

**Interim settlement for  
the six months  
ended September 30, 2007**

< Supplement >

November 5, 2007

 **SHIONOGI & CO., LTD.**

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

< Consolidated >

(Units: 100 millions of yen)

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
Net Sales	1,041	1,109	2,150	921	1,076	1,997	120	33	153
	( 13.0)	( 3.0)	( 7.6)	(△ 4.9)	( 8.1)	( 1.7)			
Operating Income	171	229	400	109	179	288	62	50	112
	( 56.1)	( 27.8)	( 38.6)	(△ 9.6)	( 4.7)	(△ 1.2)			
Ordinary Income	171	229	400	109	172	281	62	57	119
	( 56.2)	( 33.3)	( 42.3)	(△ 11.1)	(△ 1.0)	(△ 5.2)			
Net Income	107	133	240	63	122	185	44	11	55
	( 68.7)	( 8.3)	( 29.1)	(△ 23.1)	(△ 15.4)	(△ 18.2)			

( ) Percentage change to the previous fiscal year

< Non-consolidated >

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
Net Sales	962	1,058	2,020	880	976	1,856	82	82	164
	( 9.4)	( 8.3)	( 8.8)	( 0.5)	( 2.0)	( 1.3)			
Operating Income	151	219	370	90	158	248	61	61	122
	( 66.9)	( 38.2)	( 48.6)	(△ 13.2)	( 3.2)	(△ 3.4)			
Ordinary Income	159	226	385	100	159	259	59	67	126
	( 58.0)	( 41.9)	( 48.2)	(△ 14.7)	(△ 2.3)	(△ 7.6)			
Net Income	90	135	225	56	117	173	34	18	52
	( 60.4)	( 15.1)	( 29.9)	(△ 33.0)	(△ 35.9)	(△ 35.0)			

( ) Percentage change to the previous fiscal year

## ② Financial Results of Significant Consolidated Subsidiaries

< Bushu Pharmaceuticals Ltd. >

(Units: millions of yen)

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
Net Sales	4,821 ( 30.8)	4,179 ( 2.0)	9,000 ( 15.6)	3,687 ( 76.5)	4,099 ( 31.5)	7,786 ( 49.6)	1,134	80	1,214
Operating Income	541 ( 48.2)	359 (△ 32.6)	900 ( 0.2)	365 (973.5)	533 ( 4.1)	898 ( 64.5)	176	△ 174	2
Ordinary Income	466 ( 75.2)	294 (△ 49.0)	760 (△ 9.8)	266 ( 0.0)	577 ( 27.7)	843 ( 95.6)	200	△ 283	△ 83
Net Income	268 ( 91.4)	182 (△ 55.0)	450 (△ 17.3)	140 ( 0.0)	404 ( 55.4)	544 (120.2)	128	△ 222	△ 94

( ) Percentage change to the previous fiscal year

### ③ Sales by Segment

(Units: 100 millions of yen)

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
Pharmaceuticals and related business	998 ( 9.9)	1,098 ( 8.6)	2,096 ( 9.2)	909 ( 1.7)	1,010 ( 3.2)	1,919 ( 2.5)	89	88	177
Ethical drugs	742 ( 1.1)	831 ( 5.8)	1,573 ( 3.5)	734 (△ 4.1)	785 (△ 5.8)	1,519 (△ 4.9)	8	46	54
FLOMOX	124	170	294	136	170	306	△ 12	0	△ 12
FLUMARIN	63	60	123	70	63	133	△ 7	△ 3	△ 10
IMUNACE	64	52	116	57	60	117	7	△ 8	△ 1
CRESTOR	44	64	108	11	14	25	33	50	83
VANCOMYCIN	55	47	102	72	57	129	△ 17	△ 10	△ 27
RINDERON	53	48	101	53	48	101	0	0	0
CLARITIN	29	54	83	25	47	72	4	7	11
OXYCONTIN	32	35	67	25	27	52	7	8	15
FINIBAX	12	17	29	9	11	20	3	6	9
AVELOX	8	20	28	11	13	24	△ 3	7	4
Export/Overseas operations	29 ( 7.8)	34 ( 31.7)	63 ( 19.3)	27 (△ 11.1)	26 ( 1.0)	53 (△ 8.9)	2	8	10
Contract manufacturing	26 ( 57.9)	27 ( 13.8)	53 ( 32.4)	17 (187.6)	23 ( 54.7)	40 ( 92.2)	9	4	13
OTC and quasi-drugs	29 (△ 6.2)	32 ( 5.3)	61 (△ 0.5)	31 (△ 4.7)	30 (△ 5.2)	61 (△ 4.9)	△ 2	2	0
SEDES	12	14	26	13	13	26	△ 1	1	0
POPON-S	6	5	11	6	5	11	0	0	0
Diagnostics	17 ( 1.2)	19 ( 16.3)	36 ( 8.7)	17 (△ 4.2)	16 ( 0.7)	33 (△ 1.8)	0	3	3
Royalty income	154 ( 86.1)	156 ( 19.9)	310 ( 45.8)	83 (100.9)	130 (126.8)	213 (115.9)	71	26	97
CRESTOR	144	146	290	74	120	194	70	26	96
Other business	42 (234.2)	12 (△ 82.9)	54 (△ 31.2)	13 (△ 12.6)	65 (302.8)	78 (153.7)	29	△ 53	△ 24
Total	1,041 ( 13.0)	1,109 ( 3.0)	2,150 ( 7.6)	921 (△ 4.9)	1,076 ( 8.1)	1,997 ( 1.7)	120	33	153

( ) Percentage change to the previous fiscal year

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

#### ④ Capital Investments and Depreciation Costs

(Units: 100 millions of yen)

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
(Consolidated)	61	79	140	54	57	111	7	22	29
Investment in equipments	47	58	105	42	45	87	5	13	18
Depreciation costs									
(Non-consolidated)	56	74	130	46	53	99	10	21	31
Investment in equipments	41	53	94	37	40	77	4	13	17
Depreciation costs									

#### ⑤ R&D Expenses

	FY2007 1H Actual	FY2007 2H Forecast	FY2007 Forecast	FY2006 1H Actual	FY2006 2H Actual	FY2006 Actual	Change		
							1H	2H	FY2007
(Consolidated)	195	215	410	179	195	374	16	20	36
R&D expenses	(9.6%)	(9.4%)	(9.5%)	(17.1%)	(15.3%)	(16.1%)			
% to Net sales	18.8	19.3	19.1	19.4	18.2	18.8			
(Non-consolidated)	195	215	410	179	195	374	16	20	36
R&D expenses	(9.5%)	(9.7%)	(9.6%)	(17.4%)	(15.6%)	(16.4%)			
% to Net sales	20.3	20.3	20.3	20.3	20.0	20.1			

( ) Percentage change to the previous fiscal year

#### ⑥ Employees

	End of March 2006 Actual	End of Sep. 2006 Actual	End of March 2007 Actual	End of Sep. 2007 Actual	End of March 2008 Forecast	Change	
						2007/3~2007/9	2007/9~2008/3
Consolidated	4,997	5,058	4,958	5,050	4,930	92	△ 120
Non-consolidated	4,246	4,397	4,300	4,381	4,250	81	△ 131

## 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. equipmen	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\$140	Holding company	September 27, 2001	December 31	100

### <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) >

		FY2007 1H	FY2006	FY2006 1H	FY2005
Ratio of Operating Income to Net Sales	%	16.5	14.5	11.9	14.9
Ratio of Ordinary Income to Net Sales	%	16.5	14.1	11.9	15.1
Ration of Net Income to Net Sales	%	10.4	9.3	6.9	11.6
Total Asset Turnover		0.25	0.47	0.22	0.48
Equity Ratio	%	82.4	80.4	79.8	78.8
Return on Assets (ROA)	%	4.0	6.6	2.6	7.2
Return on Equity (ROE)	%	3.1	5.4	1.9	7.1
Dividend Payout Ratio	%	-	29.3	-	24.0
Earning Per Share		31.70	54.61	18.78	66.55



## ⑨ Consolidated Statements of Income

(Units: millions of yen)

	FY2007 1H Actual	FY2006 1H Actual	Change	
Net sales	104,167	92,154	12,013	Sales increase due to increased royalty income: +7.1 billion yen
Cost of Sales	34,685	30,609	4,076	
Gross profit	69,482	61,544	7,938	
SG & A expenses	52,337	50,560	1,777	Increase of SG&A expense due to increased R&D expenses: +1.7 billion yen
Operating income	17,145	10,984	6,161	
Non-operating income	1,908	1,599	309	
Interest income	670	477	193	
Dividends income	630	499	131	
Real estate rent	330	290	40	
Other income	278	331	△ 53	
Non-operating expenses	1,903	1,606	297	
Interest expenses	43	47	△ 4	
Contribution	532	474	58	
Loss on disposal of inventories	474	-	474	•Increased due to disposal of chemical compounds which were under development and other factors •Reporting item on 'loss on disposal of inventories' was changed as of September 30, 2007. Loss on disposal of inventories in the same period of the previous fiscal year reported on item of 'others' was 100 million yen
Loss on disposal of fixed assets	531	282	249	
Other expenses	320	801	△ 481	
Ordinary income	17,150	10,977	6,173	
Extraordinary income	276	509	△ 233	
Gain on sales of investment securities	276	120	156	<Current period> Gain on sales of its stocks of Nikko Cordial Corporation
Gain on reversal of co-development cost of the previous years	-	389	△ 389	
Gain on exchange of investment securities	-	-	-	<Current period> Gain on sales of its stocks of Shionogi Biomedical Laboratories, Inc.
Extraordinary loss	25	-	25	
Loss on sales of stocks of affiliates	25	-	25	
Income before income taxes	17,401	11,487	5,914	
Income taxes-current	3,737	1,552	2,185	
Income taxes-deferred	2,868	3,517	△ 649	
Minority interests in income(△)	△ 6	△ 23	17	
Net income	10,788	6,394	4,394	

## ⑩-1 Consolidated Balance Sheets (Assets)

(Units: millions of yen)

	As of Sep.30 2007	As of Mar.31 2007	Change
(Assets)			
Current assets:			
Cash and deposits	70,317	86,853	△ 16,536
Notes and accounts receivable	64,259	67,575	△ 3,316
Marketable securities	17,335	-	17,335
Inventories	35,541	32,395	3,146
Deferred tax assets	3,911	5,325	△ 1,414
Other current assets	13,595	16,753	△ 3,158
Allowance for doubtful accounts	△ 12	△ 12	0
Total current assets	204,948	208,890	△ 3,942
Fixed assets:			
Property, plant and equipment:			
Building and structures	30,256	31,142	△ 886
Machinery, equipment and vehicles	10,528	10,837	△ 309
Land	14,812	14,812	0
Construction in progress	8,126	5,172	2,954
Other	5,715	5,850	△ 135
Property, plant and equipment, net	69,439	67,815	1,624
Intangible fixed assets	6,098	6,135	△ 37
Investment and other assets:			
Investments in securities	115,580	123,368	△ 7,788
Prepaid pension costs	21,760	20,168	1,592
Other	2,702	3,360	△ 658
Allowance for doubtful accounts	△ 168	△ 168	0
Total investments and other assets	139,875	146,728	△ 6,853
Total fixed assets	215,413	220,679	△ 5,266
Total assets	420,361	429,569	△ 9,208

In accordance with amendments to the Guidelines to Regulations Governing Interim Financial Statements, certificates of deposit (domestic) are included in investment securities from this

Rise and fall due to seasonal variations

Increased due to expansion of manufacturing capability for sterile drug substance and other factors

Decrease in investments in securities due to lower market values

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

(Units: millions of yen)

	As of Sep.30 2007	As of Mar.31 2007	Change	
<b>(Liabilities)</b>				
<b>Current liabilities</b>				
Notes and accounts payable	12,602	12,189	413	Decrease due to payment of income tax
Income taxes	3,984	7,563	△ 3,579	
Reserves:				
Reserve for bonuses	6,455	5,958	497	Decrease due to transfer of the asset to the defined-contribution pension plan, resulting from changes of retirement benefit plan in April, 2004
Other reserves	1,030	1,088	△ 58	
Other current liabilities	17,000	20,735	△ 3,735	
<b>Total current liabilities</b>	<b>41,074</b>	<b>47,535</b>	<b>△ 6,461</b>	
<b>Non-current liabilities:</b>				
Deferred tax liabilities	21,711	24,698	△ 2,987	
Reserves				
Reserve for retirement benefits	8,246	8,352	△ 106	
Other reserves	168	185	△ 17	
Long-term accounts payable	1,689	2,066	△ 377	
Other long-term liabilities	996	978	18	
<b>Total non-current liabilities</b>	<b>32,811</b>	<b>36,281</b>	<b>△ 3,470</b>	
<b>Total liabilities</b>	<b>73,885</b>	<b>83,817</b>	<b>△ 9,932</b>	
<b>( Net Assets )</b>				
<b>Owners' equity:</b>				
Capital stock	21,279	21,279	0	Decreased due to acquisition of the company's own shares through Stock Exchange Market
Capital surplus	20,227	20,227	0	
Retained earnings	286,936	278,871	8,065	
Treasury stock	△ 10,064	△ 9,088	△ 976	
<b>Total owners' equity</b>	<b>318,378</b>	<b>311,289</b>	<b>7,089</b>	
<b>Valuation and translation adjustments</b>				
Valuation difference on available-for-sale securities	27,810	34,262	△ 6,452	
Translation adjustments	△ 1	△ 83	82	
<b>Total valuation and translation adjustments</b>	<b>27,809</b>	<b>34,178</b>	<b>△ 6,369</b>	
Minority interests:	287	283	4	
<b>Total net assets</b>	<b>346,475</b>	<b>345,752</b>	<b>723</b>	
<b>Total liabilities and net assets</b>	<b>420,361</b>	<b>429,569</b>	<b>△ 9,208</b>	

# ⑪ Drugs Under Development

Nov, 2007

## <In Japan>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
SCH29851 (Loratadine)	Histamine H1 receptor antagonist (Oral)	Allergic rhinitis, urticaria and itch caused by various dermatitis	Approval (addition of dry syrup formulation and additional indication for pediatric use) (October, 2007)	Schering-Plough Corp. (USA)	Co-development: Schering-Plough K.K.
SR47436 (Irbesartan)	Angiotensin II receptor antagonist (Oral)	Hypertension	NDA submission (December, 2006)	Sanofi-Aventis (France)	Co-development: Dainippon Sumitomo Pharma Co., Ltd.
S-7701 (Pirfenidone)	Anti-fibrosis (Oral)	Idiopathic pulmonary fibrosis	NDA submission (March,2007)	Marnac, Inc. (USA) & KDL, Inc. (Japan)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Depression	Phase 3	Eli Lilly and Company (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Diabetic peripheral neuropathic pain	Phase 3	Eli Lilly and Company (USA)	Co-development: Eli Lilly Japan K.K.
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Pediatric infection	Phase 3	In-house	In-house
S-013420	Novel macrolide antibiotic (Oral)	Bacterial infection	Phase 2b	Enanta Pharmaceuticals, Inc. (USA)	In-house
NS75B (Cetrorelix pamoate)	Gonadotropin releasing hormone antagonist (Injection)	Benign prostatic hypertrophy	Phase 2b	Aeterna Zentaris GmbH (Canada)	In-house
NS75A (Cetrorelix acetate)	Gonadotropin releasing hormone antagonist (Injection)	Uterine myoma	Phase 2	Aeterna Zentaris GmbH (Canada)	Co-development: Nippon Kayaku Co., Ltd.
S-777469	Anti-pruritic anti-inflammatory agent (Oral)	Atopic dermatitis	Phase 2 (in preparation)	In-house	In-house
S-021812 (Peramivir)	Neuraminidase inhibitor (Injection)	Influenza infection	Phase 1	BioCryst Pharmaceuticals, Inc. (USA)	In-house
S-888711	Small molecule TPO mimetic (Oral)	Thrombocytopenia	Phase 1	In-house	In-house
S-555739	Prostaglandin D2 receptor antagonist	Allergic disease	Phase 1 ( in preparation)	In-house	In-house

<Outside Japan>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-2367	Neuropeptide Y Y5 receptor antagonist (Oral)	Obesity	USA: Phase 2b	In-house	In-house
S-0139	Endothelin A receptor antagonist (Injection)	Cerebrovascular diseases	Japan: Phase 2a Europe: Phase 1	In-house	In-house
S-777469	Anti-pruritic anti-inflammatory agent (Oral)	Atopic dermatitis	USA: Phase 1	In-house	In-house
S-349572	Integrase inhibitor (Oral)	HIV infection	USA: Phase 1 (in preparation)	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: Approval (October, 2007) Complicated intra-abdominal infections, Complicated urinary tract infections including pyelonephritis NDA submission (June, 2007) Hospital-acquired (nosocomial) pneumonia including ventilator-associated pneumonia EU: NDA submission (June, 2007)	In-house	Peninsula (USA) ↓ Johnson & Johnson (USA)

<In-Licensing Activity>

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

Since July, 2007

Change of phases	SHC29851 (in Japan) : Filed NDA → Approved (additional indication for pediatric use and approval for dry syrup) S-4661 (out-licensed) : Filed NDA → In the US : Approved (complicated intra-abdominal infections and complicated urinary tract infections including pyelonephritis) LY248686 (DNP) (in Japan) : In preparation for Phase III → Phase III S-4661 Pediatric use (in Japan) : In preparation for Phase III → Phase III S-777469 (in Japan) : Phase I → In preparation for Phase II S-888711 (in Japan) : In preparation for Phase I → Phase I				
Compound added to the pipeline	S-349572 (Outside Japan) : In preparation for Phase I S-555739 (In Japan) : In preparation for Phase I				