

# Interim Financial Statements (Non-consolidated) for The Year Ending March 31, 2005

November 1, 2004



Name of Listed Company: **SHIONOGI & CO., LTD.**  
 Code: 4507  
 (URL <http://www.shionogi.co.jp>)  
 Representative: Title of Person in Charge: President Name: Motozo Shiono  
 Contact responsibility: Title of Person in Charge: General Manager, Public Relations Unit Name: Noriyuki Kishida  
 Phone: (06)6202-2161  
 Listed Exchanges: Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo  
 Location of Head Office: Osaka Prefecture  
 Date of Meeting of Board of Directors for Approving Financial Statements: November 1, 2004  
 Commencement of Interim Dividend Payment: December 1, 2004  
 Interim Dividend System: Available  
 Unit Share System: Available (1 Unit: 1,000shares)

## 1. Financial results for the period from April 1, 2004 to September 30, 2004

### (1) Sales and income (Note: All amounts are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2004	85,440	(5.0)	7,842	40.5	8,456	53.5
Six months ended September 30, 2003	89,958	(2.8)	5,583	(0.1)	5,508	(3.0)
Year ended March 31, 2004	183,274	(4.1)	16,168	14.9	15,458	2.9

	Net income (loss)		Earnings (loss) per share	
	Million yen	%	Yen	
Six months ended September 30, 2004	7,068	-	20.44	
Six months ended September 30, 2003	(3,231)	-	(9.34)	
Year ended March 31, 2004	1,335	(61.3)	3.63	

(Notes) [1] Average number of shares outstanding during the period  
 Six months ended September 30, 2004: 345,821,936 shares  
 Six months ended September 30, 2003: 345,935,172 shares  
 Year ended March 31, 2004: 345,902,642 shares

[2] Changes in accounting method: None

[3] The percentages shown under net sales, operating income, ordinary income and net income in the table above represent the change from the corresponding figures for the same interim period of the prior year.

### (2) Dividends

	Interim dividend per share		Annual dividend per share	
	Yen		Yen	
Six months ended September 30, 2004	4.25		-	
Six months ended September 30, 2003	4.25		-	
Year ended March 31, 2004	-		8.50	

### (3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2004	369,810	288,050	77.9	833.00
As of September 30, 2003	375,862	274,630	73.1	793.95
As of March 31, 2004	366,113	286,468	78.2	828.07

(Notes) [1] Shares outstanding as of the period end  
 As of September 30, 2004: 345,798,264 shares  
 As of September 30, 2003: 345,903,682 shares  
 As of March 31, 2004: 345,850,340 shares

[2] Treasury stocks held as of the period end  
 As of September 30, 2004: 5,337,901 shares  
 As of September 30, 2003: 5,232,483 shares  
 As of March 31, 2004: 5,285,825 shares

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

	Net sales	Ordinary income	Net income	Annual dividend per share	
				Year-end dividend per share	
	Million yen	Million yen	Million yen	Yen	Yen
For the year ending March 31, 2005	182,000	25,000	17,000	4.25	8.50

(Reference) Estimated earnings per share for FY 2005: ¥49.16

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

Note: These estimates on November 1, 2004 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 7.

## Interim Non-consolidated Statements of Income

(Units: Millions of yen)

Account	Six months ended September 30, 2004		Six months ended September 30, 2003		Increase (decrease)	Year ended March 31, 2004	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
		%		%			%
<b>Net sales</b>	85,440	100.0	89,958	100.0	(4,518)	183,274	100.0
Cost of sales	31,361	36.7	36,211	40.3	(4,850)	70,754	38.6
Gross profit	54,078	63.3	53,747	59.7	331	112,519	61.4
Selling, general and administrative expenses	46,236	54.1	48,164	53.5	(1,928)	96,351	52.6
<b>Operating income</b>	7,842	9.2	5,583	6.2	2,259	16,168	8.8
Non-operating income	2,559	3.0	2,229	2.5	330	4,256	2.3
Interest income	112		142		(30)	255	
Interest on securities	234		289		(55)	520	
Dividend income	553		574		(21)	1,035	
Income from real estate rental	1,006		1,030		(24)	2,055	
Exchange gain	462		-		462	-	
Other income	191		192		(1)	390	
Non-operating expenses	1,945	2.3	2,304	2.6	(359)	4,966	2.7
Interest expense	21		44		(23)	85	
Interest on bonds	201		202		(1)	401	
Contributions	466		564		(98)	1,091	
Depreciation	278		168		110	461	
taxes and public impositions	200		185		15	290	
Other expenses	778		1,139		(361)	2,636	
<b>Ordinary income</b>	8,456	9.9	5,508	6.1	2,948	15,458	8.4
Extraordinary income	3,719	4.3	-	-	3,719	16	0.0
Gain on change to defined contribution pension plan	3,563		-		3,563	-	
Gain on sales of investments in securities	156		-		156	16	
Extraordinary losses	91	0.1	10,270	11.4	(10,179)	12,192	6.6
Loss on revaluation of investments in securities	91		97		(6)	99	
Costs related to outplacement support	-		6,542		(6,542)	7,081	
Additional retirement benefits	-		3,630		(3,630)	3,652	
Other losses	-		-		-	1,357	
<b>Income (loss) before income taxes</b>	12,084	14.1	(4,761)	(5.3)	16,845	3,282	1.8
Income taxes, current	1,910	2.2	63	0.1	1,847	1,130	0.6
Income taxes, deferred	3,106	3.6	(1,593)	(1.8)	4,699	816	0.5
<b>Net income (loss)</b>	7,068	8.3	(3,231)	(3.6)	10,299	1,335	0.7
Retained earnings brought forward	3,765		2,789		976	2,789	
Interim dividends	-		-		-	1,470	
Unappropriated retained earnings taken over upon the merger	-		12,848		(12,848)	12,848	
Unappropriated earnings at the end of the period	10,833		12,407		(1,574)	15,504	

**Interim Non-consolidated Balance Sheets**  
(Assets)

(Units: Millions of yen)

Account	Period	As of September 30, 2004		As of March 31, 2004		Increase (decrease)	As of September 30, 2003	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
<b>(Assets)</b>			%		%			%
Current assets								
Cash and deposits		70,531		64,971		5,560	80,194	
Notes receivable		745		838		(93)	807	
Accounts receivable - trade		62,220		67,003		(4,783)	65,864	
Marketable securities		22,094		23,039		(945)	2,356	
Inventories		28,780		29,906		(1,126)	35,604	
Other current assets		15,045		16,159		(1,114)	26,021	
Allowance for doubtful accounts		(908)		(909)		1	(783)	
<b>Total current assets</b>		198,510	53.7	201,008	54.9	(2,498)	210,065	55.9
Fixed assets:								
Property, plant and equipment:								
Buildings		27,185		27,632		(447)	28,232	
Other		28,821		29,668		(847)	30,478	
Property, plant and equipment, net		56,007	15.1	57,301	15.7	(1,294)	58,710	15.6
Intangible fixed assets		3,685	1.0	4,018	1.1	(333)	4,093	1.1
Investments and other assets:								
Investments in securities		90,732		94,487		(3,755)	98,418	
Other assets		21,064		9,422		11,642	4,697	
Allowance for doubtful accounts		(190)		(124)		(66)	(122)	
Total investments and other assets		111,607	30.2	103,785	28.3	7,822	102,993	27.4
<b>Total fixed assets</b>		171,300	46.3	165,104	45.1	6,196	165,797	44.1
<b>Total assets</b>		369,810	100.0	366,113	100.0	3,697	375,862	100.0

**Interim Non-consolidated Balance Sheets**  
(Liabilities and shareholders' equity)

(Units: Millions of yen)

Account	Period	As of September 30, 2004		As of March 31, 2004		Increase (decrease)	As of September 30, 2003	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
<b>(Liabilities)</b>			%		%			%
Current liabilities:								
Accounts payable		10,687		9,375		1,312	9,312	
Short-term loans		169		743		(574)	8,101	
Current portion of bonds		20,000		-		20,000	-	
Reserve for bonuses		6,569		5,862		707	6,459	
Other reserves		798		709		89	667	
Other current liabilities		19,273		15,805		3,468	34,909	
<b>Total current liabilities</b>		57,497	15.5	32,496	8.9	25,001	59,448	15.8
Long-term liabilities:								
Bonds		-		20,000		(20,000)	20,000	
Deferred income taxes		8,967		7,753		1,214	3,600	
Accrued retirement benefits for employees		7,601		18,051		(10,450)	16,781	
Other reserves		254		462		(208)	439	
Other long-term liabilities		7,437		881		6,556	961	
<b>Total long-term liabilities</b>		24,261	6.6	47,148	12.9	(22,887)	41,782	11.1
<b>Total liabilities</b>		81,759	22.1	79,644	21.8	2,115	101,231	26.9
<b>(Shareholders' equity)</b>								
Common stock		21,279	5.8	21,279	5.8	0	21,279	5.6
Additional paid-in capital		20,227	5.5	20,227	5.5	0	20,227	5.4
Additional paid-in capital		20,227		20,227		0	20,227	
Earned Surplus		231,350	62.5	225,831	61.7	5,519	222,734	59.3
Legal reserve		5,388		5,388		0	5,388	
Reserves		215,127		204,938		10,189	204,938	
Unappropriated retained earnings		10,833		15,504		(4,671)	12,407	
Unrealized gain on securities		16,632	4.5	20,473	5.6	(3,841)	11,627	3.1
Less: Treasury stock		(1,439)	(0.4)	(1,343)	(0.4)	(96)	(1,238)	(0.3)
<b>Total shareholders' equity</b>		288,050	77.9	286,468	78.2	1,582	274,630	73.1
<b>Total liabilities and shareholders' equity</b>		369,810	100.0	366,113	100.0	3,697	375,862	100.0

## **Notes to interim non-consolidated financial statements**

### **1. Basis and method of asset evaluation**

- (1) Securities
- |  |       |  |
|--|-------|--|
| Held-to-maturity securities                | ..... | Amortized cost method  |
| Investments in subsidiaries and affiliates | ..... | At cost determined by the moving average method  |
| Other securities                           |       |  |
| Market value available                     | ..... | At fair value, based on market price or other appropriate quotation as of the period end<br>(Unrealized gain is charged directly to capital; cost of sales is accounted for by the moving average method.) |
| Market value not available                 | ..... | At cost determined by the moving average method  |
- (2) Inventories
- |  |       |   |
|--|-------|---|
| Merchandise, raw materials                                       | ..... | At the lower-of-cost-or-market method determined by the average method. |
| Finished goods, semifinished goods, work in process and supplies | ..... | At cost determined by the average method                                |

### **2. Depreciation method of fixed assets**

- (1) Property, plant and equipment ..... By the declining-balance method
- (2) Intangible fixed assets ..... Straight-line method
- |  |  |  |
|--|--|--|
|  |  | [ Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method. ]                  |
|  |  | [ Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, five years). ] |

### **3. Basis for providing allowances and reserves**

- (1) Allowance for doubtful accounts  
The allowance for doubtful accounts is provided to cover loss on bad debts. The amount provided for general receivables is based on the historical rate of bad debts; for certain accounts with considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining all possibilities for collection.
- (2) Reserve for bonuses  
To prepare for the payment of bonuses to employees, a reserve for bonuses is provided based on the estimated amount of bonuses to be paid.
- (3) Accrued retirement benefits  
To prepare for the payment of retirement benefits to employees, a reserve for retirement benefits is provided based on the retirement benefit liabilities accrued and the expected value of the pension plan assets as of the period end. Prior service cost is amortized by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is proportionally amortized in each year following year in which the gain or loss is recognized, principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.  
(Additional information)  
The Company transferred a certain portion of its retirement benefit plans to a defined contribution pension plan in April 2004. With respect to this transfer, the Company adopted "Accounting for Transfers Among Retirement Benefit Plans" ("Financial Accounting Standard Implementation Guidance No. 1"). The effect of the adoption of this accounting standard generated gain of 3,563 million yen for the six month ended September 30, 2004.

### **4. Accounting for lease transactions**

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

### **5. Hedge accounting**

- [1] Method of hedge accounting ..... Gain (loss) resulting from forward foreign exchange contracts relating to transactions denominated in a foreign currency is allocated over the applicable periods.
- [2] Hedging instruments and hedged items
- |                        |       |  |
|------------------------|-------|--|
| a. Hedging instruments | ..... | Forward foreign exchange contracts                         |
| b. Hedged items        | ..... | Receivables and payables denominated in foreign currencies |
- [3] Hedging policy ..... The Company enters into forward foreign exchange contracts to hedge against the risk of exchange rate fluctuation for receivables and payables denominated in foreign currencies.

### **6. Consumption tax**

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

**[Notes to interim non-consolidated statements of income]**

	Six months ended September 30, 2004		Six months ended September 30, 2003		Year ended March 31, 2004	
<b>1. The major items and amounts included in sales, general and administrative expenses were as follows:</b>						
Advertising	1,975	Million yen	2,445	Million yen	4,434	Million yen
Sales promotional activities	4,474		4,293		9,632	
Salaries	8,136		8,103		20,263	
Provision for reserve for bonuses	3,660		3,757		3,577	
Provision for retirement benefits	569		3,271		6,146	
R & D expenses	15,698	Million yen	14,385	Million yen	29,498	Million yen
(R&D expenses above include following amounts provided as reserves:)						
Provision for reserve for bonuses	1,790	Million yen	1,573	Million yen	1,438	Million yen
Provision for retirement benefits	268		1,151		2,271	
<b>2. Depreciation for the period</b>						
Property, plant and equipment	3,113	Million yen	3,258	Million yen	6,907	Million yen
Intangible fixed assets	583		529		1,088	

**[Notes to interim non-consolidated balance sheets]**

	As of September 30, 2004		As of March 31, 2004		As of September 30, 2003	
<b>1. Accumulated depreciation of property, plant and equipment</b>	150,472	Million yen	148,765	Million yen	150,014	Million yen
<b>2. Commitments ...Lines of Credit</b>						
The Company entered into line-of-credit commitments with 9 banks in order to enhance its working capital efficiency. The outstanding balances of these lines of credit were as follows:						
Total amount of lines of credit	20,000	Million yen	20,000	Million yen	-	Million yen
The amount of borrowing	-		-		-	
Outstanding balances	20,000		20,000		-	
<b>3. Guaranteed liabilities</b>	122	Million yen	362	Million yen	335	Million yen
<b>4. Pledged assets and secured liabilities</b>						
The assets listed below have been pledged as collateral for loans:						
Book value of pledged assets						
Investments in securities	-	Million yen	437	Million yen	253	Million yen
Liabilities secured by the above assets						
Short-term loans payable	-	Million yen	725	Million yen	725	Million yen
<b>5. Consumption tax</b>						
Consumption tax paid and consumption tax received are netted and the amount is included in other current liabilities.						

**[Notes to lease transactions]**

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

	Six months ended September 30, 2004	Year ended March 31, 2004	Six months ended September 30, 2004
1. Acquisition cost equivalent, accumulated depreciation equivalent and period-end balance equivalent of leased properties			
Acquisition cost equivalent	321 Million yen	257 Million yen	264 Million yen
Accumulated depreciation equivalent	195	168	150
Period-end balance	125 Million yen	89 Million yen	114 Million yen
* Tools and furniture account for most of the above balances.			
2. Breakdown of period-end balance equivalent of unexpired leases			
Within one year	55 Million yen	48 Million yen	49 Million yen
Exceeding one year	69	41	64
Total	125 Million yen	89 Million yen	114 Million yen
3. Lease payments and depreciation equivalent			
Lease payments	28 Million yen	49 Million yen	24 Million yen
Depreciation equivalent	28 Million yen	49 Million yen	24 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.		The same as at left

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

**[Notes to securities]**

Stocks of subsidiaries and affiliates with available quoted market prices ...None

**[Amounts per share]**

	Six months ended September 30, 2004	Six months ended September 30, 2004	Year ended March 31, 2004
Shareholders' equity per share	833.00 Yen	793.95 Yen	828.07 Yen
Earnings (loss) per share	20.44	(9.34)	3.63

(Notes) 1. Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.

2. Information for the computation of net income (loss) per share is as follows.

	Six months ended September 30, 2004	Six months ended September 30, 2004	Year ended March 31, 2004
Net income(loss)	7,068 Million yen	(3,231) Million yen	1,335 Million yen
The amount which is not attributable to ordinary shareholders	-	-	80
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(-)	(-)	(80)
Net income (loss) related to common stocks	7,068	(3,231)	1,255
Average number of shares outstanding during the period	345,821 Thousands of stocks	345,935 Thousands of stocks	345,902 Thousands of stocks