



Consolidated Financial Results for the first quarter of fiscal year 2004

August 2, 2004

Name of Listed Company : **SHIONOGI & CO., LTD.** (URL <http://www.shionogi.co.jp>)
 Securities code number : 4507
 Listed Exchanges : Section 1 of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo
 Representative : Title of Person in Charge *President*
 : Name *Motozo Shiono*
 Contact responsibility : Title of Person in Charge *General Manager, Public Relations Unit*
 : Name *Hikomichi Yoshino*
 Telephone : 06(6202)-2161

1. Basis of preparation

- (1) Adoption of simplified methods of accounting [Yes/No] : Yes
The Company has partially adopted simplified methods of accounting for inventory valuation and others.
- (2) Changes in method of accounting [Yes/No] : No
- (3) Changes in the scope of consolidation or in the application of the equity method [Yes/No] : Yes
Consolidation (New) 1 subsidiary Aburahi AgroResearch Co., Ltd.

2. Financial Results for the period from April 1, 2004 to June 30, 2004

(1) Results of operations (Note: All amounts are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2004	47,771	(3.4)	5,190	-	5,192	-	5,071	-
Three months ended June 30, 2003	49,475	-	-	-	-	-	-	-
Year ended March 31, 2004	200,485		20,292		17,586		2,203	

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
Three months ended June 30, 2004	14.67		-	
Three months ended June 30, 2003	-		-	
Year ended March 31, 2004	6.06		-	

(Notes) *The quarterly financial results (except for sales) are presented commencing this quarter. Accordingly, the rate of increase or decrease from the corresponding quarter of the previous year has not been presented. The percentages shown under net sales in the table above represent the percentage of change from the figures for the corresponding period of the prior year.*

[Information on results of operations]

During the three months ended June 30, 2004, net sales were ¥47,771 million (a 3.4 percent decrease compared with the same period of the previous fiscal year), operating income was ¥5,190 million, ordinary income was ¥5,192 million and net income for the quarter was ¥5,071 million. Net sales of core ethical drugs declined compared with the same period in the previous fiscal year, due in part to the April 2004 reduction in National Health Insurance (NHI) drug prices that averaged 4.2 percent throughout the industry. In addition, the effect of the transfer of the industrial chemicals business in October 2003 led to a decrease in total net sales.

In profits, more efficient operations were reflected in manufacturing expenses and selling, general and administrative (SG&A) expenses due to the improved composition of businesses and reform of the retirement benefits system, and both the ratio of operating income to net sales and the ratio of ordinary income to net sales are changing above the 10 percent level. Net income for the quarter was affected by an extraordinary gain of ¥3,563 million in connection with the part transferred to the defined contribution pension plan accompanied with the termination of the former retirement benefit system on April 1, 2004.

(2) Financial position

	Total assets	Shareholders' equity	Ratio of Shareholders' equity to total assets	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of June 30, 2004	386,871	295,469	76.4	854.37
As of June 30, 2003	-	-	-	-
As of March 31, 2004	376,160	292,187	77.7	844.53

[Cash Flows]

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Three months ended June 30, 2004	5,732	(2,238)	(2,176)	69,906
Three months ended June 30, 2003	-	-	-	-
Year ended March 31, 2004	15,059	(8,044)	(10,340)	68,623

(Notes) The quarterly financial position and cash flows are presented commencing this quarter. Accordingly, the results for corresponding quarter of the previous year have not been presented.

[Information on changes in financial position]

As of June 30, 2004, total assets increased ¥10.7 billion compared with the end of the previous fiscal year, due mainly to an increase in prepaid pension expenses at Shionogi & Co., Ltd. In addition, total liabilities rose ¥7.4 billion compared with the previous fiscal year-end due mainly to an increase in Reserve for bonuses. Shareholders' equity increased ¥3.2 billion compared with the previous fiscal year-end due to income generated.

Cash and cash equivalents at the end of the first quarter totaled ¥69,906 million, an increase of ¥1,273 million compared with the previous fiscal year-end. Net cash provided by operating activities was ¥5,732 million, as net income before income taxes and minority interests was ¥8,818 million, but the Company made payments in connection with the transfer to a defined contribution pension plan. Net cash used in investing activities was ¥2,238 million due to factors including purchases of property, plant and equipment, and net cash used in financing activities was ¥2,176 million, which included the payment of cash dividends and the repayment of borrowings.

(Reference) Financial Results (Non-consolidated) for the period from April 1, 2004 to June 30, 2004

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2004	42,533	(6.3)	4,020	-	4,505	-	4,698	-
Three months ended June 30, 2003	45,373	-	-	-	-	-	-	-
Year ended March 31, 2004	183,274		16,168		15,458		1,335	

	Total assets	Shareholders' equity
	Million yen	Million yen
As of June 30, 2004	376,691	289,705
As of June 30, 2003	-	-
As of March 31, 2004	366,113	286,468

(Notes) The quarterly financial results (except for sales) are presented commencing this quarter. Accordingly, the rate of increase or decrease from the corresponding quarter of the previous year has not been presented.

The percentages shown under net sales in the table above represent the percentage of change from the figures for the corresponding period of the prior year.

[Reference]

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

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
For the 6 months ending September 30, 2004	96,000	8,000	6,500
For the year ending March 31, 2005	203,000	27,000	18,000

(Reference) *Estimated earnings per share for FY 2004: ¥52.05*

[Information on forecasted results]

We have not revised the interim or annual forecasted results which were announced on May 17, 2004.

Forecasted results (Non-consolidated) for the year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	Million yen	Million yen	Million yen	Yen	Yen	Yen
For the 6 months ending September 30, 2004	87,500	7,000	6,000	4 . 25	-	-
For the year ending March 31, 2005	185,500	25,000	17,000	-	4 . 25	8 . 50

(Reference) *Estimated earnings per share for FY 2004: ¥49.15*

(Notes) *These estimates on August 2, 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.*

1.Consolidated Statements of Income

(Units: millions of yen)

	Three months ended June 30, 2004		(Reference) Year ended March 31, 2004	
	Amount	%	Amount	%
Net sales	47,771	100.0	200,485	100.0
Cost of sales	18,938	39.6	79,856	39.8
Gross profit	28,833	60.4	120,629	60.2
Selling, general and administrative expenses	23,642	49.5	100,337	50.1
Operating income	5,190	10.9	20,292	10.1
Non-operating income	1,016	2.1	2,416	1.2
Non-operating expenses	1,014	2.1	5,121	2.5
Ordinary income	5,192	10.9	17,586	8.8
Extraordinary gains	3,717	7.8	16	0.0
Extraordinary losses	91	0.2	12,424	6.2
Income before income taxes and minority interests	8,818	18.5	5,178	2.6
Income taxes, current	1,660	3.5	2,101	1.1
Income taxes, deferred	2,074	4.4	844	0.4
Minority interests	11	0.0	28	0.0
Net income	5,071	10.6	2,203	1.1

(Note)

R&D expenses	7,723	16.2	29,807	14.9
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2. Consolidated Balance Sheets

(Units: millions of yen)

	As of June 30, 2004		(Reference) As of March 31, 2004		Increase (decrease)
	Amount	%	Amount	%	
Assets					
Current assets:					
Cash and deposits	76,339		75,044		1,295
Notes and accounts receivable	69,972		71,459		(1,487)
Marketable securities	22,159		23,059		(900)
Inventories	32,598		33,549		(951)
Other current assets	11,751		11,101		650
Allowance for doubtful accounts	(60)		(64)		4
Total current assets	212,761	55.0	214,150	56.9	(1,389)
Fixed assets:					
Property, plant and equipment:					
Buildings and structures	32,902		33,035		(133)
Other	38,342		38,957		(615)
Property, plant and equipment, net	71,245	18.4	71,993	19.1	(748)
Intangible fixed assets:					
Intangible fixed assets	4,997	1.3	5,187	1.4	(190)
Investments and other assets:					
Investments in securities	82,780		80,787		1,993
Prepaid pension expenses	11,104		-		11,104
Other	4,148		4,209		(61)
Allowance for doubtful accounts	(166)		(166)		0
Total investments and other assets	97,867	25.3	84,829	22.6	13,038
Total fixed assets	174,110	45.0	162,010	43.1	12,100
Total assets	386,871	100.0	376,160	100.0	10,711

(Units: millions of yen)

	As of June 30, 2004		(Reference) As of March 31, 2004		Increase (decrease)
	Amount	%	Amount	%	
Liabilities					
Current liabilities:					
Note and accounts payable	10,741		10,346		395
Short-term bank loans and current portion of long-term debt	368		1,033		(665)
Current portion of bonds	20,000		-		20,000
Accounts payable, other	10,077		6,414		3,663
Reserves:					
Reserve for bonuses	9,776		6,343		3,433
Other reserves	644		710		(66)
Other current liabilities	10,443		9,920		523
Total current liabilities	62,052	16.0	34,768	9.2	27,284
Long-term liabilities:					
Bonds	-		20,000		(20,000)
Reserves:					
Accrued retirement benefits for employees	8,325		18,829		(10,504)
Other reserves	254		462		(208)
Long-term accounts payable, other	6,839		-		6,839
Other long-term liabilities	13,719		9,713		4,006
Total long-term liabilities	29,139	7.5	49,005	13.0	(19,866)
Total liabilities	91,191	23.5	83,773	22.2	7,418
Minority interests:					
Minority interests	210	0.1	199	0.1	11
Shareholders' equity:					
Common stock	21,279	5.5	21,279	5.7	0
Additional paid-in capital	20,227	5.2	20,227	5.4	0
Retained earnings	236,085	61.0	232,589	61.8	3,496
Unrealized gain on securities	21,205	5.5	21,023	5.6	182
Translation adjustments	(1,951)	(0.4)	(1,588)	(0.4)	(363)
Less treasury stock, at cost	(1,376)	(0.4)	(1,343)	(0.4)	(33)
Total shareholders' equity	295,469	76.4	292,187	77.7	3,282
Total liabilities, minority interests and shareholders' equity	386,871	100.0	376,160	100.0	10,711

3. Consolidated Statements of Cash Flows

(Units: millions of yen)

	Three months ended June 30, 2004	(Reference) Year ended March 31, 2004
	Amount	Amount
Operating activities:		
Income before income taxes and minority interests	8,818	5,178
Depreciation	2,177	9,623
Decrease in notes and accounts receivable, trade	1,485	4,705
Decrease in inventories	187	7,285
Increase (decrease) in notes and accounts payable, trade	399	(1,631)
Other	(6,687)	(6,606)
Subtotal	6,381	18,555
Interest and dividend income received	632	1,490
Interest paid	(206)	(464)
Income taxes paid	(1,074)	(4,521)
Net cash provided by operating activities	5,732	15,059
Investing activities:		
Purchases of marketable securities or investments in securities	(1,753)	(4,586)
Proceeds from sales of marketable securities or investments in securities	1,087	2,227
Purchases of property, plant and equipment	(1,633)	(4,404)
Proceeds from sales of property, plant and equipment	188	157
Other	(127)	(1,438)
Net cash used in investing activities	(2,238)	(8,044)
Financing activities:		
Short-term loans, net	65	(7,086)
Repayment of long-term debt	(738)	(120)
Dividends paid	(1,470)	(2,936)
Other	(33)	(196)
Net cash used in financing activities	(2,176)	(10,340)
Effect of exchange rate changes on cash and cash equivalents	(44)	456
Increase (decrease) in cash and cash equivalents	1,273	(2,868)
Cash and cash equivalents at beginning of period	68,623	71,496
Decrease in cash and cash equivalents resulting from exclusion from consolidation	-	(50)
Increase in cash and cash equivalents resulting from merger of consolidated and unconsolidated	-	45
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	9	-
Cash and cash equivalents at end of period	69,906	68,623

4. Segment Information

[Business Segment Information]

Three months ended June 30, 2004

(Units: millions of yen)

Business Segment Account	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	43,366	2,870	1,533	47,771	-	47,771
(2) Intergroup sales and transfers	-	62	1,110	1,173	(1,173)	-
Total	43,366	2,933	2,644	48,944	(1,173)	47,771
Operating expenses	38,895	2,570	2,291	43,757	(1,176)	42,581
Operating income	4,471	363	352	5,187	3	5,190

(Notes) 1. *Businesses of the Shionogi & Co., Ltd and consolidated subsidiaries are segmented into Pharmaceuticals and related businesses, Capsule business 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
Capsule business	Capsules
Other businesses	Real estate leases, Physical distribution and other services

First Quarter Result for the year ending March 31, 2005 <Supplement>

August 2, 2004
SHIONOGI & CO., LTD.

Sales by segment

<Consolidated>

(Unit: Yen 100 million)

	2004 1st half (forecast)	2004 full year (forecast)	2004 1st quarter (result)	2003 1st quarter (result)	% increase vs previous year result	% progress vs 1st half forecast
Pharmaceuticals and related businesses	890	1,885	434	455	4.9	48.7
Ethical drugs	820	1,740	401	427	6.1	48.9
OTC and quasi-drugs	35	70	15	18	14.5	44.5
Diagnostics	17	33	9	10	4.1	57.4
Royalty income	18	42	8	0	-	47.8
Capsule business	55	115	28	28	3.1	52.2
Other businesses	15	30	15	11	38.4	102.2
Industrial Chemicals	0	0	0	5	-	-
Real estate/Logistic service etc.	15	30	15	6	158.1	102.2
Total	960	2,030	477	494	3.4	49.8

<Non-consolidated>

	2004 1st half (forecast)	2004 full year (forecast)	2004 1st quarter (result)	2003 1st quarter (result)	% increase vs previous year result	% progress vs 1st half forecast
Pharmaceuticals and related businesses	875	1,855	425	448	5.2	48.6
Ethical drugs	805	1,710	391	420	6.8	48.6
OTC and quasi-drugs	35	70	15	18	14.5	44.5
Diagnostics	17	33	9	10	4.1	57.4
Royalty income	18	42	8	0	-	47.8
Industrial Chemicals	0	0	0	5	-	-
Total	875	1,855	425	453	6.3	48.6

Main Products <Non-consolidated>

Ethical drugs

(Unit: Yen 100 million)

	2004 1st half (forecast)	2004 full year (forecast)	2004 1st quarter (result)	2003 1st quarter (result)	% increase vs previous year result	% progress vs 1st half forecast
Total ethical drugs	805	1,710	391	420	6.8	48.6
FLOMOX	150	350	72	80	10.1	47.8
FLUMARIN	88	172	43	51	15.0	49.0
VANCOMYCIN	84	163	40	47	13.8	47.8
RINDERON	53	100	28	26	7.4	52.7
IMUNACE	51	105	25	23	11.7	49.9
MS CONTIN	34	65	17	22	21.3	50.1
CLARITIN	30	80	12	10	25.9	41.0
LONGES	26	51	13	15	14.9	48.7
KEFRAL	22	45	10	13	16.7	47.5
DOBUTREX	18	37	8	10	17.0	45.9
OXYCONTIN	10	23	5	-	-	54.6

New products

CRESTOR	-	30	-	-	-	-
Cetrorelix (generic name)	-	3	-	-	-	-

OTC products

	2004 1st half (forecast)	2004 full year (forecast)	2004 1st quarter (result)	2003 1st quarter (result)	% increase vs previous year result	% progress vs 1st half forecast
Total OTC products	35	70	15	18	14.5	44.5
SEDES	17	33	7	8	9.3	40.3
POPON-S	7	13	2	4	32.5	34.4

Drugs Under Development

<in Japan>

Stage/ Code No.	Administration	Indication/Mechanism	Origin	NDA submission
NDAAs filed				
NS75A	SC	Prevention of premature ovulation during a controlled ovarian stimulation followed by assisted reproductive technology (ART). Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	December, 2000
SR47436	Oral	Antihypertensive Angiotensin II receptor antagonist Not prodrug unlike other antagonists. Not found cough appeared in ACE inhibitors. Generic name: irbesartan	Co-developed with Bristol Pharmaceuticals K.K. Licensed from Sanofi-Synthelabo (France)	October, 2002
Vancomycin	Injection	Glycopeptide antibiotic Additional indication: sepsis, pneumonia, meningitis caused by PRSP (orphan). Generic name: vancomycin	Licensed from Eli Lilly and Company (USA)	March, 2003
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Low renal toxicity and low response (convulsion) toward central nervous system. Generic name: doripenem	Developed in-house	September, 2003
S-8116	Oral	Analgesic for-cancer pain. Immediate-release oxycodone preparation Generic name: oxycodone.	Licensed from Mundipharma AG (Netherlands)	May, 2004

NDA in preparation

SCH29851	Oral	Antiallergic Histamine H1 receptor antagonist. Additional indication: Pediatric use (allergic rhinitis and itch caused by atopic dermatitis, eczema, dermatitis, pruritus) Generic name: loratadine	Co-developed with Schering-Plough K.K. Licensed from Schering-Plough Corp. (USA)	2004 3Q (planned by Schering-Plough K.K.)
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Phase 3

LY248686	Oral	Antidepressant SNRI (serotonin & norepinephrine reuptake inhibitor). Considering the dosage in USA, additional study at higher dose is conducting to confirm the efficacy .	Licensed from Eli Lilly and Company (USA)	Refiling, 2007-2008
S-7701	Oral	Anti-fibrosis (idiopathic interstitial pulmonary fibrosis). Additional indications to other fibrosis may be possible. Generic name: pirfenidone	Licensed from Marnac, Inc. (USA)	Refiling, 2006

Phase 2

S-6820	Injection	Recombinant interleukin-2 Additional indication: liver metastasis from colorectal cancer. Generic name: teceleukin	Licensed from Biogen, Inc. (USA)	
NS75A	Injection	Uterine myoma Luteinizing hormone-releasing hormone antagonist. Once a week preparation Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany) Phase 2a (completed)	

Phase 1 in preparation

S-0373	Oral	Spinocerebellar ataxia A TRH derivative. Good intracerebral transfer and long-action Considering domestic and overseas development	Developed in-house	
NS75B	Injection	Prostatomegaly Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	
EP-013420	Oral	Ketolide Antibiotic	Licensed from Enanta Pharmaceuticals, Inc. (USA)	

<Outside Japan>

Stage/ Code No.	Administration	Indication/Mechanism	Origin/Overseas	NDA submission
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Phase 2

S-5751	Oral	Antiallergic Prostaglandin D ₂ receptor antagonist. First candidate as PGD ₂ receptor antagonists.	Developed in-house Japan: Phase 1 US: Phase 2	
S-3304	Oral	Anticancer Matrix metalloproteinases inhibitor. Not cytotoxic, but prevent proliferation and metastasis. Great safety margin.	Developed in-house USA: Phase 2 (in preparation)	
S-8921	Oral	Antihyperlipidemia Inhibition of bile acid transporter in small intestine.	Developed in-house Europe: Phase 2a	
S-3013	Oral	Antiinflammatory	Developed by collaboration with Eli Lilly and Company (USA)	

Phase 1

S-2367	Oral	Anti-obesity agent Central nervous system antagonist Prevention of accumulation of visceral fat, amelioration of blood sugar and serum fat High safety and no rebound are expected.	Developed in-house Europe, USA: Phase 1	
S-3536	Oral	Drug for osteoarthritis (OA), Disease-modifying anti-OA drug (DMAOD) Selective matrix metalloproteinase (MMP) inhibitor	Developed in-house Europe: Phase 1	

<Shionogi-GlaxoSmithKline>

Code No.	Administration	Indication/Mechanism	Stage	NDA submission
S-8510	Oral	Target indication: Alzheimer's Disease/Dementia Benzodiazepine receptor partial inverse agonist.	Japan: Phase 2 Europe: Phase 1	
S-0139	Injection	Target indication:Cerebrovascular diseases including acute ischemic stroke Endothelin A receptor antagonist	Japan: Phase 2 Europe: Phase 1	

<Out-Licensing Activity>

Code No.	Administration	Category/Indication	Remarks	NDA submission
S-4522	Oral	Antihyperlipidemia HMG CoA reductase inhibitor. Superior activity to other statines. Generic name: rosuvastatin	Licensed to "AstraZeneca , UK" in April, 1998	June, 2001 (world wide except Japan) April , 2002 (Japan) Approved in 61 countries
S-1153	Oral	Anti-HIV Non-nucleoside reverse transcriptase inhibitor Generic name: capravirine	Licensed to "Pfizer, USA" in June, 1998 Phase 2 trials on-going	
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Generic name: doripenem	Licensed to "Peninsula Pharmaceuticals, Inc., USA" in May, 2003 Phase 3 trails on-going	

<Discontinued>

RSC-1838	oral	HIV integrase inhibitor Continue to discover backup		
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