

**Settlement for the year
ended March 31, 2007**

< Supplement >

May 14, 2007

 **SHIONOGI & CO., LTD.**

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① Financial Results and Forecast < Consolidated/Non-consolidated >

< Consolidated >

(Unit : 100 millions of yen)

	FY2005	FY2006	FY2007 (forecast)	Change		FY2007 1H (forecast)
				FY2006	FY2007	
Net Sales	1,963 (△ 1.5)	1,997 (1.7)	2,150 (7.6)	34	153	1,050 (13.9)
Operating Income	292 (1.7)	288 (△ 1.2)	400 (38.6)	△ 4	112	175 (59.3)
Ordinary Income	296 (6.7)	281 (△ 5.2)	400 (42.3)	△ 15	119	175 (59.4)
Net Income	227 (20.0)	185 (△ 18.2)	240 (29.1)	△ 42	55	100 (56.4)

() Percentage change to the previous fiscal year

< Non-consolidated >

(Unit : 100 millions of yen)

	FY2005	FY2006	FY2007 (forecast)	Change		FY2007 1H (forecast)
				FY2006	FY2007	
Net Sales	1,833 (1.5)	1,856 (1.3)	2,020 (8.8)	23	164	970 (10.2)
Operating Income	257 (4.9)	248 (△ 3.4)	370 (48.6)	△ 9	122	160 (76.3)
Ordinary Income	281 (10.2)	259 (△ 7.6)	385 (48.2)	△ 22	126	170 (68.3)
Net Income	266 (49.9)	173 (△ 35.0)	230 (32.8)	△ 93	57	97 (71.6)

() Percentage change to the previous fiscal year

② Financial Results of Significant Consolidated Subsidiaries

< Bushu Pharmaceuticals Ltd. >

(Units : millions of yen)

	FY2005	FY2006	FY2007 (forecast)	Change		FY2007 1H (forecast)
				FY2006	FY2007	
Net Sales	5,205 (21.5)	7,786 (49.6)	8,200 (5.3)	2,581	414	4,200 (13.9)
Operating Income	546 (19.2)	898 (64.5)	840 (△ 6.5)	352	△ 58	470 (28.8)
Ordinary Income	431 (15.5)	843 (95.6)	640 (△ 24.1)	412	△ 203	370 (39.1)
Net Income	247 (△ 30.8)	544 (120.2)	380 (△ 30.1)	297	△ 164	220 (57.1)

() Percentage change to the previous fiscal year

③ Sales by Segment

(Unit : 100 millions of yen)

	FY2005	FY2006	FY2007 (forecast)	change		FY2007 1H (forecast)
				FY2006	FY2007	
Pharmaceuticals and related business	1,872 (1.8)	1,919 (2.5)	2,096 (9.2)	47	177	1,007 (10.8)
Ethical drugs	1,597 (△ 1.5)	1,517 (△ 5.0)	1,583 (4.3)	△ 80	66	758 (3.5)
FLOMOX	341	306	305	△ 35	△ 1	135
FLUMARIN	156	133	122	△ 23	△ 11	62
VANCOMYCIN	161	129	102	△ 32	△ 27	55
IMUNACE	111	117	99	6	△ 18	57
RINDERON	102	101	100	△ 1	△ 1	52
CLARITIN	80	72	88	△ 8	16	34
OXYCONTIN	43	52	62	9	10	29
CRESTOR	1	25	106	24	81	42
AVELOX	18	24	33	6	9	13
FINIBAX	8	20	33	12	12	15
Export/Overseas operations	58 (28.6)	53 (△ 5.7)	63 (15.1)	△ 5	10	30 (5.6)
Contract manufacturing	21 (60.8)	40 (92.2)	50 (24.9)	19	10	25 (48.1)
OTC and quasi-drugs	64 (1.5)	61 (△ 4.9)	64 (4.4)	△ 3	3	31 (0.2)
SEDES	26	26	27	0	1	13
POPON-S	12	11	12	△ 1	1	6
Diagnostics	34 (△ 5.3)	33 (△ 1.8)	36 (8.7)	△ 1	3	18 (6.2)
Royalty income	98 (61.3)	213 (115.9)	300 (41.1)	115	87	145 (74.4)
CRESTOR	81	194	280	113	86	135
Capsule business	61 (△ 49.1)	- (-)	- (-)	△ 61	0	- (-)
Other business	31 (△ 8.9)	78 (153.7)	54 (△ 31.2)	47	△ 24	43 (236.2)
Total	1,963 (△ 1.5)	1,997 (1.7)	2,150 (7.6)	34	153	1,050 (13.9)

() Percentage change to the previous fiscal year

Sales of each product are shown on non-consolidated basis.

④ Capital Investment and Depreciation Costs

(Units : 100 millions of yen)

	FY2005	FY2006	FY2007 (forecast)	Change		FY2007 1H (forecast)
				FY2006	FY2007	
(Consolidated)						
Investment in equipments	111	111	160	0	49	80
Depreciation costs	86	87	110	1	23	49
(Non-consolidated)						
Investment in equipments	52	99	150	47	51	73
Depreciation cost	76	77	99	1	22	44

⑤ R&D Expenses

(Unit : 100 millions of yen)

	FY2005	FY2006	FY2007 (forecast)	Change		FY2007 1H (forecast)
				FY2006	FY2007	
(Consolidated)						
R&D expenses	322 (9.7%)	374 (16.1%)	410 (9.5%)	52	36	205 (14.7%)
% to Net sales	16.4	18.8	19.1			19.3
(Non-consolidated)						
R&D expenses	321 (9.7%)	374 (16.4%)	410 (9.6%)	53	36	205 (14.7%)
% to Net sales	17.5	20.1	20.3			20.9

() Percentage change to the previous fiscal year

⑥ Employees

	End of March 2006	End of March 2007	End of March 2008 (forecast)	Change		End of Sep. 2007 (forecast)
				FY2006	FY2007	
Consolidated	4,997	4,958	4,930	△ 39	△ 28	5,040
Non-consolidated	4,246	4,300	4,250	54	△ 50	4,370

⑦ Consolidated Affiliated Companies and Affiliated Company Accounted for by the Equity Method

<Consolidated Affiliated Companies >

No	Company name	Location	Common stock	Business status	Establish	Closing rate	Ownership (%)
1	Bushu Pharmaceuticals Ltd.	Saitama, Japan	JPY 1,000 million	Contract mfg. of pharmaceuticals	August 3, 1998	March 31	100
2	Nichia Pharmaceutical Industries Ltd.	Tokushima, Japan	JPY 200 million	Mfg. of pharmaceutical raw materials	August 24, 1976	March 31	75
3	Saishin Igaku Co., Ltd.	Osaka, Japan	JPY 90 million	Publication of medical information	December 21, 1998	March 31	100
4	Shionogi Engineering Service Co., Ltd.	Hyogo, Japan	JPY 20 million	Inspection and maintenance of pharmaceuticals mfg. equipment	November 2, 1992	March 31	100
5	Shionogi Buturyuu Service & Co., Ltd.	Osaka, Japan	JPY 10 million	Warehousing and logistic services	May 21, 1985	March 31	100
6	Shionogi General Service Co., Ltd.	Osaka, Japan	JPY 10 million	Traveling, Insurance agency	November 2, 1992	March 31	100
7	Aburahi AgroResearch Co., Ltd.	Shiga, Japan	JPY 10 million	Contract Laboratories for Agro Chemicals	February 26, 2004	March 31	* 100
8	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TW\$ 92 million	Mfg. and sale of pharmaceuticals	December 26, 1963	December 31	100
9	Shionogi USA, INC.	Delaware, U.S.A.	US\$ 10 million	Contract research and sale for pharmaceuticals	February 15, 2001	December 31	100
10	SG Holding, INC.	Delaware, U.S.A.	US\$ 60 million	Holding company	September 27, 2001	December 31	100

*Shionogi & Co., Ltd. merged a consolidated affiliated company, Ohmori Group Honsha Co., Ltd. In April 2006.

<Affiliated Company Accounted for by the Equity Method >

No	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Shionogi-GlaxoSmithKline Holding L.P.	Cayman Islands	-	Holding company	October 19, 2001	December 31	* 50

*Incl. Indirect ownership

⑧ Management Index (Consolidated)

< Management Index Trend (Consolidated) >

		FY2004	FY2005	FY2006
Ratio of Operating Income to Net Sales	%	14.4	14.9	14.5
Ratio of Ordinary Income to Net Sales	%	13.9	15.1	14.1
Ration of Net Income to Net Sales	%	9.5	11.6	9.3
Total Asset Turnover		0.52	0.48	0.47
Equity Ratio	%	75.5	78.8	80.4
Return on Assets (ROA)	%	7.2	7.2	6.6
Return on Equity (ROE)	%	6.4	7.1	5.4
Dividend Payout Ratio	%	22.0	24.0	29.3
Earning Per Share	Yen	54.64	66.55	54.61

⑨ Consolidated Statements of Income

(Units : millions of yen)

	FY2006	FY2007	Change	
I Net sales	199,759	196,388	3,371	Sales decrease due to exclusion of Capsule business: 6.1 billion yen
II Cost of Sales	67,542	68,707	△ 1,165	Sales increase due to increased royalty income: 11.5 billion yen
Gross profit	132,216	127,681	4,535	
III SG & A expenses (R&D expenses)	103,353 (37,456)	98,455 (32,256)	4,898 (5,200)	Decrease of SG&A expenses due to exclusion of Capsule business: 1.2 billion yen Increase of SG&A expenses due to increased R&D expense: 5.2 billion yen
Operating income	28,863	29,226	△ 363	
IV ' Non-operating income	3,368	3,440	△ 72	
1. Interest income	1,141	713	428	
2. Dividend income	661	541	120	
3. Income from real estate rental	597	598	△ 1	
4. Exchange gain	58	841	△ 783	
5. Other income	909	745	164	
V Non-operating expenses	4,118	3,010	1,108	
1. Interest expense	95	128	△ 33	
2. Contributions	1,272	1,066	206	
3. Loss on disposal of inventories	1,057	536	521	
4. Loss on disposal of property, plant and equipment	558	387	171	
5. Other expenses	1,134	892	242	<FY2006> Gain on exchange of its stocks of Cerexa, Inc.
Ordinary income	28,113	29,656	△ 1,543	
VI Extraordinary income	3,610	10,647	△ 7,037	
1. Gain on exchange of investment securities	2,765	-	2,765	<1st Half of FY2006> Gain on sale of its stocks of Peninsula Pharmaceuticals, Inc.
2. Gain on reversal of co-development cost of the previous years	657	-	657	
3. Gain on sales of investments in securities	186	3,053	△ 2,867	
4. Gain on sales of property, plant and equipment	-	140	△ 140	<1st Half of FY2006> Gain on sales of Capsule business
5. Gain on reversal of allowance for doubtful accounts	-	1	△ 1	
6. Gain on exclusion of Capsule business	-	7,452	△ 7,452	
VII Extraordinary Losses	-	1,505	△ 1,505	
1. Loss on impairment of property, plant and equipment	-	936	△ 936	<1st Half of FY2006> Loss on impairment of a plot of land owned by Shionogi
2. Loss on disposal of property, plant and equipment	-	568	△ 568	
Income before income taxes and minority interests	31,723	38,798	△ 7,075	
Income taxes, current	8,702	16,890	△ 8,188	<1st Half of FY2006> Disposal of dormant asset
Income taxes, deferred	4,387	△ 861	5,248	
Minority interests (△)	△ 39	△ 33	△ 6	
Net income	18,594	22,735	△ 4,141	

⑩-1 Consolidated Balance Sheets (Assets)

(Units : millions of yen)

	As of March 31 2007	As of March 31 2006	Change	
(Assets)				
I Current assets:				
1. Cash and deposits	86,853	90,652	△ 3,799	Due to payment of income tax etc.
2. Notes and accounts receivable	67,575	69,912	△ 2,337	
3. Inventories	32,395	27,184	5,211	Due to increased inventories of the new products
4. Deferred tax assets	5,325	6,321	△ 996	
5. Other current assets	16,753	14,269	2,484	
Allowance for doubtful accounts	△ 12	△ 13	1	
Total current assets	208,890	208,327	563	
II Fixed assets:				
1. Property, plant and equipment:				
(1) Building and structures	31,142	30,759	383	
(2) Machinery and equipment	10,837	9,899	938	
(3) Land	14,812	14,805	7	
(4) Construction in progress	5,172	3,601	1,571	
(5) Other	5,850	5,184	666	
Property, plant and equipment, net	67,815	64,251	3,564	
2. Intangible fixed assets	6,135	7,131	△ 996	
3. Investment and other assets:				
(1) Investments in securities	123,368	129,037	△ 5,669	Decrease in investments in securities due to lower market values
(2) Prepaid pension costs	20,168	15,360	4,808	
(3) Deferred tax assets	49	50	△ 1	
(4) Other	3,310	3,686	△ 376	
Allowance for doubtful accounts	△ 168	△ 162	△ 6	
Total investments and other assets	146,728	147,972	△ 1,244	
Total fixed assets	220,679	219,355	1,324	
Total assets	429,569	427,682	1,887	

⑩-2 Consolidated Balance Sheets (Liabilities/Net Assets)

	(Units : millions of yen)		
	As of March 31 2007	As of March 31 2006	Change
(Liabilities)			
I Current liabilities			
1. Note and accounts payable	12,189	10,227	1,962
2. Accrued income taxes	7,563	12,209	△ 4,646
3. Reserves:			
(1) Reserve for bonuses	5,958	7,482	△ 1,524
(2) Other reserves	1,088	1,187	△ 99
4. Other current liabilities	20,735	20,771	△ 36
Total current liabilities	47,535	51,877	△ 4,342
II Long-term liabilities:			
1. Deferred tax liabilities	24,698	23,276	1,422
2. Reserves			
(1) Accrued retirement benefits for employees	8,352	8,318	34
(2) Other reserves	185	240	△ 55
3. Long-term accounts payable	2,066	5,569	△ 3,503
4. Other long-term liabilities	978	965	13
Total long-term liabilities	36,281	38,371	△ 2,090
Total liabilities	83,817	90,249	△ 6,432
(Minority interests)			
Minority interests	—	247	—
(Shareholders' equity)			
I Common stock	—	21,279	—
II Additional paid-in capital	—	20,227	—
III Retained earnings	—	266,469	—
IV Unrealized gain on securities	—	38,116	—
V Translation adjustments	—	△ 156	—
VI Less: Treasury stock, at cost	—	△ 8,750	—
Total shareholders' equity	—	337,185	—
Total liabilities, minority interests and shareholders' equity	—	427,682	—
(Net Assets)			
I Owners' equity:			
1. Common stock	21,279	—	—
2. Additional paid-in capital	20,227	—	—
3. Retained earnings	278,871	—	—
4. Less: Treasury stock, at cost	△ 9,088	—	—
Total owners' equity	△ 311,289	—	—
II Valuation and translation adjustments			
1. Unrealized gain on securities	34,262	—	—
2. Translation adjustments	△ 83	—	—
Total valuation and translation adjustments	34,178	—	—
III Minority interests:	283	—	—
Total net assets	345,752	—	—
Total liabilities and net assets	429,569	—	—

Decrease due to payment of
income tax

Decrease due to transfer of the
asset to the defined-contribution
pension plan, resulting from
changes of retirement benefit
plan in April, 2004

⑪ Main Events during Fiscal 2006

- NHI price revision was implemented (Industry average: 6.7%)
- Launched Finibax® Kit product (Doripenem Hydrate), Carbapenem antibiotic
- Launched Sedes® V containing the vitamin B1, non-pyrazolone-antipyretic analgesic
- Confirmed safety and efficacy of S-2367 (Anti-obesity) in early phase II clinical study
- Launched Cetrotide®, premature ovulation inhibitor
- Crestor® moved to regular promotional activities in Japanese market
- Reached basic agreement with Hokkaido University on construction of joint research facility
- Announced final results of JATOS, Japan's first large-scale clinical trial for treatment of hypertension in elderly patients
- Launched OxiNorm® (Cancer Pain Analgesic)
- Decided to discontinue development of S-5751, a prostaglandin D₂ receptor antagonist
- Filed NDA for SR47436 (Irbesartan)
- Filed NDA for S-7701 (Pirfenidone)
- Discontinued co-development for NS75B

⑫ Drugs Under Development

May, 2007

<In Japan>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-8116 (Oxycodone hydrochloride)	Immediate-release oxycodone (Oral)	Cancer pain	Launch (February, 2007)	Mundipharma AG (Netherlands)	In-house
SCH29851 (Loratadine)	Histamine H1 receptor antagonist (Oral)	Additional indication: Pediatric use (allergic rhinitis and itch caused by various dermatitis)	NDA submission (September, 2004: Schering- Plough K.K.)	Schering-Plough Corp. (USA)	Co-development: Schering-Plough K.K.
SR47436 (Irbesartan)	Angiotensin II receptor antagonist (Oral)	Hypertension	NDA submission (December, 2006)	Sanofi-Aventis (France)	Co-development: Dainippon Sumitomo Pharma Co., Ltd.
S-7701 (Pirfenidone)	Anti-fibrosis (Oral)	Idiopathic pulmonary fibrosis	NDA submission (March, 2007)	Marnac, Inc. (USA) &KDL, Inc. (Japan)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Depression	Phase 3	Eli Lilly and Company (USA)	In-house
NS75A (Cetrorelix acetate)	Gonadotropin releasing hormone antagonist (Injection)	Uterine myoma	Phase 2	Zentaris AG (Germany)	Co-development: Nippon Kayaku Co., Ltd.
S-013420	Novel macrolide antibiotic (Oral)	Bacterial infection	Phase 2b	Enanta Pharmaceuticals, Inc. (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Diabetic Peripheral neuropathic pain	Phase 3 (in preparation)	Eli Lilly and Company (USA)	Co-development: Eli Lilly Japan K.K.
NS75B (Cetrorelix pamoate)	Gonadotropin releasing hormone antagonist (Injection)	Benign Prostatic Hypertrophy	Phase 2b	Zentaris AG (Germany)	In-house
S-777469	Antipruritic agent (Oral)	Atopic Dermatitis	Phase 1	In-house	In-house
Peramivir	Neuraminidase inhibitor (Injection)	Influenza infection	Phase 1 (in preparation)	BioCryst Pharmaceuticals, Inc. (USA)	In-house

<Outside Japan>

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

<Shionogi-GlaxoSmithKline>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-364735	HIV integrase inhibitor (Oral)	HIV infection	USA: Phase 2a	Shionogi & GlaxoSmithKline	Shionogi-GlaxoSmithKline Pharmaceuticals LLC (USA)

<Out-Licensing Activity>

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

<In-Licensing Activity>

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

Since January, 2007

Change of phases	S-7701 (In Japan) : In preparation for filing NDA → Filed NDA (March, 2007)
	LY248686 Diabetic Peripheral neuropathic pain (In Japan) : Phase II → In preparation for Phase III
	S-2367 (Outside Japan) : In preparation for Phase II b → Phase II b in progress
compound added to the pipeline	Peramivir (In Japan) : In-licensed from BioCryst Pharmaceuticals, Inc., in preparation for Phase I
changes of the way of development	LY248686 Diabetic Peripheral neuropathic pain (In Japan) : Started co-development with Eli Lilly Japan K.K. to improve developing efficiency