Interim Financial Statements (Consolidated) for The Year Ending March 31, 2005

November 1, 2004

Name of Listed Company:	**SHIONOGI & CO., LTD.**	Listed Exchanges:	Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo
Code:	4507 (URL http://www.shionogi.co.jp)	Location of Head Offie:	Osaka Prefecture
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

Date of Meeting of Board of Directors for Approving Financial Statements: November 1, 2004
Application of U.S. accounting standards: N.A.

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	95,341	(3.5)	10,341	34.1	10,176	55.0
Six months ended September 30, 2003	98,754	(44.3)	7,712	8.9	6,564	8.9
Year ended March 31, 2004	200,485	(29.7)	20,292	5.3	17,586	(2.8)

	Net income (loss)		Earnings (loss) per share	Earnings per share (diluted)
	Million yen	%	Yen	Yen
Six months ended September 30, 2004	8,127	-	23.50	-
Six months ended September 30, 2003	(2,776)	-	(8.03)	-
Year ended March 31, 2004	2,203	(62.7)	6.06	-

(Notes) [1] Profit (loss) on investments accounted for by the equity method
Six months ended September 30, 2004: (188) million yen; Six months ended September 30, 2003: (268) million yen; Year ended March 31, 2004: (677) million yen

[2] Average number of shares outstanding during the period (consolidated)
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

[3] Changes in accounting method: None

[4] 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) 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	379,441	294,607	77.6	851.96
As of September 30, 2003	386,028	279,901	72.5	809.19
As of March 31, 2004	376,160	292,187	77.7	844.53

(Note) Shares outstanding as of the period-end (consolidated)
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

(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, 2004	13,101	(3,830)	(2,603)	75,366
Six months ended September 30, 2003	16,637	1,644	(1,761)	88,409
Year ended March 31, 2004	15,059	(8,044)	(10,340)	68,623

(4) Scope of consolidation and companies accounted for by the equity method
Consolidated subsidiaries: 15 subsidiaries Unconsolidated subsidiaries accounted for by the equity method: None
Affiliates accounted for by the equity method: 1 affiliate

(5) Changes in scope of consolidation and application of equity method
Consolidation (New): 1 subsidiary (Excluded): None Equity Method (New): None (Excluded): None

2. 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 year ending March 31, 2005	200,000	27,000	18,000

(Reference) Estimated earnings per share for FY 2005: ¥ 52.05

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.

Companies in the Shionogi Group

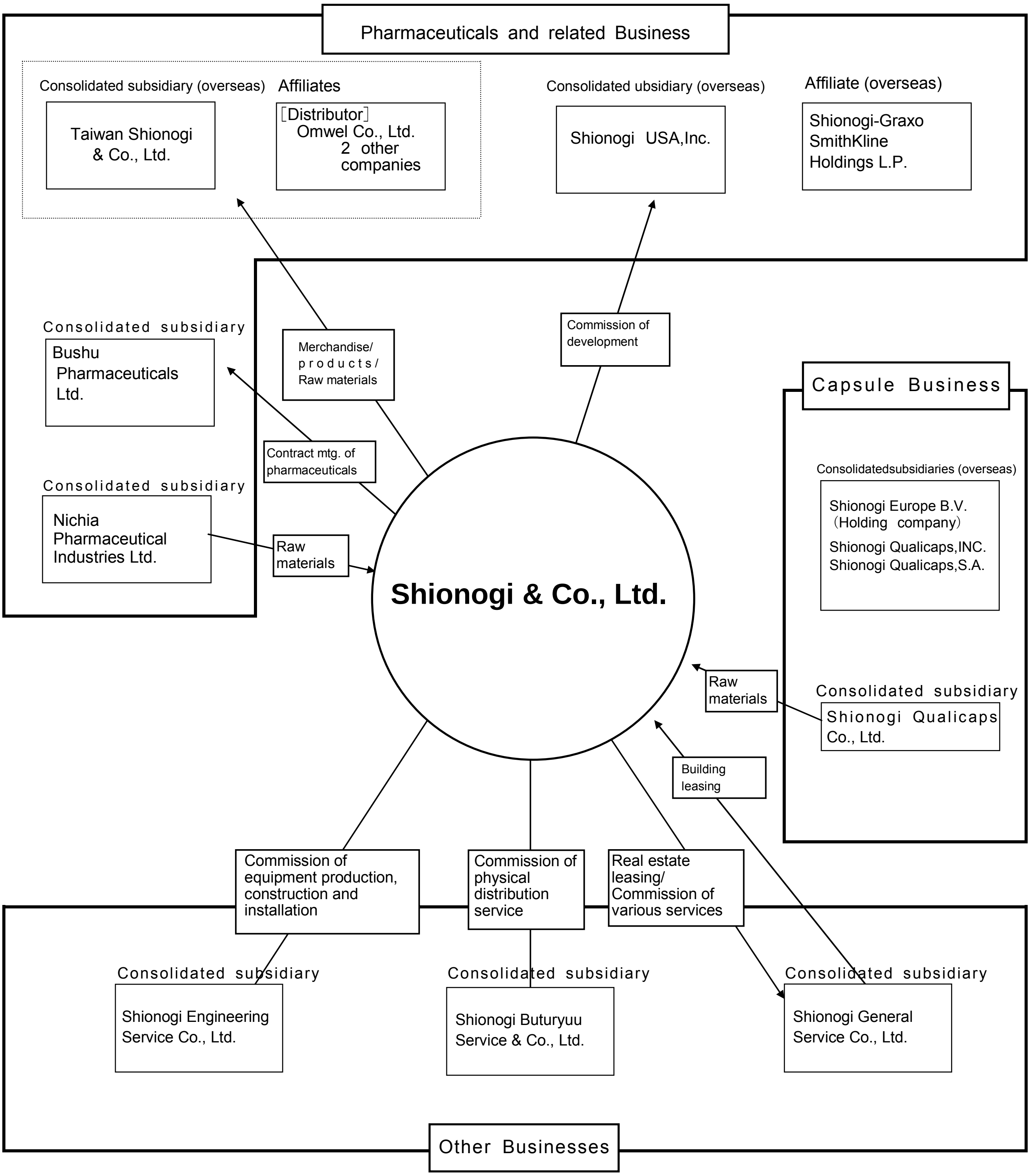
As of September 30, 2004, the Shionogi Group consisted of Shionogi & Co., Ltd. (the “Company”), 15 consolidated subsidiaries and 10 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs and capsules. In addition, they render related services.

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. Taiwan Shionogi & Co., Ltd. Omwell Co., Ltd. Shionogi USA,Inc. Shionogi-GlaxoSmithKline Holdings L.P. 9 other companies (16 companies in total)
Capsule business	Capsules	Shionogi Qualicaps Co., Ltd. Shionogi Europe B.V. Shionogi Qualicaps, Inc. Shionogi Qualicaps, S.A. (4 companies in total)
Other businesses	Real estate leasing, Physical distribution and other services	Shionogi Buturyuu Service Co., Ltd. Shionogi General Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 4 other companies (7 companies in total)

(Notes) Companies engaging in more than one business segment are listed separately by segment in the above table.

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



Note:Four consolidated subsidiaries and 6 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 continually provide the superior medicines essential to protect people's health. Our objective continues to be creating and marketing pharmaceuticals that effectively improve healthcare and raise the quality of life worldwide. Shionogi approaches drug creation, production and marketing as a unified whole to promote effectiveness in improving healthcare and to earn the trust of healthcare professionals and patients. Our commitment to this approach is essential to strengthening the Company and expanding its operations globally, and thus earning the respect of our stakeholders, including customers, society, shareholders and employees.

2. Management Strategy and Challenge Ahead

Due to government policies designed to contain the rising healthcare costs associated with the advancing demographic proportion of seniors, market contraction will continue in the pharmaceutical industry. At the same time, further increases in research and development costs, and further acceleration of global competition between companies in both R&D and sales are expected.

In recognition of this challenging operating environment, the Company established a medium-term management plan in April 2000, aiming to achieve the following targets in five years:

- To increase the corporate value of the Shionogi Group through improving the profitability of the ethical drug business, the Group's core business.
- To pursue continuous invention, and timely development and marketing of innovative new drugs in the global market.
- To develop marketing ability that will be recognized as the best in the domestic market.

The Shionogi Group sets the following consolidated operational targets to be achieved by the fiscal year ending March 2005:

- Consolidated net income: Over 20 billion yen
- Consolidated ROE (Return on Equity): 6% level

Measures to achieve these targets since April 2000 among non-ethical drug businesses have included the transfer of the agrochemical, animal health products, clinical testing and industrial chemicals businesses to joint-venture companies, each with the partner considered most appropriate. In the pharmaceutical wholesale business, the Company selected mergers with other wholesalers in consideration of future prospects. Together with this re-engineering of its business structure, the Company improved productivity by consolidating factories through effective use of manufacturing subsidiaries and external contractors. In tandem with these measures, the Company also made structural reforms to personnel through implementation of programs including outplacement support and transfers, and, in April 2004, reformed the retirement benefit system, which had been a strain on profitability. As a result of these measures, the Company made a major shift to a business structure that is expected to yield higher profitability, with a focus on the ethical drug business.

In R&D in the core ethical drug business, the Company narrowed its focus on selected research themes while strengthening allocation of management resources and bolstering the organization, aiming for the discovery and swift development of new original drugs. Also, aiming for unique development of products expected to be marketed globally, the Company strengthened its infrastructure through measures including the establishment of Shionogi USA, Inc. and Shionogi-GlaxoSmithKline Pharmaceuticals, LLC. In the domestic market, the Company has worked to strengthen the sales force through robust training of medical representatives (MRs) and to expand market share in core fields.

However, in the current fiscal year, the final year of the medium-term management plan, factors at present including the effects of the market environment and the delayed launch of scheduled new products will make it difficult for the Company to meet its consolidated net income target of ¥20 billion or above.

In light of these conditions, the Company will work to reform awareness to further raise the effectiveness of the management structure reforms implemented in April 2004 and the re-engineering of the business structure it has been conducting for the past several years, while at the same time continuing to strengthen R&D and marketing functions. Moreover, based on the infrastructure for improved profitability realized through the current medium-term management plan, the Company will draw up the next medium-term management plan to become a Shionogi with greater presence.

3. Corporate Governance

In order to respond to the rapidly changing business environment in a timely, flexible manner, and to deal appropriately with management tasks, rapid and appropriate decision-making and execution are indispensable. Also, clarification of oversight functions, compliance with laws and highly transparent operations are all important. Based on these ideas, the Company implemented management structure reforms in April 2004 consisting of (1) reform of the Board of Directors, (2) introduction of a corporate officer system, and (3) change in the terms of directors. These reforms clarify authority and responsibility by separating management and business execution functions in order to strengthen and accelerate management decision-making and to bolster supervision of business execution.

The Company has adopted a corporate auditor system. Corporate auditors participate in important meetings such as Board of Directors' meetings and the corporate executive committee, and also aggressively audit the Company and observe its group companies to check legal compliance and appropriateness of their operations for the sufficient auditing. The four corporate auditors at present include two outside auditors.

To deal with compliance, the Company has established a Compliance Committee, which carries out various measures to further heighten maintenance of ethical practices and strict compliance with laws and regulations in its business activities. Moreover, the Company has also distributed the "Shionogi Compliance Handbook" to all employees, and is taking other measures to promote thorough legal compliance and ethical behavior.

4. Fundamental Policy on Appropriation of Retained Earnings

As for the appropriation of retained earnings of the Company, the Company believes it is important to make stable dividends from a long-term point of view and to increase the dividends through growth in earnings to be achieved by the above-mentioned efforts. Therefore, the Company will allocate an appropriate portion of the retained earnings to investment in domestic/overseas R&D activities and repletion of manufacturing machinery and equipment, as well as investment for improving the efficiency of various operation activities in order to improve profitability and to maximize corporate value.

5. Approach and Policy for Reducing the Minimum Trading Unit of Shares

The Company acknowledges that it is important for the stock market to encourage participation of new investors, enhance the liquidity of stocks and revitalize the stock market by reducing the minimum unit of shares traded. Factors such as price standards, the market conditions of supply and demand for the Company's shares are presently under comprehensive consideration as the Company studies the reduction of the minimum trading unit of shares.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

1. Results of Operations

(1) Results for the Six Months Ended September 30, 2004

1) General Overview

In the domestic pharmaceutical industry during the six months ended September 30, 2004, measures including an average 4.2 percent reduction in National Health Insurance (NHI) drug prices, effective as of April 2004 further strengthened the trend to contain drug cost. Amid these circumstances, intensifying competition among firms including global companies made the operating environment more challenging.

Under these conditions, the Company implemented management structure reforms in April 2004 to conduct swift, optimal decision-making and management execution in a timely and flexible manners to rapidly changing market and industry environments. Under the reformed structure, the Company reinforced research and development and marketing functions in its core ethical drug business. In the area of manufacturing, the Company focused on more efficient operations from consolidation of facilities in its production network. In addition, on April 1, 2004, the Company reformed its retirement benefit system to promote a higher sense of independence among employees while contributing to stabilization of Shionogi's finances by reducing the impact of retirement benefit expenses in operating income. Through such initiatives, the business structure re-engineering carried out under the current medium-term management plan has resulted in significant progress in building an infrastructure for improved profitability.

In August 2004, consolidated subsidiary Shionogi USA, Inc. acquired the marketing rights for Cedax, an oral cephalosporin antibiotic, and began distribution and sales in the United States, which is expected to contribute to Shionogi's internationalization in the future.

Consolidated Results of Operations

(Units:Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Six months ended 9/04	95,341	10,341	10,176	8,127
Six months ended 9/03	98,754	7,712	6,564	(2,776)
Percentage Increase(Decrease)	(3.5)	34.1	55.0	−

Sales

Royalty income from industrial property rights increased, but sales of ethical drugs were weak due to market contraction for core products and intensifying competition. A reduction in National Health Insurance (NHI) drug price standards and the transfer of the industrial chemicals business to a joint venture company in October 2003 also impacted sales. As a result, net sales decreased 3.5 percent compared with the same period in the previous year to ¥95,341 million.

Income

Although net sales decreased, income improved significantly as consolidation of factories, revision of the retirement benefit system and other factors reduced manufacturing costs and selling, general and administrative expenses. As a result, operating income increased 34.1 percent compared with the same period in the previous year to ¥10,341 million, and the ratio of operating income to net sales improved to 10.9 percent. A gain on foreign exchange in non-operating income and expenses contributed to a substantial 55.0 percent increase in ordinary income compared with the same period in the previous year to ¥10,176 million. On a non-consolidated basis, Shionogi recorded extraordinary income of ¥3,563 million on the change to a defined contribution pension plan in connection with the reform of the retirement benefit system in April 2004, and net income was ¥8,127 million, a substantial increase over the previous interim period.

Research and Development

In R&D, Shionogi strengthened efforts aimed at the discovery and swift development of original new drugs, narrowing its research areas and target diseases and further clarifying priorities to promote focused allocation of resources. In domestic development, the Company filed an application for manufacturing approval for an immediate-release preparation of oxycodone, an analgesic for cancer pain, in May 2004. In July 2004, the Company signed a licensing agreement with Enanta Pharmaceuticals, Inc. of the United States for its bridged bicyclic ketolide antibiotic, and preparations are under way for Phase I clinical trials in Japan. Overseas, Shionogi-GlaxoSmithKline Pharmaceuticals, LLC and Shionogi USA, Inc. are moving ahead with development of drugs for dementia, malignant tumors and obesity.

As a result of these activities, research and development expenditures for the interim period were ¥15,771 million, equivalent to 16.5 percent of net sales.

Capital Investment

Capital investment during the interim period totaled ¥2.6 billion, and was centered on strengthening manufacturing facilities to consolidate factories and manufacture new products, as well as the expansion of research facilities.

2) Segment Information

Pharmaceuticals and Related Businesses

On a non-consolidated basis, sales of Flumarin injectable antibiotic and Flomox oral antibiotic decreased due to the reduction in NHI drug price in addition to the effects of contraction and intensifying competition in the antibiotics market where Shionogi has core products. In addition, Claritin, an anti-allergic, fell below its sales target due to a difficult market environment and intensifying competition. Sales of over-the-counter products also declined due to weak performance by core products, and sales of diagnostics decreased slightly. On the other hand, royalty income from industrial property rights increased due to full-fledged marketing of Crestor, a treatment for hyperlipidemia, by AstraZeneca plc overseas. However, overall net sales of Pharmaceuticals and Related Businesses decreased 3.6 percent compared with the same period in the previous year to ¥87,118 million.

Operating income of Pharmaceuticals and Related Businesses increased 38.0 percent compared with the same period in the previous year to ¥8,798 million as the ratio of income to net sales improved due to reduction of primarily non-consolidated manufacturing costs and selling, general and administrative expenses.

Capsule Business

Conditions in the capsule business remained difficult due to slower growth of the domestic pharmaceutical industry, its primary customer, especially in terms of the volume of pharmaceutical product usage.

Net sales for the interim period were ¥5,916 million, a marginal decrease of 0.1 percent compared with the same period in the previous year.

However, with an improved cost of sales ratio, operating income increased 29.0 percent to ¥955 million.

Other Businesses

With the transfer of the industrial chemicals business to a joint venture company, Other Businesses comprises real estate leasing and other businesses. Net sales declined 6.7 percent compared with the same period in the previous year to ¥2,307 million.

Total operating income of Other Businesses decreased 1.0 percent to ¥580 million.

(2) Forecast for the Year Ending March 31, 2005

Projected results for the year ending March 31, 2005 are as follows.

Consolidated Projection

(Units:Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending 3/05	200,000	28,500	27,000	18,000
Year ended 3/04	200,485	20,292	17,586	2,203
Percentage Increase (Decrease)	(0.2)	40.4	53.5	717.1

In the second half of the fiscal year, the environment in the market for ethical drugs is forecast to remain extremely difficult, and the rapidly changing, uncertain management environment is expected to continue.

Amid these conditions, the Company projects a slight decrease in net sales. Efforts to gain share in the core antibiotics market and expand sales of Claritin, an anti-allergic, and OxyContin, an analgesic for cancer pain, are expected to increase sales. Together with higher royalty income from industrial property rights, these factors are expected to compensate for the negative effects of the NHI drug price revision and the transfer of the industrial chemicals business.

Regarding profits, Shionogi forecasts substantial increases in both operating income and ordinary income as a result of re-engineering of its business structure and the reform of its retirement benefit system.

2. Financial Position

(1) Results for the Six Months Ended September 30, 2004

In operating activities for the six months ended September 30, 2004, although income increased, the Company transferred assets to the defined contribution pension plan in the amount of ¥17,413 million in the book and paid ¥6,637 million in its initial fiscal year. As a result, net cash provided by operating activities decreased ¥3,536 million compared with the same period in the previous year to ¥13,101 million.

In investing activities, net cash used in investing activities totaled ¥3,830 million, due to factors including capital investment and an increase in investments in securities.

In financing activities, net cash used in financing activities totaled ¥2,603 million, due to factors including the

payment of cash dividends and the repayment of debt.
As a result, cash and cash equivalents at September 30, 2004 stood at ¥75,366 million, an increase of ¥6,743 million from March 31, 2004.

Trends in Cash Flow Indicators

	Year ended March 2003	Six months ended September 2003	Year ended March 2004	Six months ended September 2004
The ratio of shareholders' equity (%)	73.9	72.5	77.7	77.6
The ratio of shareholders' equity calculated based on market value (%)	151.5	173.8	169.0	143.9
The term for the redemption of liabilities (years)	3.7	0.9	1.4	0.8
Interest coverage ratio (times)	14.9	69.7	32.4	61.9

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets
The ratio of shareholder's equity calculated based on market value: Market value of the Company's shareholders' equity /Total assets
The term for the redemption of liabilities: Interest-bearing liabilities/Net cash provided by operating activities (The net cash flows from operating activities in the interim periods represent double the amount of actual net cash flows)
Interest coverage ratio: Net cash provided by operating activities/Interest payment

1. These figures have been computed on a consolidated basis.
2. Market value of the Company's shareholders' equity is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stocks) by the closing share price at the end of the fiscal year.
3. Net cash provided by operating activities is as stated in the consolidated statements of cash flows. Interest-bearing liabilities refer to all liabilities recorded in the consolidated balance sheets on which interest is paid. Interest payment is as stated on the consolidated statements of cash flows.

2) Forecast for the Year Ending March 31, 2005

Events expected to exert a significant influence on cash flows during the second half of the fiscal year are as follows.

- Net cash provided by operating activities is expected to increase as a result of growth in income.
- Capital investment in the second half of the fiscal year is expected to total ¥3.7 billion. In addition, depreciation and amortization is expected to total ¥4.9 billion.

Interim Consolidated Statements of Income

(Units: Millions of yen)

Account \ Period	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
		%		%			%
Net sales	95,341	100.0	98,754	100.0	(3,413)	200,485	100.0
Cost of sales	36,822	38.6	40,697	41.2	(3,875)	79,856	39.8
Gross profit	58,519	61.4	58,057	58.8	462	120,629	60.2
Selling, general and administrative expenses	48,177	50.5	50,344	51.0	(2,167)	100,337	50.1
Operating income	10,341	10.9	7,712	7.8	2,629	20,292	10.1
Non-operating income	1,726	1.8	1,362	1.4	364	2,416	1.2
Interest income	309		378		(69)	670	
Dividend income	400		375		25	552	
Exchange gain	437		-		437	-	
Income from real estate rental	336		259		77	610	
Other income	244		349		(105)	583	
Non-operating expenses	1,892	2.0	2,511	2.5	(619)	5,121	2.5
Interest expense	226		252		(26)	494	
Contributions	466		573		(107)	1,101	
Loss on disposal of inventories	177		266		(89)	805	
Loss on disposal of property, plant and equipment	162		182		(20)	415	
Other expenses	860		1,235		(375)	2,305	
Ordinary income	10,176	10.7	6,564	6.7	3,612	17,586	8.8
Extraordinary income	3,719	3.9	-	-	3,719	16	0.0
Gain on change to a defined contribution pension plan	3,563		-		3,563	-	
Gain on sales of investments in securities	156		-		156	16	
Extraordinary losses	91	0.1	10,311	10.5	(10,220)	12,424	6.2
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	-		3,671		(3,671)	3,845	
Other losses	-		-		-	1,397	
Income (loss) before income taxes and minority interests	13,804	14.5	(3,747)	(3.8)	17,551	5,178	2.6
Income taxes, current	2,608	2.8	537	0.5	2,071	2,101	1.1
Income taxes, deferred	3,053	3.2	(1,509)	(1.5)	4,562	844	0.4
Minority interests	(14)	(0.0)	(0)	(0.0)	(14)	(28)	(0.0)
Net income (loss)	8,127	8.5	(2,776)	(2.8)	10,903	2,203	1.1

Interim Consolidated Statements of Retained Earnings

(Units: Millions of yen)

	Account / Period	Six months ended September 30, 2004		Six months ended September 30, 2003		Year ended March 31, 2004	
	(Additional paid in capital)						
Ⅰ	**Balance at beginning of the period**		20,227		20,227		20,227
Ⅱ	**Balance at end of the period**		20,227		20,227		20,227
	(Retained Earnings)						
Ⅰ	**Balance at beginning of the period**		232,589		230,882		230,882
Ⅱ	**Increase**						
	Net income	8,127		-		2,203	
	Increase due to merger of an unconsolidated subsidiary	-	8,127	2,585	2,585	2,585	4,788
Ⅲ	**Deductions**						
	Net loss	-		2,776		-	
	Cash dividends paid	1,469		1,490		2,960	
	Bonuses to directors and statutory auditors	105		104		104	
	Decrease on initial consolidation of a subsidiary	0		-		-	
	Decrease due to merger of consolidated subsidiaries	-		3		3	
	Decrease in exclusion of consolidated subsidiar	-	1,575	14	4,388	14	3,082
Ⅳ	**Balance at end of the period**		239,141		229,078		232,589

Interim Consolidated Balance Sheets

(Assets)

(Units: Millions of yen)

Account \ Period	As of September 30, 2004 Amount	As of September 30, 2004 Percentage	As of March 31, 2004 Amount	As of March 31, 2004 Percentage	Increase (decrease)	As of September 30, 2003 Amount	As of September 30, 2003 Percentage
(Assets)		%		%			%
Current assets:							
Cash and deposits	81,880		75,044		6,836	89,678	
Notes and accounts receivable	67,043		71,459		(4,416)	70,908	
Marketable securities	22,114		23,059		(945)	2,376	
Inventories	32,675		33,549		(874)	39,572	
Deferred income taxes	4,821		3,990		831	8,115	
Other current assets	4,362		7,111		(2,749)	7,051	
Allowance for doubtful accounts	(60)		(64)		4	(60)	
Total current assets	212,837	56.1	214,150	56.9	(1,313)	217,642	56.4
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	32,489		33,035		(546)	33,907	
Machinery and equipment	13,813		15,231		(1,418)	15,690	
Land	17,209		17,282		(73)	17,295	
Construction in progress	1,559		1,269		290	2,361	
Other	5,254		5,175		79	5,017	
Property, plant and equipment, net	70,325	18.5	71,993	19.1	(1,668)	74,272	19.2
Intangible fixed assets	4,743	1.3	5,187	1.4	(444)	5,333	1.4
Investments and other assets:							
Investments in securities	76,022		80,787		(4,765)	84,236	
Prepaid pension costs	11,775		-		11,775	-	
Deferred income taxes	339		384		(45)	395	
Other	3,628		3,824		(196)	4,313	
Allowance for doubtful accounts	(232)		(166)		(66)	(164)	
Total investments and other assets	91,534	24.1	84,829	22.6	6,705	88,781	23.0
Total fixed assets	166,603	43.9	162,010	43.1	4,593	168,386	43.6
Total assets	379,441	100.0	376,160	100.0	3,281	386,028	100.0

Interim Consolidated Balance Sheets

(Liabilities, minority interests 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
(Liabilities)		%		%			%
Current liabilities:							
Note and accounts payable	11,311		10,346		965	10,518	
Current portion of bonds	20,000		-		20,000	-	
Reserves:							
Reserve for bonuses	7,025		6,343		682	6,989	
Other reserves	799		710		89	668	
Other current liabilities	19,511		17,368		2,143	44,039	
Total current liabilities	58,647	15.5	34,768	9.2	23,879	62,215	16.1
Long-term liabilities:							
Bonds	-		20,000		(20,000)	20,000	
Deferred income taxes	9,552		8,339		1,213	4,227	
Accrued retirement benefits for employees	8,326		18,829		(10,503)	17,663	
Other reserves	254		462		(208)	439	
Long-term accounts payable, other	6,729		-		6,729	-	
Other long-term liabilities	1,108		1,374		(266)	1,408	
Total long-term liabilities	25,972	6.8	49,005	13.0	(23,033)	43,739	11.4
Total liabilities	84,620	22.3	83,773	22.2	847	105,955	27.5
Minority interests	213	0.1	199	0.1	14	171	0.0
(Shareholders' equity)							
Common stock	21,279	5.6	21,279	5.7	0	21,279	5.5
Additional paid-in capital	20,227	5.3	20,227	5.4	0	20,227	5.3
Retained earnings	239,141	63.0	232,589	61.8	6,552	229,078	59.3
Unrealized gain on securities	17,179	4.5	21,023	5.6	(3,844)	11,707	3.0
Translation adjustments	(1,781)	(0.4)	(1,588)	(0.4)	(193)	(1,153)	(0.3)
Less:							
Treasury stock, at cost	(1,439)	(0.4)	(1,343)	(0.4)	(96)	(1,238)	(0.3)
Total shareholders' equity	294,607	77.6	292,187	77.7	2,420	279,901	72.5
Total liabilities, minority interests and shareholders' equity	379,441	100.0	376,160	100.0	3,281	386,028	100.0

Interim Consolidated Statements of Cash Flows

(Units: Millions of yen)

		Six months ended September 30, 2004	Six months ended September 30, 2003	Year ended March 31, 2004
		Amount	Amount	Amount
Ⅰ	**Operating activities**			
	Income (loss) before income taxes and minority interests	13,804	(3,747)	5,178
	Depreciation and amortization	4,472	4,609	9,623
	Amortization of excess of cost over net assets acquired	40	40	81
	Loss on disposal of property, plant and equipment	162	182	415
	Provision for allowance for doubtful accounts	61	2	11
	Gain on change to a defined contribution pension plan	(3,563)	-	-
	Pension assets to be transferred to a defined contribution pension plan	(17,413)	-	-
	Provision for retirement benefits, net of payments	44	(8,674)	(7,509)
	Interest and dividend income	(709)	(753)	(1,223)
	Interest expense	226	252	494
	Exchange gain(loss)	(780)	257	421
	Decrease in notes and accounts receivable, trade	4,437	5,433	4,705
	Decrease in inventories	902	1,710	7,285
	Increase(decrease) in notes and accounts payable, trade	950	(1,516)	(1,631)
	Increase in accrued expenses	118	(1,027)	(890)
	Increase in accounts payable, other	9,290	21,752	1,807
	Bonuses to directors and statutory auditors	(105)	(105)	(105)
	Other	1,812	910	(109)
	Subtotal	13,750	19,325	18,555
	Interest and dividend income received	851	879	1,490
	Interest paid	(211)	(238)	(464)
	Income taxes paid	(1,288)	(3,329)	(4,521)
	Net cash provided by operating activities	13,101	16,637	15,059
Ⅱ	**Investing activities**			
	Increase in time deposits	(6,513)	(144)	(5,411)
	Decrease in time deposits	6,460	4,952	4,944
	Purchases of marketable securities	(19)	(19)	(19)
	Proceeds from sales of marketable securities	932	90	2,199
	Increase in investments in securities	(1,753)	(247)	(4,566)
	Proceeds from sales of investments in securities	175	-	28
	Purchases of property, plant and equipment	(3,093)	(2,445)	(4,404)
	Proceeds from sales of property, plant and equipment	224	65	157
	Proceeds from collection of loans receivable	2	1	1
	Proceeds from sales of business	-	-	263
	Other	(245)	(609)	(1,236)
	Net cash used in(provided by) investing activities	(3,830)	1,644	(8,044)
Ⅲ	**Financing activities**			
	Short-term loans, net	(292)	(166)	(7,086)
	Repayment of long-term debt	(748)	(34)	(120)
	Cash dividends paid to shareholders of the Company	(1,467)	(1,468)	(2,936)
	Other	(94)	(93)	(196)
	Net cash used in financing activities	(2,603)	(1,761)	(10,340)
Ⅳ	**Effect of exchange rate changes on cash and cash equivalents**	64	397	456
Ⅴ	**Increase (decrease) in cash and cash equivalents**	6,733	16,918	(2,868)
Ⅵ	**Cash and cash equivalents at beginning of period**	68,623	71,496	71,496
Ⅶ	**Decrease in cash and cash equivalents resulting from exclusion from consolidation**	-	(50)	(50)
Ⅷ	**Increase in cash and cash equivalents resulting from merger**	-	45	45
Ⅸ	**Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary**	9	-	-
Ⅹ	**Cash and cash equivalents at end of period**	75,366	88,409	68,623

Notes to Interim Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 15
Shionogi Qualicaps Co., Ltd., Ohmori Group Honsha Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi Europe B.V., Shionogi Qualicaps, Inc., Shionogi Qualicaps, S.A., Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries, Ltd., Shionogi Engineering Service Co., Ltd., Saishin Igaku Co., Ltd., Shionogi Butsuryuu Service Co., Ltd., Shionogi General Service Co., Ltd., Shionogi USA, Inc., SG Holding Inc.,Aburahi AgroResearch Co., Ltd.
(newly consolidation)
Aburahi AgroResearch Co., Ltd., which was founded in the previous fiscal year, has been included in consolidation effective the six months ended September 30,2004 in connection with the start of full-scale operations.

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 and the 9 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 earned surplus of the Company for the current period.

3. Closing date of consolidated subsidiaries

One domestic consolidated subsidiaries close their accounts on September 15, and 6 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
Held-to-maturity securities .... Amortized cost method
Other securities
Market value available .... At fair value, based on market price or other appropriate quotation as of the period end
(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 .... Most items are evaluated at cost determined by the average method.

(2) Method of depreciation 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.]

[2] Intangible fixed assets .... Straight-line method
[Expenditures related 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 significant 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 for employees
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 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.
(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 months ended September 30, 2004.

(4) 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.

(5) 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 on receivables and payables denominated in foreign currencies.

(6) Consumption tax

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

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

Cash and cash equivalents reported in the interim consolidated statements of cash flows 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 statements of income]

	Six months ended September 30, 2004		Six months ended September 30, 2003		Year ended March 31, 2004	
The major items and amounts included in sales, general and administrative expenses are summarized as follows:						
Salaries	8,967	Million yen	9,153	Million yen	22,246	Million yen
Provision for reserve for bonuses	3,782		3,837		3,660	
Provision for retirement benefits	595		3,244		6,124	
R & D expenses	15,771	Million yen	14,635	Million yen	29,807	Million yen
(R&D expenses above include the following amounts provided as reserves:)						
Provision for reserve for bonuses	1,795	Million yen	1,577	Million yen	1,440	Million yen
Provision for retirement benefits	268		1,155		2,275	

[Notes to interim consolidated balance sheets]

	As of September 30, 2004		As of March 31, 2004		As of September 30, 2003	
1. Accumulated depreciation of property, plant and equipment	167,089	Million yen	164,756	Million yen	165,696	Million yen

2. Commitments ….Lines of Credit

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		-	

3. Guaranteed liabilities	8	Million yen	11	Million yen	12	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	4	Million yen	5	Million yen	5	Million yen
Investments in securities	-		437		253	
Total	4	Million yen	443	Million yen	259	Million yen
Liabilities secured by the above assets:						
Other current liabilities	5	Million yen	729	Million yen	730	Million yen

5. Accrued consumption tax is included in other current liabilities.

[Notes to interim consolidated statements of cash flows]

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

	As of September 30, 2004		As of March 31, 2004		As of September 30, 2003	
Cash and deposits	81,880	Million yen	89,678	Million yen	75,044	Million yen
Time deposits with a maturity exceeding three months	(6,513)		(1,268)		(6,421)	
Cash and cash equivalents	75,366	Million yen	88,409	Million yen	68,623	Million yen

[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	695	Million yen	286	Million yen	294	Million yen
Accumulated depreciation equivalent	296		195		174	
Period-end balance	398	Million yen	91	Million yen	119	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	125	Million yen	49	Million yen	53	Million yen
Exceeding one year	273		42		66	
Total	398	Million yen	91	Million yen	119	Million yen
3. Lease payments and depreciation equivalent						
Lease payments	94	Million yen	55	Million yen	27	Million yen
Depreciation equivalent	94	Million yen	55	Million yen	27	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		The same as at left	

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

[Notes to securities]

1. Bonds to be held until maturity with quoted market prices

(Units: Millions of yen)

	As of September 30, 2004			As of March 31, 2004			As of September 30, 2003		
	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	40,315	40,496	181	40,432	40,576	143	40,559	40,608	48
(2) Corporate bonds	-	-	-	-	-	-	-	-	-
(3) Other bonds	-	-	-	-	-	-	-	-	-
Total	40,315	40,496	181	40,432	40,576	143	40,559	40,608	48

2. Other securities; market value available

(Units: Millions of yen)

	As of September 30, 2004			As of March 31, 2004			As of September 30, 2003		
	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	14,266	41,808	27,542	14,213	48,262	34,049	14,192	33,236	19,044
(2) Bonds									
[1] National, local government and other public bonds	-	-	-	-	-	-	-	-	-
[2] Corporate bonds	-	-	-	-	-	-	-	-	-
[3] Other bonds	1,892	2,807	914	2,646	3,605	959	2,757	3,915	1,158
(3) Other securities	5,005	5,151	146	5,005	5,079	73	5,005	4,722	(282)
Total	21,164	49,768	28,603	21,864	56,947	35,082	21,954	41,875	19,920

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

(Units: Millions of yen)

	As of September 30, 2004	As of March 31, 2004	As of September 30, 2003
	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)	5,822	4,224	1,914
[2] Certificates of deposits (domestic)	22,200	63,900	78,000

(Note) Certificates of deposits (domestic) have been included in cash and bank deposits in the interim (annual) consolidated balance sheets.

[Notes to derivative transactions]

Market prices of derivative transaction

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, 2004, March 31, 2004 and September 30, 2003.

[Segment Information]

1. Business Segment Information

Six months ended September 30, 2004 (Units: Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	87,118	5,916	2,307	95,341	-	95,341
(2) Intergroup sales and transfers	-	128	2,153	2,282	(2,282)	-
Total	87,118	6,044	4,461	97,623	(2,282)	95,341
Operating expenses	78,319	5,088	3,880	87,288	(2,288)	84,999
Operating income	8,798	955	580	10,335	6	10,341

Six months ended September 30, 2003 (Units: Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	90,361	5,919	2,472	98,754	-	98,754
(2) Intergroup sales and transfers	-	118	2,797	2,915	(2,915)	-
Total	90,361	6,038	5,269	101,669	(2,915)	98,754
Operating expenses	83,986	5,297	4,683	93,967	(2,925)	91,041
Operating income	6,375	740	586	7,702	9	7,712

Year ended March 31, 2004 (Units: Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:						
Net sales						
(1) Sales to third parties	185,255	11,431	3,798	200,485	-	200,485
(2) Intergroup sales and transfers	-	220	5,791	6,011	(6,011)	-
Total	185,255	11,651	9,589	206,497	(6,011)	200,485
Operating expenses	167,546	10,344	8,351	186,242	(6,049)	180,193
Operating income	17,709	1,307	1,238	20,254	37	20,292

(Notes)

1. Businesses of the Group 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

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

Because overseas sales accounted for less than 10% of the total consolidated sales, the disclosure of overseas sales has been omitted.

[Amounts per share]

	Six months ended September 30, 2004		Six months ended September 30, 2004		Year ended March 31, 2004	
Shareholders' equity per share	851.96	Yen	809.19	Yen	844.53	Yen
Earnings (loss) per share	23.50		(8.03)		6.06	

(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)	8,127	Million yen	(2,776)	Million yen	2,203	Million yen
The amount which is not attributable to ordinary shareholders	-		-		105	
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(-)		(-)		(105)	
Net income (loss) related to common stocks	8,127		(2,776)		2,097	
Average number of shares outstanding during the period	345,821	Thousands of stocks	345,935	Thousands of stocks	345,902	Thousands of stocks

Status of Production, Orders and Sales

1. Production

The consolidated production results for each business segment for the six months ended September 30, 2004 and September 30, 2003 and the year ended March 31, 2004 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2004	Six months ended September 30, 2004	Year ended March 31, 2004
Pharmaceuticals and related businesses		73,609	71,922	134,316
	Ethical drugs	68,902	67,360	127,146
	OTC drugs	3,335	3,081	4,301
	Diagnostics	1,372	1,481	2,869
Capsule business		6,059	5,829	11,781
Other businesses		-	653	653
	Industrial chemicals	-	653	653
Total		79,668	78,404	146,750

(Notes) 1. Amounts are calculated based on net sales prices.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. Amounts are stated exclusive of consumption tax.

2. Purchases

The consolidated purchases for each business segment for the six months ended September 30, 2004 and September 30, 2003 and the year ended March 31, 2004 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2004	Six months ended September 30, 2004	Year ended March 31, 2004
Pharmaceuticals and related businesses		10,158	11,629	22,148
	Ethical drugs	9,610	11,048	21,016
	OTC drugs	237	257	507
	Diagnostics	311	324	625
Capsule business		-	-	-
Other businesses		-	266	266
	Industrial chemicals	-	266	266
Total		10,158	11,895	22,414

(Notes) 1. Amounts are based on actual purchases.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. 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, 2004 and September 30, 2003 and the year ended March 31, 2004 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2004	Six months ended September 30, 2004	Year ended March 31, 2004
Pharmaceuticals and related businesses		87,118	90,361	185,255
	Ethical drugs	79,917	84,588	173,471
	OTC drugs	3,088	3,516	6,752
	Diagnostics	1,818	1,999	3,795
		2,295	258	1,237
Capsule business		5,916	5,919	11,431
Other businesses		2,307	2,472	3,798
	Industrial chemicals	-	965	966
	Real estate lease/Physical distributing and other services	2,307	1,507	2,832
Total		95,341	98,754	200,485

(Notes) 1. Amounts are sales to customers outside the Shionogi Group.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. Amounts are stated exclusive of consumption tax.