other businesses	Real estate leasing, Physical distribution and other services	Shionogi General Service Co., Ltd. Shionogi Buturyuu Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 2 other companies (5 companies in total)

A business organizational chart illustrating the above-mentioned activities is presented on the next page.



□ Consolidated subsidiaries

□ Affiliates accounted for by the equity method

□ Affiliates not accounted for by the equity method

Note: Three consolidated subsidiaries and 2 affiliates are not shown in this chart as the scale of their business is very small.

Management Policy

(1) Fundamental Management Policy

Shionogi's corporate philosophy is to "constantly strive to provide medicine of the best possible kind essential for protection of the health of the people." For this purpose, we must create and manufacture better and better pharmaceuticals, while ensuring that as many people as possible know about and use them. To accomplish this goal, we believe that having all of Shionogi's people improve technologies day by day enables us to contribute to expanding the benefits we offer to our customers, shareholders, business partners, society, our employees and all our other stakeholders.

(2) Management Strategy and Challenges Ahead

The operating environment of the pharmaceutical industry is expected to become increasingly severe due to further progress in the consideration of healthcare system reforms, together with rising research and development expenditures, intensifying international competition and other factors.

Under these conditions, the Shionogi Group will focus on steadily implementing its second medium-term management plan, which actively promotes measures for long-term development, with the prescription drug business at the core. In addition to strengthening efforts in sales and marketing, where Shionogi has revised its plan due to the market environment and strategic issues, Shionogi will focus on the following themes in particular during the three years to March 2010, the final year of the second medium-term management plan.

- In research and development, Shionogi will enhance its framework for continuously discovering and developing world-class drugs. In addition to working on compounds currently under development, the Company will focus on building an organizational framework and educating personnel for simultaneous development of internationally competitive drugs in Japan, the United States and the European Union. Shionogi will also concentrate on strategic alliances.
- In sales and marketing, Shionogi will work to expand market share by concentrating resources on Crestor, Finibax, Avelox and other new products, and will strengthen activities to relieve the pain and improve the quality of life of cancer patients. Taking market structure into account, Shionogi will enhance efforts at advanced treatment hospitals, and will also take steps to strengthen its sales organization. This will include creating positions for marketing plan promoters who have a detailed understanding of medical needs.
- In "preparing for a significant leap forward," Shionogi will strengthen drug discovery research for drug "seeds," aggressively in-license and enhance its organization for overseas business development. In addition, over the next three years the Company plans to make strategic investments totaling more than ¥60 billion in manufacturing, research, development and other areas.

"Shionogi strives constantly to provide medicine of the best possible kind essential for protection of the health of the people." By implementing the second medium-term business plan, the Company is working to realize this mission and further increase its presence as a pharmaceutical company.

Management indicator targets for the year ending March 2010 are as follows:

Net sales	270 billion yen
Operating income	80 billion yen
Net income	48 billion yen

Interim Consolidated Statements of Income

(Units : Millions of yen)

Account	Period	Six months ended September 30, 2007		Six months ended September 30, 2006		Increase (Decrease)	Year ended March 31, 2007	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
			%		%			%
Net sales		104,167	100.0	92,154	100.0	12,013	199,759	100.0
Cost of sales		34,685	33.3	30,609	33.2	4,076	67,542	33.8
Gross profit		69,482	66.7	61,544	66.8	7,938	132,216	66.2
Selling, general and administrative expenses		52,337	50.2	50,560	54.9	1,777	103,353	51.7
Operating income		17,145	16.5	10,984	11.9	6,161	28,863	14.5
Non-operating income		1,908	1.8	1,599	1.7	309	3,368	1.7
Interest income		670		477		193	1,141	
Dividends income		630		499		131	661	
Real estate rent		330		290		40	597	
Other		278		331		(53)	968	
Non-operating expenses		1,903	1.8	1,606	1.7	297	4,118	2.1
Interest expenses		43		47		(4)	95	
Contribution		532		474		58	1,272	
Loss on disposal of inventories		474		—		474	1,057	
Loss on disposal of fixed assets		531		282		249	558	
Other		320		801		(481)	1,134	
Ordinary income		17,150	16.5	10,977	11.9	6,173	28,113	14.1
Extraordinary income		276	0.2	509	0.6	(233)	3,610	1.8
Gain on sales of investment securities		276		120		156	186	
Gain on reversal of co-development cost of previous years		—		389		(389)	657	
Gain on exchange of investment securities		—		—		—	2,765	
Extraordinary loss		25	0.0	—	—	25	—	—
Loss on sales of stocks of affiliates		25		—		25	—	
Income before income taxes		17,401	16.7	11,487	12.5	5,914	31,723	15.9
Income taxes-current		3,737	3.6	1,552	1.7	2,185	8,702	4.4
Income taxes-deferred		2,868	2.7	3,517	3.9	(649)	4,387	2.2
Minority interests in income		(6)	(0.0)	(23)	(0.0)	17	(39)	(0.0)
Net income		10,788	10.4	6,394	6.9	4,394	18,594	9.3

Interim Consolidated Balance Sheets

(Units : Millions of yen)

Account	Period	As of September 30, 2007		As of March 31, 2007		Increase (Decrease)	As of September 30, 2006	
		Amount	Percentage	Amount	Percentage	Amount	Amount	Percentage
(Assets)			%		%			%
Current Assets								
Cash and deposits		70,317		86,853		(16,536)	82,932	
Notes and accounts receivable-trade		64,259		67,575		(3,316)	64,113	
Marketable securities		17,335		—		17,335	—	
Inventories		35,541		32,395		3,146	31,418	
Deferred tax assets		3,911		5,325		(1,414)	4,542	
Other		13,595		16,753		(3,158)	19,056	
Allowance for doubtful accounts		(12)		(12)		0	(12)	
Total Current assets		204,948	48.8	208,890	48.6	(3,942)	202,051	47.5
Fixed assets								
Property, plant and equipment								
Buildings and structures		30,256		31,142		(886)	30,730	
Machinery, equipment and vehicles		10,528		10,837		(309)	11,180	
Land		14,812		14,812		0	14,811	
Construction in progress		8,126		5,172		2,954	3,952	
Other		5,715		5,850		(135)	5,402	
Property, plant and equipment, net		69,439	16.5	67,815	15.8	1,624	66,077	15.6
Intangible fixed assets		6,098	1.4	6,135	1.4	(37)	6,772	1.6
Investments and other assets								
Investment securities		115,580		123,368		(7,788)	129,040	
Prepaid pension cost		21,760		20,168		1,592	17,782	
Other		2,702		3,360		(658)	3,595	
Allowance for doubtful accounts		(168)		(168)		0	(165)	
Total investments and other assets		139,875	33.3	146,728	34.2	(6,853)	150,253	35.3
Total fixed assets		215,413	51.2	220,679	51.4	(5,266)	223,104	52.5
Total assets		420,361	100.0	429,569	100.0	(9,208)	425,155	100.0

(Units : Millions of yen)

Account	Period	As of September 30, 2007		As of March 31, 2007		Increase (Decrease)	As of September 30, 2006	
		Amount	Percentage	Amount	Percentage	Amount	Amount	Percentage
(Liabilities)			%		%			%
Current liabilities								
Notes and accounts payable-trade		12,602		12,189		413	14,427	
Accrued income taxes		3,984		7,563		(3,579)	1,696	
Reserves								
Reserve for bonuses		6,455		5,958		497	6,827	
Other reserves		1,030		1,088		(58)	989	
Other		17,000		20,735		(3,735)	24,649	
Total current liabilities		41,074	9.8	47,535	11.1	(6,461)	48,591	11.4
Non-current liabilities								
Deferred tax liabilities		21,711		24,698		(2,987)	25,121	
Reserves								
Reserve for retirement benefits		8,246		8,352		(106)	8,486	
Other reserves		168		185		(17)	185	
Long-term accounts payable-other		1,689		2,066		(377)	2,451	
Other		996		978		18	959	
Total non-current liabilities		32,811	7.8	36,281	8.4	(3,470)	37,205	8.8
Total liabilities		73,885	17.6	83,817	19.5	(9,932)	85,796	20.2
(Net assets)								
Owners' equity								
Capital stock		21,279	5.1	21,279	5.0	0	21,279	5.0
Capital surplus		20,227	4.8	20,227	4.7	0	20,227	4.7
Retained earnings		286,936	68.2	278,871	64.9	8,065	269,394	63.4
Treasury stock		(10,064)	(2.4)	(9,088)	(2.1)	(976)	(8,920)	(2.1)
Total owners' equity		318,378	75.7	311,289	72.5	7,089	301,980	71.0
Valuation and translation adjustments								
Valuation difference on available-for-sale securities		27,810	6.6	34,262	7.9	(6,452)	37,298	8.8
Translation adjustment		(1)	(0.0)	(83)	(0.0)	82	(189)	(0.1)
Total valuation and translation adjustments		27,809	6.6	34,178	7.9	(6,369)	37,109	8.7
Minority interests		287	0.1	283	0.1	4	268	0.1
Total net assets		346,475	82.4	345,752	80.5	723	339,358	79.8
Total liabilities and net assets		420,361	100.0	429,569	100.0	(9,208)	425,155	100.0

Interim Consolidated Statements of Changes in Net Assets

[Six months ended September 30, 2007]

(Units: Millions of yen)

	Owners' equity				Total owners' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2007	21,279	20,227	278,871	(9,088)	311,289
Changes of items during the period					
Dividends from surplus			(2,723)		(2,723)
Net income			10,788		10,788
Purchase of treasury stock				(975)	(975)
Net changes of items other than owners' equity					—
Total changes of items during the period	—	—	8,065	(975)	7,089
Balance at September 30, 2007	21,279	20,227	286,936	(10,064)	318,378

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments		
Balance at March 31, 2007	34,262	(83)	34,178	283	345,752
Changes of items during the period					
Dividends from surplus					(2,723)
Net income					10,788
Purchase of treasury stock					(975)
Net changes of items other than owners' equity	(6,452)	82	(6,369)	4	(6,365)
Total changes of items during the period	(6,452)	82	(6,369)	4	723
Balance at September 30, 2007	27,810	(1)	27,809	287	346,475

[Six months ended September 30, 2006]

(Units: Millions of yen)

	Owners' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31, 2006	21,279	20,227	266,469	(8,750)	299,226
Changes of items during the period					
Dividends from surplus *			(3,406)		(3,406)
Directors' bonuses *			(63)		(63)
Net income			6,394		6,394
Purchase of treasury stock				(170)	(170)
Net changes of items other than owners' equity					—
Total changes of items during the period	—	—	2,925	(170)	2,754
Balance at September 30, 2006	21,279	20,227	269,394	(8,920)	301,980

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments		
Balance at March 31, 2006	38,116	(156)	37,959	247	337,433
Changes of items during the period					
Dividends from surplus *					(3,406)
Directors' bonuses *					(63)
Net income					6,394
Purchase of treasury stock					(170)
Net changes of items other than owners' equity	(817)	(33)	(850)	20	(829)
Total changes of items during the period	(817)	(33)	(850)	20	1,925
Balance at September 30, 2006	37,298	(189)	37,109	268	339,358

* Item for appropriation of unappropriated retained earnings at the Annual General Meeting of Shareholders held in June 2006.

[Year ended March 31,2007]

(Units : Millions of yen)

	Owners' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance at March 31,2006	21,279	20,227	266,469	(8,750)	299,226
Changes of items during the period					
Dividends from surplus *			(3,406)		(3,406)
Dividends from surplus			(2,724)		(2,724)
Directors' bonuses *			(63)		(63)
Net income			18,594		18,594
Purchase of treasury stock				(337)	(337)
Net changes of items other than owners' equity					—
Total changes of items during the period	—	—	12,401	(337)	12,063
Balance at March 31,2007	21,279	20,227	278,871	(9,088)	311,289

	Valuation and translation adjustments			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustment	Total valuation and translation adjustments		
Balance at March 31,2006	38,116	(156)	37,959	247	337,433
Changes of items during the period					
Dividends from surplus *					(3,406)
Dividends from surplus					(2,724)
Directors' bonuses *					(63)
Net income					18,594
Purchase of treasury stock					(337)
Net changes of items other than owners' equity	(3,853)	72	(3,780)	35	(3,745)
Total changes of items during the period	(3,853)	72	(3,780)	35	8,318
Balance at March 31,2007	34,262	(83)	34,178	283	345,752

* Item for appropriation of unappropriated retained earnings at the Annual General Meeting of Shareholders held in June 2006.

Interim Consolidated Statements of Cash Flows

(Units : Millions of yen)

	Six months ended September 30, 2007	Six months ended September 30, 2006	Year ended March 31,2007
	Amount	Amount	Amount
I Net cash provided by operating activities			
Income before income taxes	17,401	11,487	31,723
Depreciation and amortization	4,711	4,156	8,797
Loss on disposal of property, plant and equipment	528	283	556
Gain on sales of investment securities	(276)	(120)	(186)
Gain on exchange of investment securities	—	—	(2,765)
Decrease (increase) in allowance for doubtful accounts	(0)	2	5
Decrease in reserve for retirement benefits	(1,698)	(2,254)	(4,773)
Interest and dividends income	(1,300)	(977)	(1,802)
Interest expenses	43	47	95
Foreign exchange (gain) loss	(97)	0	(45)
Decrease in notes and accounts receivable-trade	3,324	5,782	2,330
Increase in inventories	(3,126)	(4,249)	(5,198)
Increase in notes and accounts payable-trade	398	4,217	1,956
Decrease (increase) in accrued expenses	(680)	635	585
Decrease in accounts payable-other	(5,599)	(5,141)	(2,890)
Other	1,229	(865)	(2,760)
Subtotal	14,857	13,002	25,629
Interest and dividends income received	1,473	1,154	1,971
Interest expenses paid	(24)	(31)	(62)
Income tax paid	(7,128)	(11,950)	(13,423)
Net cash provided by operating activities	9,178	2,175	14,115
II Net cash used in investment activities			
Payments into time deposits	(2,486)	(29,397)	(31,407)
Proceeds from withdrawal of time deposits	2,368	14,335	33,649
Purchase of marketable securities	(19)	(19)	(19)
Proceeds from sales and redemption of marketable securities	2,024	2,020	4,020
Purchase of investment securities	(5,204)	(2,308)	(4,316)
Proceeds from sales of investment securities	282	375	861
Purchases of property, plant and equipment	(4,779)	(4,160)	(11,410)
Proceeds from sales of property, plant and equipment	7	12	28
Collection of loans receivable	312	3	3
Purchase of stock of affiliates	(634)	(1,099)	(1,693)
Proceeds from sales of stock of affiliates	443	129	129
Proceeds from exchange of investment securities	—	—	3,158
Other	(914)	(847)	(1,420)
Net cash used in investment activities	(8,598)	(20,957)	(8,418)
III Net cash used in financing activities			
Repayments of installment payables	(381)	(342)	(718)
Purchase of treasury stock	(976)	(170)	(337)
Cash dividends paid	(2,720)	(3,400)	(6,122)
Cash dividends paid to minority shareholders	(2)	(2)	(2)
Net cash used in financing activities	(4,081)	(3,916)	(7,180)
IV Effect of exchange rate change on cash and cash equivalents	87	(53)	(113)
V Decrease in cash and cash equivalents	(3,414)	(22,751)	(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	71,131	53,390	74,546

Notes to Interim Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 10

Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Saishin Igaku Co., Ltd., Shionogi Engineering Service Co., Ltd., Shionogi Butsuruyuu Service Co., Ltd., Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA, Inc., SG Holding Inc.

2. Application of equity method

Shionogi-GlaxoSmithKline Holdings L.P. was accounted for by the equity method and its interim closing date differs from the interim consolidated closing date, therefore the interim financial statements in its fiscal year have been used.

That portion of the net profit (loss) of the 5 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the interim consolidated net income or retained earnings of the Company for the current period.

3. Closing date of consolidated subsidiaries

Three overseas consolidated subsidiaries close their accounts on June 30, for financial reporting purpose. The accompanying interim consolidated financial statements of the Company have been prepared on the basis of the consolidated subsidiaries' interim financial statements prepared as of their respective closing dates. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the interim consolidated financial statements.

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

1. Securities

A) Held-to-maturity securities

Amortized cost method

B) Other securities

a) Market value available

At fair value, based on market price or other appropriate quotation as of period end

(Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)

b) Market value not available

At cost determined by the moving average method

(The securities based on Financial Products Exchange Law article 2.2 are evaluated their net profit/loss(equity method).)

2. Inventories

Most items are evaluated at cost determined by the average method.

(2) Depreciation method of significant depreciable assets

1. Property, plant and equipment

Most items are depreciated 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:	2 to 60 years
Machinery and equipment and vehicles:	2 to 17 years

[Change of accounting policy]

In accordance with revisions to the Corporation Tax Law, for depreciation of tangible fixed assets acquired from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed to a calculation method based on the revised Corporation Tax Law.

As a result, in the six months ended September 30, 2007, operating income, ordinary income and income before income taxes each decreased by ¥94 million compared with the former method.

The impact of this change on segment information is disclosed in 'Segment information'.

[Additional information]

In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate tangible assets acquired before April 1, 2007 until the remaining value of assets reaches 5 percent of acquisition cost, as per pre-revision rules. Thereafter, the difference between the equivalent of 5 percent of the acquisition cost and the disposal cost is depreciated uniformly over five years as part of depreciation expenses.

As a result, in the six months ended September 30, 2007, operating income, ordinary income and income before income taxes each decreased by ¥441 million compared with the former method.

The impact of this change on segment information is disclosed in 'Segment information'.

2. Intangible fixed assets

Most items are depreciated by the Straight-line method

Expenditures related to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).

(3) Basis for providing significant allowances and reserves**1. 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.

2. 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.

3. Reserve for 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 the 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) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the interim balance sheet date. Gain or loss on translation is credited or charged to income; however, assets, liabilities, income and expenses of certain overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the interim balance sheet date. Adjustments resulting from the translation of foreign currency interim financial statements have been reported as Translation adjustment in Net assets.

(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; however, certain overseas consolidated subsidiaries account for such finance leases as ordinary sales transactions.

(6) Significant 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.

(7) Other significant accounting policies**Consumption tax**

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

[Change in method of presentation]

In accordance with amendments to the Guidelines to Regulations Governing Interim Consolidated Financial Statements specifying that certificates of deposit (domestic) are to be included in securities, from the six months ended September 30, 2007, certificates of deposit (domestic) included in cash and deposits prior to April 1, 2007 are reported as marketable securities.

Certificates of deposit (domestic) included in marketable securities as of September 30, 2007 totaled ¥13,300 million.

Certificates of deposit (domestic) included in cash and deposits as of September 30, 2006 totaled ¥2,300 million.

5. Definition of cash and cash equivalents in the interim consolidated cash flow statements

Cash and cash equivalents reported in the interim consolidated cash flow statements include cash on hand, bank deposits and deposits in other financial institutions immediately withdrawal upon request, or liquid short-term investments with only a minor risk of any fluctuation in their value which mature within three months of their acquisition dates.

Notes to interim consolidated financial statement

1. Notes to interim consolidated statements of income

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
(1) The major items and amounts included in selling, general and administrative expenses were as follows:			
Sales promotional activities	6,714 Million yen	5,706 Million yen	13,027 Million yen
Salaries	8,094	8,312	19,961
Provision for reserve for bonuses	3,374	3,645	3,136
Retirement benefit expenses	28	137	276
R & D expenses	19,586 Million yen	17,874 Million yen	37,455 Million yen
(R&D expenses above include the following amounts provided as reserves and retirement benefit expenses)			
Provision for reserve for bonuses	1,787 Million yen	1,863 Million yen	1,574 Million yen
Retirement benefit expenses	23	76	148

2. Notes to interim consolidated balance sheets

	[As of September 30, 2007]	[As of March 31, 2007]	[As of September 30, 2006]
(1) Accumulated depreciation of property, plant and equipment	162,304 Million yen	161,459 Million yen	159,503 Million yen
(2) Guaranteed liabilities	80 Million yen	93 Million yen	102 Million yen
(3) Commitments - Lines of credit			
The Company entered into line-of-credit commitments with 11 financial institutions in order to enhance its working capital efficiency. The outstanding balances of these lines of credit are as follows:			
Total amount of lines of credit	24,000 Million yen	24,000 Million yen	24,000 Million yen
<u>The amount of borrowing</u>	<u>—</u>	<u>—</u>	<u>—</u>
Outstanding balances	24,000 Million yen	24,000 Million yen	24,000 Million yen
(4) Pledged assets and secured liabilities			
The assets listed below have been pledged as collateral against borrowings and other debts:			
Book value of pledged assets:			
Cash and deposits	6 Million yen	5 Million yen	5 Million yen
Liabilities secured by the above assets:			
'Other' of current liabilities	6 Million yen	6 Million yen	6 Million yen
(5) Accounting for settlement of notes receivable and payable.			
In general, the settlement of notes is recorded on the clearing date. Because September 30, 2006, March 31, 2007 and September 30, 2007 each fell on a bank holiday, the balances of notes receivable and payable as of the end of each period include the following notes which matured but were not settled on those days:			
Notes payable	5 Million yen	7 Million yen	9 Million yen
(Including notes payable related to construction and installation contracts)			

3. Notes to interim consolidated statement of changes in net assets

[Six months ended September 30, 2007]

(1) Type and number of shares in issue and type and number of shares of treasury stock (Units: Shares)

	March 31, 2007	Increase	Decrease	September 30, 2007
Shares in issue				
Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock				
Common stock	10,683,759	550,056	—	11,233,815
Total	10,683,759	550,056	—	11,233,815

Note: The increase of 550,056 shares of treasury stock in common stock consists of a purchase of 50,056 odd-lot shares and a purchase of 500,000 shares approved by a resolution of the Board of Directors.

(2) Matters concerning subscription rights and subscription rights owned by the Company
N/A

(3) Dividends

A) Dividend payments

Resolution	Category	Total amount of dividends	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 28, 2007	Common stock	2,723 Million yen	8 Yen	March 31, 2007	June 29, 2007

B) Dividends whose effective date is subsequent to September 30, 2007

Resolution	Category	Total amount of dividends	Funds for dividend	Amount per share	Dividend record date	Effective date
Board of Directors Meeting held on November 5, 2007	Common stock	3,399 Million yen	Retained earnings	10 Yen	September 30, 2007	December 3, 2007

[Six months ended September 30, 2006]

(1) Type and number of shares in issue and type and number of shares of treasury stock (Units: Shares)

	March 31, 2006	Increase	Decrease	September 30, 2006
Shares in issue				
Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock				
Common stock	10,526,605	83,182	—	10,609,787
Total	10,526,605	83,182	—	10,609,787

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

(2) Matters concerning subscription rights and subscription rights owned by the Company
N/A

(3) Dividends

A) Dividend payments

Resolution	Category	Total amount of dividends	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2006	Common stock	3,406 Million yen	10 Yen	March 31, 2006	June 30, 2006

B) Dividends whose effective date is subsequent to September 30, 2006

Resolution	Category	Total amount of dividends	Funds for dividend	Amount per share	Dividend record date	Effective date
Board of Directors Meeting held on November 6, 2006	Common stock	2,724 Million yen	Retained earnings	8 Yen	September 30, 2006	December 1, 2006

[Year ended March 31, 2007]

(1) Type and number of shares in issue and type and number of shares of treasury stock (Units: Shares)

	March 31, 2006	Increase	Decrease	March 31, 2007
Shares in issue				
Common stock	351,136,165	—	—	351,136,165
Total	351,136,165	—	—	351,136,165
Treasury stock				
Common stock	10,526,605	157,154	—	10,683,759
Total	10,526,605	157,154	—	10,683,759

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

(2) Matters concerning subscription rights and subscription rights owned by the Company
N/A

(3) Dividends

A) Dividend payments

Resolution	Category	Total amount of dividends	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2006	Common stock	3,406 Million yen	10 Yen	March 31, 2006	June 30, 2006
Meeting of Board of directors on November 6, 2006	Common stock	2,724 Million yen	8 Yen	September 30, 2006	December 1, 2006

B) Dividends whose effective date is subsequent to March 31, 2007

Resolution	Category	Total amount of dividends	Funds for dividend	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders to be held on June 28, 2007	Common stock	2,723 Million yen	Retained earnings	8 Yen	March 31, 2007	June 29, 2007

4. Notes to interim consolidated statements of cash flow

Reconciliation of balance of cash and cash equivalents as of the period end with the amounts reported in the interim consolidated balance sheets:

	[As of September 30, 2007]	[As of September 30, 2006]	[As of March 31, 2007]
Cash and deposits	70,317 Million yen	82,932 Million yen	86,853 Million yen
Time deposits with a maturity exceeding three months	(12,486)	(29,542)	(12,307)
Cash and cash equivalents Including "Marketable securities"	13,300	—	—
Cash and cash equivalents	71,131 Million yen	53,390 Million yen	74,546 Million yen

5. Notes to lease transactions

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

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
(1) Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of leased properties			
Acquisition cost equivalent	2,057 Million yen	1,995 Million yen	1,985 Million yen
<u>Accumulated depreciation equivalent</u>	<u>973</u>	<u>738</u>	<u>531</u>
Period-end balance	1,084 Million yen	1,257 Million yen	1,453 Million yen
<i>Note: Tool and furniture account for most of the above balances.</i>			
(2) Breakdown of period end balance equivalent of unexpired leases			
Within one year	463 Million yen	455 Million yen	448 Million yen
<u>Exceeding one year</u>	<u>620</u>	<u>801</u>	<u>1,005</u>
Total	1,084 Million yen	1,257 Million yen	1,453 Million yen
(3) Lease payments and depreciation equivalent			
Lease payments	309 Million yen	455 Million yen	296 Million yen
Depreciation equivalent	309 Million yen	455 Million yen	296 Million 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.

Note: The amounts shown in 1 and 2 above include the interest portion.

[Impairment loss]

Impairment loss has not been allocated to leased assets.

6. Notes to securities

(1) Bonds to be held until maturity with quoted market prices

(Units: Millions of yen)

	As of September 30, 2007			As of March 31, 2007			As of September 30, 2006		
	Value reported in interim consolidated balance sheet	Market price	Difference	Value reported in annual consolidated balance sheet	Market price	Difference	Value reported in interim consolidated balance sheet	Market price	Difference
(1) National, local government and other public bonds	40,097	40,158	60	40,117	40,086	(30)	40,141	40,063	(77)
(2) Corporate bonds	—	—	—	—	—	—	—	—	—
(3) Other bonds	19	19	0	19	19	0	19	19	0
Total	40,117	40,178	60	40,137	40,106	(30)	40,161	40,083	(77)

(2) Other securities; market value available

(Units: Millions of yen)

	As of September 30, 2007			As of March 31, 2007			As of September 30, 2006		
	Acquisition cost	Value reported in interim consolidated balance sheet	Difference	Acquisition cost	Value reported in annual consolidated balance sheet	Difference	Acquisition cost	Value reported in interim consolidated balance sheet	Difference
(1) Stocks	20,240	66,234	45,993	17,054	73,700	56,645	15,748	77,505	61,756
(2) Bonds									
[1] National, local government and other public bonds	—	—	—	—	—	—	—	—	—
[2] Corporate bonds	—	—	—	—	—	—	—	—	—
[3] Other bonds	1,791	2,596	805	1,810	2,726	915	1,829	2,749	920
(3) Other securities	5,000	5,020	20	5,005	5,125	120	5,005	5,121	115
Total	27,032	73,851	46,819	23,870	81,551	57,681	22,583	85,375	62,792

(3) Major securities (market value not available) and their value reported in interim consolidated balance sheets

(Units: Millions of yen)

	As of September 30, 2007	As of March 31, 2007	As of September 30, 2006
	Value reported in interim consolidated balance sheet	Value reported in annual consolidated balance sheet	Value reported in interim consolidated balance sheet
(1) Bonds to be held until maturity	—	—	—
(2) Other securities			
[1] Unlisted stocks (excluding OTC stocks)	2,149	2,567	4,504
[2] Certificates of deposits (domestic)	13,300	14,300	2,300

Note: Certificates of deposits (domestic) have been included in Marketable securities in the interim consolidated balance sheets as of September 30, 2007.

Certificates of deposits (domestic) have been included in Cash and deposits in the interim (annual) consolidated balance sheets as of March 31, 2007 and September 30, 2006.

7. Notes to derivative transactions

Market prices of derivative transactions

The Company did not have any open derivatives positions other than certain hedges against receivables and payables denominated in foreign currency as of September 30, 2007, March 31, 2007 and September 30, 2006.

8. Notes to segment information

1. Business segment information

[Six months ended September 30, 2007]

(Units: millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
I . Net sales and operating income:					
Net sales					
(1) Sales to third parties	99,892	4,275	104,167	—	104,167
(2) Inter-group sales and transfers	—	1,767	1,767	(1,767)	—
Total	99,892	6,042	105,935	(1,767)	104,167
Operating expenses	83,652	5,137	88,790	(1,767)	87,022
Operating income	16,240	904	17,145	0	17,145

[Six months ended September 30, 2006]

(Units: millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
I . Net sales and operating income:					
Net sales					
(1) Sales to third parties	90,875	1,279	92,154	—	92,154
(2) Inter-group sales and transfers	—	2,591	2,591	(2,591)	—
Total	90,875	3,870	94,746	(2,591)	92,154
Operating expenses	80,588	3,172	83,761	(2,591)	81,169
Operating income	10,287	697	10,984	0	10,984

[Year ended March 31, 2007]

(Units: millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
I . 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

Notes: 1. *Businesses of the Shionogi & Co., Ltd and consolidated subsidiaries are segmented into "Pharmaceuticals and related businesses" and "Other businesses", considering the types of products/merchandise handled and the similarities in their markets.*

2. *Major products/merchandise and services provided by each segment*

Business segment	Major products/merchandise and services
Pharmaceuticals and related businesses	Ethical drugs, OTC drugs and Diagnostics
Other businesses	Real estate leases, Physical distribution and other services

3. *Change of accounting policy*

In accordance with revisions to the Corporation Tax Law, for depreciation of tangible fixed assets acquired from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed to a calculation method based on the revised Corporation Tax Law.

With this change, operating expenses in the Pharmaceuticals and Related Businesses and the Other Businesses segments for the six months ended September 30, 2007 increased by ¥94 million and ¥0 million, respectively, compared with the former method, decreasing operating income in each segment by the same respective amount.

4. *Additional information*

In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate tangible assets acquired before April 1, 2007 until the remaining value of assets reaches 5 percent of acquisition cost, as per pre-revision rules. Thereafter, the difference between the equivalent of 5 percent of the acquisition cost and the disposal cost is depreciated uniformly over five years as part of depreciation expenses.

With this change, operating expenses in the Pharmaceuticals and Related Businesses and the Other Businesses segments for the six months ended September 30, 2007 increased by ¥441 million and ¥0 million, respectively, compared with the former method, decreasing operating income in each segment by the same respective amount.

2. Segment information by geographic area

Because more than 90% of the total sales in all business segments were conducted in Japan, the disclosure of segment information by geographic area has been omitted.

3. Overseas sales

[Six months ended September 30, 2007]

(Units: Millions of yen)

	Europe	Other	Total
I . Overseas sales	15,785	2,384	18,170
II . Consolidated net sales	—	—	104,167
III . Overseas sales as a percentage of to consolidated net sales	15.1%	2.3%	17.4%

Notes: 1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

(1) Europe: United Kingdom, Switzerland, Germany and others

(2) Others: North America, Asia and others

3. Overseas sales represent those of the Company and consolidated subsidiaries in countries areas outside Japan and include profit derived from licensing fees as royalty revenue.

[Six months ended September 30, 2006]

(Units: Millions of yen)

	Total
I . Overseas sales	10,671
II . Consolidated net sales	92,154
III . Overseas sales as a percentage of to consolidated net sales	11.6%

Notes: 1. Overseas sales represent those of the Company and consolidated subsidiaries in countries and areas outside Japan and include profit derived from licensing fees as royalty revenue.

2. Because the overseas sales of each segment accounted for less than 10% of total consolidated sales, the disclosure of overseas sales by geographical region has been omitted.

[Year ended March 31, 2007]

(Units: Millions of yen)

	Europe	Other	Total
I . Overseas sales	20,404	5,658	26,063
II . Consolidated net sales	—	—	199,759
III . Overseas sales as a percentage of to consolidated net sales	10.2%	2.8%	13.0%

Notes: 1. Country and regional segments are based on geographic proximity.

2. Main countries and regions included in each segment

(1) Europe: United Kingdom, Switzerland, Germany and others

(2) Others: North America, Asia and others

3. Overseas sales represent those of the Company and consolidated subsidiaries in countries areas outside Japan and include profit derived from licensing fees as royalty revenue.

9. Notes to amounts per share

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
Net assets per share	1,018.49 yen	995.78 yen	1,014.73 yen
Earnings per share	31.70 yen	18.78 yen	54.61 yen

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 assets per share is as follows.

	[As of September 30, 2007]	[As of September 30, 2006]	[As of March 31, 2007]
Total net assets	346,475 million yen	339,358 million yen	345,752 million yen
Amount deducted			
from total net assets	287 million yen	268 million yen	283 million yen
(Amounts attributed to minority Interests in total net assets)	(287 million yen)	(268 million yen)	(283 million yen)
Net assets at period end			
available to common stocks	346,188 million yen	339,090 million yen	345,468 million yen
Shares outstanding			
as of the period end	339,902 thousands of stocks	340,526 thousands of stocks	340,452 thousands of stocks

3. Information for the computation of Earnings per share is as follows.

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
Net income	10,788 million yen	6,394 million yen	18,594 million yen
The amount which is not attributable to ordinary shareholders	— million yen	— million yen	— million yen
Net income related to common stocks	10,788 million yen	6,394 million yen	18,594 million yen
Average number of shares outstanding during the period	340,340 thousands of stocks	340,558 thousands of stocks	340,519 thousands of stocks

Interim Non-consolidated Statements of Income

(Units : Millions of yen)

Account	Six months ended September 30, 2007		Six months ended September 30, 2006		Increase (Decrease) Amount	Year ended March 31, 2007	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
		%		%			%
Net sales	96,253	100.0	88,021	100.0	8,232	185,686	100.0
Cost of sales	29,631	30.8	29,337	33.3	294	59,382	32.0
Gross profit	66,622	69.2	58,683	66.7	7,939	126,304	68.0
Selling, general and administrative expenses	51,480	53.5	49,609	56.4	1,871	101,411	54.6
Operating income	15,141	15.7	9,073	10.3	6,068	24,893	13.4
Non-operating income	2,942	3.1	2,550	2.9	392	4,925	2.7
Interest income	279		180		99	490	
Interest on securities	411		321		90	686	
Dividends income	1,001		799		202	1,125	
Real estate rent	999		960		39	1,938	
Other	250		288		(38)	684	
Non-operating expenses	2,125	2.2	1,525	1.7	600	3,833	2.1
Interest expenses	18		15		3	33	
Contribution	529		458		71	1,245	
Depreciation	234		229		5	459	
Loss on disposal of inventories	463		—		463	930	
Loss on disposal of fixed assets	467		252		215	519	
Taxes and dues	—		156		(156)	—	
Other	412		412		0	644	
Ordinary income	15,958	16.6	10,099	11.5	5,859	25,985	14.0
Extraordinary income	276	0.3	509	0.6	(233)	3,610	1.9
Gain on sales of investment securities	276		—		276	65	
Gain on reversal of co-development cost of previous years	—		389		(389)	657	
Gain on sales of stocks of affiliates	—		120		(120)	120	
Gain on exchange of investment securities	—		—		—	2,765	
Extraordinary loss	1,216	1.3	386	0.5	830	386	0.2
Loss on valuation of stocks of affiliates	1,114		—		1,114	—	
Loss on sales of stocks of affiliates	101		—		101	—	
Loss on liquidation of an investment security	—		386		(386)	386	
Income before income taxes	15,018	15.6	10,222	11.6	4,796	29,209	15.7
Income taxes-current	3,270	3.4	1,030	1.2	2,240	7,370	4.0
Income taxes-deferred	2,679	2.8	3,539	4.0	(860)	4,514	2.4
Net income	9,069	9.4	5,653	6.4	3,416	17,324	9.3

Interim Non-consolidated Balance Sheets

(Units : Millions of yen)

Account	Period	As of September 30, 2007		As of March 31, 2007		Increase (decrease)	As of September 30, 2006	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Assets)			%		%			%
Current assets								
Cash and deposits		63,563		78,951		(15,388)	75,015	
Notes receivable-trade		203		218		(15)	199	
Accounts receivable-trade		61,486		65,258		(3,772)	61,100	
Marketable securities		17,315		4,027		13,288	4,006	
Inventories		33,020		29,945		3,075	29,198	
Other current assets		20,786		20,527		259	19,762	
Allowance for doubtful accounts		(180)		(7)		(173)	(6)	
Total current assets		196,196	48.3	198,922	47.9	(2,726)	189,276	46.4
Fixed assets								
Property, plant and equipment:								
Buildings		25,198		25,985		(787)	25,474	
Other		32,000		29,469		2,531	28,129	
Property, plant and equipment, net		57,198	14.1	55,454	13.4	1,744	53,604	13.2
Intangible fixed assets		5,729	1.4	5,757	1.4	(28)	6,195	1.5
Investments and other assets								
Investments in securities		117,217		126,187		(8,970)	131,859	
Other		29,816		28,839		977	26,750	
Allowance for doubtful accounts		(168)		(168)		0	(165)	
Total investments and other assets		146,865	36.2	154,858	37.3	(7,993)	158,444	38.9
Total fixed assets		209,793	51.7	216,070	52.1	(6,277)	218,244	53.6
Total assets		405,989	100.0	414,992	100.0	(9,003)	407,521	100.0

(Units : Millions of yen)

Account	Period	As of September 30, 2007		As of March 31, 2007		Increase (decrease)	As of September 30, 2006	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Liabilities)			%		%			%
Current liabilities:								
Accounts payable-trade		11,737		10,026		1,711	11,999	
Reserves:								
Reserve for bonuses		6,187		5,694		493	6,603	
Other reserves		985		1,018		(33)	930	
Other		17,123		24,102		(6,979)	19,022	
Total current liabilities		36,033	8.9	40,841	9.8	(4,808)	38,555	9.5
Non-current liabilities:								
Deferred tax liabilities		21,614		24,601		(2,987)	25,024	
Reserves:								
Reserve for retirement benefits		8,203		8,310		(107)	8,445	
Other reserves		168		185		(17)	185	
Other		706		706		0	706	
Total non-current liabilities		30,691	7.5	33,803	8.2	(3,112)	34,362	8.4
Total liabilities		66,725	16.4	74,645	18.0	(7,920)	72,917	17.9
(Net Assets)								
Owners' equity								
Capital stock		21,279	5.2	21,279	5.1	0	21,279	5.2
Capital surplus								
Legal capital surplus		20,227		20,227		0	20,227	
Total capital surplus		20,227	5.0	20,227	4.9	0	20,227	5.0
Retained earnings								
Legal retained earnings		5,388		5,388		0	5,388	
Others retained earnings								
Reserve for special depreciation		443		575		(132)	701	
Reserve for advanced depreciation of fixed assets		24		25		(1)	25	
General reserve		258,645		248,645		10,000	248,645	
Retained earnings brought forward		15,508		19,031		(3,523)	9,957	
Total retained earnings		280,010	69.0	273,665	65.9	6,345	264,718	65.0
Treasury stock		(10,064)	(2.5)	(9,088)	(2.2)	(976)	(8,920)	(2.2)
Total owners' equity		311,453	76.7	306,083	73.7	5,370	297,304	73.0
Valuation and translation adjustments								
Valuation difference on available-for-sale securities		27,810	6.9	34,262	8.3	(6,452)	37,298	9.1
Total valuation and translation adjustments		27,810	6.9	34,262	8.3	(6,452)	37,298	9.1
Total net assets		339,264	83.6	340,346	82.0	(1,082)	334,603	82.1
Total liabilities and net assets		405,989	100.0	414,992	100.0	(9,003)	407,521	100.0

Interim Non-consolidated Statement of Changes in Net Assets

[Six months ended September 30, 2007]

(Units: Millions of yen)

	Owners' equity									
	Capital stock	Capital surplus	Retained earnings						Treasury stock	Total owners' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings				Total Retained earnings		
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance at March 31, 2007	21,279	20,227	5,388	575	25	248,645	19,031	273,665	(9,088)	306,083
Changes of items during the period										
Reversal of reserve for special depreciation				(131)			131	—		—
Reversal of reserve for advanced depreciation of fixed assets					(0)		0	—		—
Provision of general reserve						10,000	(10,000)	—		—
Dividends from surplus							(2,723)	(2,723)		(2,723)
Net income							9,069	9,069		9,069
Purchase of treasury stock									(975)	(975)
Net changes of items other than owners' equity										
Total changes of items during the period	—	—	—	(131)	(0)	10,000	(3,522)	6,345	(975)	5,369
Balance at September 30, 2007	21,279	20,227	5,388	443	24	258,645	15,508	280,010	(10,064)	311,453

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at March 31, 2007	34,262	340,346
Changes of items during the period		
Reversal of reserve for special depreciation		—
Reversal of reserve for advanced depreciation of fixed assets		—
Provision of general reserve		—
Dividends from surplus		(2,723)
Net income		9,069
Purchase of treasury stock		(975)
Net changes of items other than owners' equity	(6,452)	(6,452)
Total changes of items during the period	(6,452)	(1,082)
Balance at September 30, 2007	27,810	339,264

[Six months ended September 30, 2006]

(Units: Millions of yen)

	Owners' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury stock	Total owners' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings				Total Retained earnings		
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance at March 31, 2006	21,279	20,227	5,388	615	26	228,645	27,850	262,525	(8,750)	295,281
Changes of items during the period										
Provision of reserve for special depreciation *				226			(226)	—		—
Reversal of reserve for special depreciation				(140)			140	—		—
Reversal of reserve for advanced depreciation of fixed assets *					(0)		0	—		—
Reversal of reserve for advanced depreciation of fixed assets					(0)		0	—		—
Provision of general reserve *						20,000	(20,000)	—		—
Dividends from surplus *							(3,406)	(3,406)		(3,406)
Directors' bonuses *							(54)	(54)		(54)
Net income							5,653	5,653		5,653
Purchase of treasury stock									(170)	(170)
Net changes of items other than owners' equity										
Total changes of items during the period	—	—	—	86	(1)	20,000	(17,892)	2,192	(170)	2,022
Balance at September 30, 2006	21,279	20,227	5,388	701	25	248,645	9,957	264,718	(8,920)	297,304

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at March 31, 2006	37,144	332,426
Changes of items during the period		
Provision of reserve for special depreciation *		—
Reversal of reserve for special depreciation		—
Reversal of reserve for advanced depreciation of fixed assets *		—
Reversal of reserve for advanced depreciation of fixed assets		—
Provision of general reserve *		—
Dividends from surplus *		(3,406)
Directors' bonuses *		(54)
Net income		5,653
Purchase of treasury stock		(170)
Net changes of items other than owners' equity	154	154
Total changes of items during the period	154	2,177
Balance at September 30, 2006	37,298	334,603

* Item for appropriation of unappropriated retained earnings at the Annual General Meeting of Shareholders held in June 2006.

[Year ended March 31, 2007]

(Units : Millions of yen)

	Owners' equity									
	Capital stock	Capital surplus	Retained earnings						Treasury stock	Total owners' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings				Total Retained earnings		
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings brought forward			
Balance at March 31, 2006	21,279	20,227	5,388	615	26	228,645	27,850	262,525	(8,750)	295,281
Changes of items during the period										
Provision of reserve for special depreciation *				226			(226)	—		—
Reversal of reserve for special depreciation				(266)			266	—		—
Reversal of reserve for advanced depreciation of fixed assets *					(0)		0	—		—
Reversal of reserve for advanced depreciation of fixed assets					(0)		0	—		—
Provision of general reserve *						20,000	(20,000)	—		—
Dividends from surplus *							(3,406)	(3,406)		(3,406)
Dividends from surplus							(2,724)	(2,724)		(2,724)
Directors' bonuses *							(54)	(54)		(54)
Net income							17,324	17,324		17,324
Purchase of treasury stock									(337)	(337)
Net changes of items other than owners' equity										
Total changes of items during the period	—	—	—	(39)	(1)	20,000	(8,819)	11,139	(337)	10,802
Balance at March 31, 2007	21,279	20,227	5,388	575	25	248,645	19,031	273,665	(9,088)	306,083

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at March 31, 2006	37,144	332,426
Changes of items during the period		
Provision of reserve for special depreciation *		—
Reversal of reserve for special depreciation		—
Reversal of reserve for advanced depreciation of fixed assets *		—
Reversal of reserve for advanced depreciation of fixed assets		—
Provision of general reserve *		—
Dividends from surplus *		(3,406)
Dividends from surplus		(2,724)
Directors' bonuses *		(54)
Net income		17,324
Purchase of treasury stock		(337)
Net changes of items other than owners' equity	(2,881)	(2,881)
Total changes of items during the period	(2,881)	7,920
Balance at March 31, 2007	34,262	340,346

* Item for appropriation of unappropriated retained earnings at the Annual General Meeting of Shareholders held in June 2006.

Significant accounting policies

1. Basis and method of securities evaluation

(1) Held-to-maturity securities

Amortized cost method

(2) Investments in subsidiaries and affiliates

At cost determined by the moving average method

(3) Other securities

1. Market value available

At fair value, based on market price or other appropriate quotation as of period end

(Unrealized gain is charged directly to net assets; cost of sales is accounted for by the moving average method.)

2. Market value not available

At cost determined by the moving average method

(The securities based on Financial Products Exchange Law article 2.2 are evaluated their net profit/loss(equity method).)

2. Basis and method of inventories evaluation

(1) Merchandise, raw materials

At the lower-of-cost-or-market method determined by the average method.

(2) Finished goods, semi-finished goods, work in process and supplies

At cost determined by the average method

3. 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:	4 to 17 years

[Change of accounting policy]

In accordance with revisions to the Corporation Tax Law, for depreciation of tangible fixed assets acquired from April 1, 2007, the Company has changed to a calculation method based on the revised Corporation Tax Law.

As a result, in the six months ended September 30, 2007, operating income, ordinary income and income before income taxes each decreased by ¥93 million compared with the former method.

[Additional information]

In accordance with revisions to the Corporation Tax Law, the Company depreciates tangible assets acquired before April 1, 2007 until the remaining value of assets reaches 5 percent of acquisition cost, as per pre-revision rules. Thereafter, the difference between the equivalent of 5 percent of the acquisition cost and the disposal cost is depreciated uniformly over five years as part of depreciation expenses.

As a result, in the six months ended September 30, 2007, operating income, ordinary income and income before income taxes each decreased by ¥425 million compared with the former method.

(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, 5 years).

4. Basis for providing allowances and reserves

(1) 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.

(2) 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.

(3) Reserve for 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.

5. 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.

6. 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.

7. 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

1. Hedging instruments

Forward foreign exchange contracts

2. 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.

8. Other significant accounting policies

Consumption tax

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

[Change in method of presentation]

In accordance with amendments to the Guidelines to Regulations Governing Interim Financial Statements specifying that certificates of deposit (domestic) are to be included in securities, from the six months ended September 30, 2007, certificates of deposit (domestic) included in cash and deposits prior to April 1, 2007 are reported as marketable securities.

Furthermore, interest on certificates of deposit (domestic), included in interest income prior to April 1, 2007, is now reported as interest on securities.

Certificates of deposit (domestic) included in marketable securities as of September 30, 2007 totaled ¥13,300 million. Certificates of deposit (domestic) included in cash and deposits as of September 30, 2006 totaled ¥2,300 million.

Furthermore, interest on certificates of deposit (domestic) included in interest on securities for the six months ended September 30, 2007 totaled ¥54 million. Interest on certificates of deposit (domestic) included in interest income for the six months ended September 30, 2006 totaled ¥2 million.

Notes to interim non-consolidated financial statements

1. Notes to interim non-consolidated statements of income

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
1. The major items and amounts included in selling, general and administrative expenses were as follows:			
Advertising	2,167 Million yen	2,403 Million yen	4,948 Million yen
Sales promotional activities	6,657	5,653	12,922
Salaries	7,670	7,861	19,046
Provision for reserve for bonuses	3,329	3,579	3,073
Retirement benefit expenses	11	121	238
R & D expenses (R&D expenses above include following amounts provided as reserves and retirement benefit expenses)	19,568	17,865	37,409
Provision for reserve for bonuses	1,787 Million yen	1,862 Million yen	1,572 Million yen
Retirement benefit expenses	15	69	138
2. Depreciation for the period			
Property, plant and equipment	3,377 Million yen	2,760 Million yen	5,984 Million yen
Intangible fixed assets	820	919	1,814

2. Notes to interim non-consolidated balance sheet

	[As of September 30, 2007]	[As of March 31, 2007]	[As of September 30, 2006]
1. Accumulated depreciation of property, plant and equipment	154,305 Million yen	153,518 Million yen	152,013 Million yen
2. Commitments - Lines of credit			
The Company entered into line-of-credit commitments with 11 financial institutions in order to enhance its working capital efficiency.			
The outstanding balances of these lines of credit are as follows:			
Total amount of lines of credit	24,000 Million yen	24,000 Million yen	24,000 Million yen
<u>The amount of borrowing</u>	<u>—</u>	<u>—</u>	<u>—</u>
Outstanding balances	24,000 Million yen	24,000 Million yen	24,000 Million yen
3. Guaranteed liabilities	80 Million yen	93 Million yen	102 Million yen

4. Accounting for settlement of notes receivable and payable.

In general, the settlement of notes is recorded on the clearing date. Though September 30, 2006, March 31, 2007 and September 30, 2007 each fell on a bank holiday, the balances of notes receivable and payable as of the end of each period include no notes which matured but were not settled on those days.

5. Consumption tax

Consumption tax paid and consumption tax received are netted and the amount is included in 'other' of current liabilities.

3. Notes to interim non-consolidated statement of changes in net assets

[Six months ended September 30, 2007]

Type and number of shares of treasury stock		(Units: Shares)		
	March 31, 2007	Increase	Decrease	September 30, 2007
Treasury stock				
Common stock	10,683,759	550,056	—	11,233,815
Total	10,683,759	550,056	—	11,233,815

Note: The increase of 550,056 shares of treasury stock in common stock consists of a purchase of 50,056 odd-lot shares and a purchase of 500,000 shares approved by a resolution of the Board of Directors.

[Six months ended September 30, 2006]

Type and number of shares of treasury stock		(Units: Shares)		
	March 31, 2006	Increase	Decrease	September 30, 2006
Treasury stock				
Common stock	10,526,605	83,182	—	10,609,787
Total	10,526,605	83,182	—	10,609,787

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

[Year ended March 31, 2007]

Type and number of shares of treasury stock		(Units: Shares)		
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock				
Common stock	10,526,605	157,154	—	10,683,759
Total	10,526,605	157,154	—	10,683,759

Note: The increase in treasury stock reflects the purchase of odd-lot shares.

4. Notes to lease transactions

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

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
(1) Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of leased properties			
Acquisition cost equivalent	1,319 Million yen	1,265 Million yen	1,256 Million yen
<u>Accumulated depreciation equivalent</u>	<u>496</u>	<u>336</u>	<u>203</u>
Period-end balance	823 Million yen	929 Million yen	1,052 Million yen
Note: Tool and furniture account for most of the above balances.			
(2) Breakdown of period end balance equivalent of unexpired leases			
Within one year	327 Million yen	308 Million yen	301 Million yen
<u>Exceeding one year</u>	<u>495</u>	<u>620</u>	<u>750</u>
Total	823 Million yen	929 Million yen	1,052 Million yen
(3) Lease payments and depreciation equivalent			
Lease payments	164 Million yen	308 Million yen	152 Million yen
Depreciation equivalent	164 Million yen	308 Million yen	152 Million 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.

Note: The amounts shown in 1 and 2 above include the interest portion.

[Impairment loss]

Impairment loss has not been allocated to leased assets.

5. Notes to securities

The market value of investments in subsidiaries and affiliates was not determinable at September 30, 2007.

6. Notes to amounts per share

	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
Net assets per share	998.12 yen	982.61 yen	999.69 yen
Earnings per share	26.65yen	16.60 yen	50.88 yen
<i>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.</i>			
<i>2. Information for the computation of Net assets per share is as follows.</i>			
	[As of September 30, 2007]	[As of September 30, 2006]	[As of March 31, 2007]
Total net assets	339,264 million yen	334,603 million yen	340,346 million yen
Amount deducted from total net assets	— million yen	— million yen	— million yen
Net assets at the period end available to common stocks	339,264 million yen	334,603 million yen	340,346 million yen
Shares outstanding as of the period end	339,902 thousands of stocks	340,526 thousands of stocks	340,452 thousands of stocks
<i>3. Information for the computation of Earnings per share is as follows.</i>			
	[Six months ended September 30, 2007]	[Six months ended September 30, 2006]	[Year ended March 31, 2007]
Net income	9,069 million yen	5,653 million yen	17,324 million yen
The amount which is not attributable to ordinary shareholders	— million yen	— million yen	— million yen
Net income related to common stocks	9,069 million yen	5,653 million yen	17,324 million yen
Average number of shares outstanding during the period	340,340 thousands of stocks	340,558 thousands of stocks	340,519 thousands of stocks

Others

Status of Production, Orders and Sales

1. Production

The consolidated production results for each business segment for the six months ended September 30, 2007 and September 30, 2006 and the year ended March 31, 2007 were as follows:

(Units: Millions of yen)

Business Segment	Six months ended September 30, 2007	Six months ended September 30, 2006	Year ended March 31, 2007
Pharmaceuticals and related businesses	69,042	75,384	145,184
Ethical drugs	61,671	68,131	132,373
Contract manufacturing	2,674	1,656	3,344
OTC drugs	3,280	3,656	6,382
Diagnostics	1,417	1,941	3,085
Other businesses	—	—	—
Total	69,042	75,384	145,184

Notes: 1. Amounts are calculated based on net sales prices.
2. Amounts are stated exclusive of consumption tax.

2. Purchases

The consolidated purchases for each business segment for the six months ended September 30, 2007 and September 30, 2006 and the year ended March 31, 2007 were as follows:

(Units: millions of yen)

Business Segment	Six months ended September 30, 2007	Six months ended September 30, 2006	Year ended March 31, 2007
Pharmaceuticals and related businesses	8,106	9,550	18,786
Ethical drugs	7,857	9,254	18,004
OTC drugs	12	14	26
Diagnostics	237	282	756
Other businesses	—	—	—
Total	8,106	9,550	18,786

Notes: 1. Amounts are based on actual purchases.
2. Amounts are stated exclusive of consumption tax.

3. Orders

The Shionogi Group companies manufacture products in accordance with their production plan which, in turn, is based on the sales plan. Certain consolidated subsidiaries manufacture products upon receipt of orders from customers, but these order amounts and balances do not significantly affect the Group's overall results.

4. Sales

The consolidated sales results for each business segment for the six months ended September 30, 2007 and September 30, 2006 and the year ended March 31, 2007 were as follows:

(Units: millions of yen)

Business Segment	Six months ended September 30, 2007	Six months ended September 30, 2006	Year ended March 31, 2007
Pharmaceuticals and related businesses	99,892	90,875	191,914
Ethical drugs	77,151	76,097	157,187
Contract manufacturing	2,665	1,688	4,003
OTC drugs	2,900	3,094	6,131
Diagnostics	1,700	1,681	3,331
License fee as royalty income	15,473	8,315	21,262
Other businesses	4,275	1,279	7,844
Total	104,167	92,154	199,759

Notes: 1. Amounts are sales to customers outside the Shionogi Group.
2. Amounts are stated exclusive of consumption tax.