

Interim Financial Statements (Consolidated) for The Year Ending March 31, 2006

November 7, 2005



Name of Listed Company: **SHIONOGI & CO., LTD.**
Code: 4507
(URL <http://www.shionogi.co.jp>)

Listed Exchanges: Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo
Location of Head Office: 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 7, 2005

Application of U.S. accounting standards: N.A.

1. Financial results for the period from April 1, 2005 to September 30, 2005

(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, 2005	96,853	1.6	12,151	17.5	12,348	21.3
Six months ended September 30, 2004	95,341	(3.5)	10,341	34.1	10,176	55.0
Year ended March 31, 2005	199,364	(0.6)	28,729	41.6	27,804	58.1

	Net income		Earnings per share		Earnings per share (diluted)	
	Million yen	%	Yen		Yen	
Six months ended September 30, 2005	8,310	2.3	24.39		-	
Six months ended September 30, 2004	8,127	-	23.50		-	
Year ended March 31, 2005	18,941	759.6	54.64		-	

(Notes) [1] Profit (loss) on investments accounted for by the equity method
Six months ended September 30, 2005: (44) million yen
Six months ended September 30, 2004: (188) million yen
Year ended March 31, 2005: (393) million yen

[2] Average number of shares outstanding during the period (consolidated)
Six months ended September 30, 2005: 340,698,536 shares
Six months ended September 30, 2004: 345,821,936 shares
Year ended March 31, 2005: 345,175,088 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, 2005	392,324	314,893	80.3	924.33
As of September 30, 2004	379,441	294,607	77.6	851.96
As of March 31, 2005	396,998	299,847	75.5	879.79

(Note) Shares outstanding as of the period-end (consolidated)
As of September 30, 2005: 340,671,870 shares
As of September 30, 2004: 345,798,264 shares
As of March 31, 2005: 340,724,204 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, 2005	8,510	(1,257)	(22,471)	80,866
Six months ended September 30, 2004	13,101	(3,830)	(2,603)	75,366
Year ended March 31, 2005	28,551	9,784	(11,209)	95,719

(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): None (Excluded): None Equity Method (New): None (Excluded): None

2. Forecasted results for the year ending March 31, 2006 (April 1, 2005 to March 31, 2006)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
For the year ending March 31, 2006	200,000	28,500	22,500

(Reference) Estimated earnings per share for FY 2005: ¥ 66.05

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 7, 2005 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

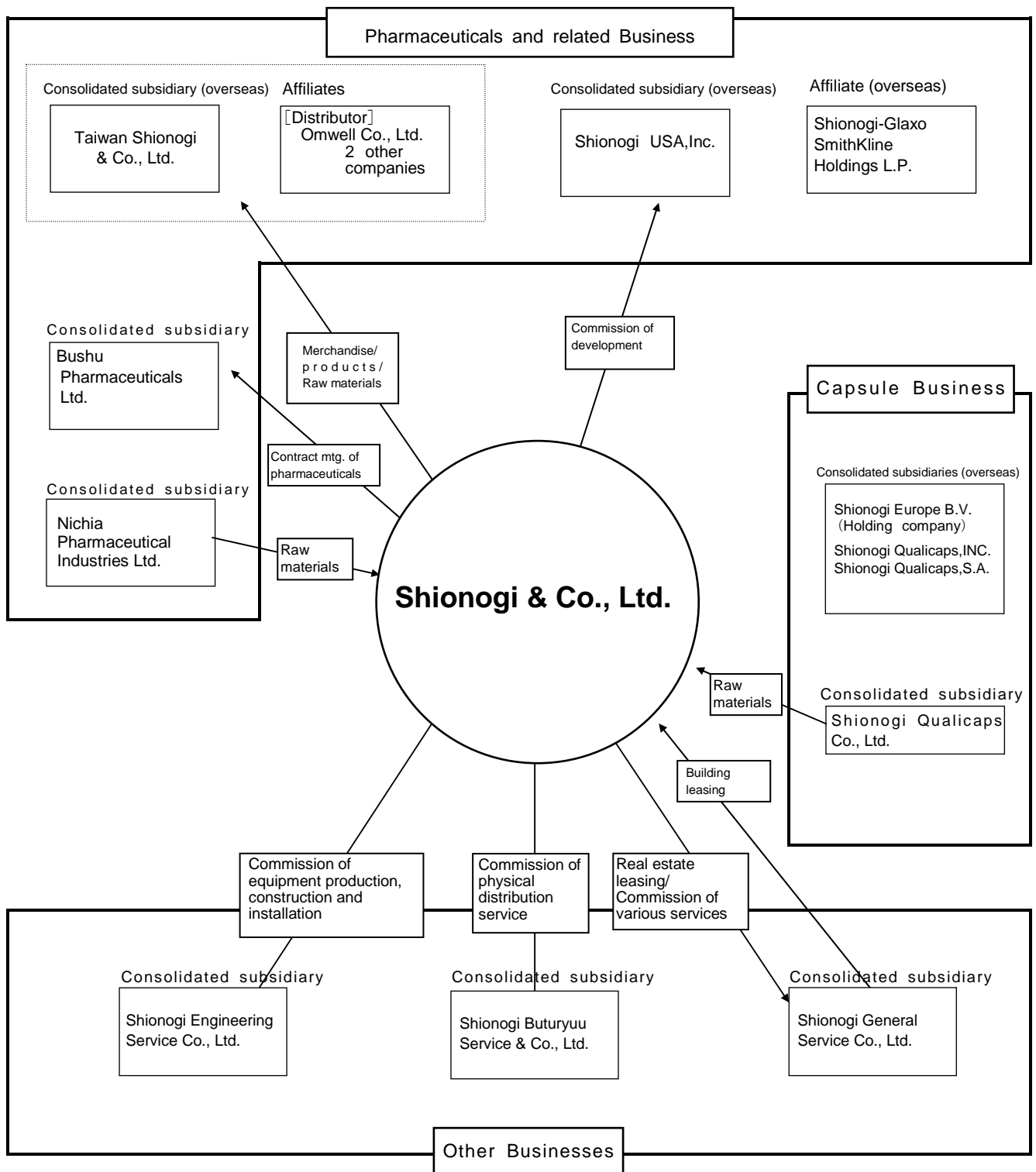
As of September 30, 2005, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 15 consolidated subsidiaries and 7 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs and capsules. In addition, they render related services.

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. Omwel Co., Ltd. Shionogi USA, Inc. Shionogi-GlaxoSmithKline Holdings L.P. 7 other companies (14 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. 3 other companies (6 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 1: Four consolidated subsidiaries and 3 affiliates are not shown in this chart as the scale of their business is very small.
 2: The Company has transferred the capsule business to the Carlyle Group at October 3, 2005 by selling its whole share.

MANAGEMENT POLICY

1. Fundamental Management Policy

Shionogi's corporate philosophy is to "continually provide the superior medicines essential to 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, thus earning the respect of our stakeholders, including customers, society, shareholders and employees.

2. Management Strategy and Challenge Ahead

In the first medium-term management plan from April 2000 to March 2005, Shionogi implemented business structure reengineering focused on the ethical drug business, conducted profit structure reforms such as factory consolidation and workforce reductions, and implemented management reforms aimed at speeding business execution and clarifying responsibility. Through those measures, Shionogi has almost completed building the foundation for future growth. However, the operating environment in the pharmaceutical industry is likely to become even more challenging due to strengthened policies to contain rising healthcare costs and increasingly intense competition in the global market. Therefore, by positioning the second medium-term management plan (April 2005 to March 2010), which started in the current fiscal year, as a period for acceleration toward significant strides, Shionogi will further solidify the business foundation it has already established. In addition, Shionogi will step up measures to achieve long-term growth through its contribution to society as a pharmaceutical company.

In research and development, Shionogi will narrow its focus and concentrate on establishing second and third areas of strength where it can contribute to medical treatment, in addition to the area of infectious diseases that has supported the company until now. In sales, Shionogi will contribute to hospitals and clinics and establish a robust sales system by cultivating and strengthening medical representatives who consistently think about healthcare needs. In overseas operations, Shionogi aims to contribute globally in the area of infectious diseases, and will steadily develop its business in overseas markets, with a focus on antibiotics in the United States and China. The results of previously implemented profit structure reforms and additional planned measures, including improvement of operating efficiency, expansion of new product sales and expansion of revenue from industrial property rights will absorb expected increases in research and development costs and other expenses. Shionogi will continue working to increase the level of profits from its business activities.

Management indicator targets for the year ending March 2010 are as follows:

Net sales	320 billion yen
Operating income	100 billion yen
Net income	60 billion yen
Return on equity	14 %

3. Corporate Governance

Shionogi recognizes that corporate governance is a key issue for management. The Company believes that 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, legal compliance and highly transparent operations are vitally important.

(1) Company Organization

The Board of Directors is currently composed of five directors who meet, in principle, once a month and conduct management decision-making and oversight of execution. To clarify responsibility, directors' terms of office are set at one year.

The Company has adopted a corporate officer system to support proper response to changes in the operating environment and speedy, flexible and dynamic business execution. Currently there are 14 corporate officers, including three who serve concurrently as directors.

In internal oversight, the Company has established the Internal Control Unit, which performs audits and provides reasonable guarantees of the effectiveness and efficiency of business execution.

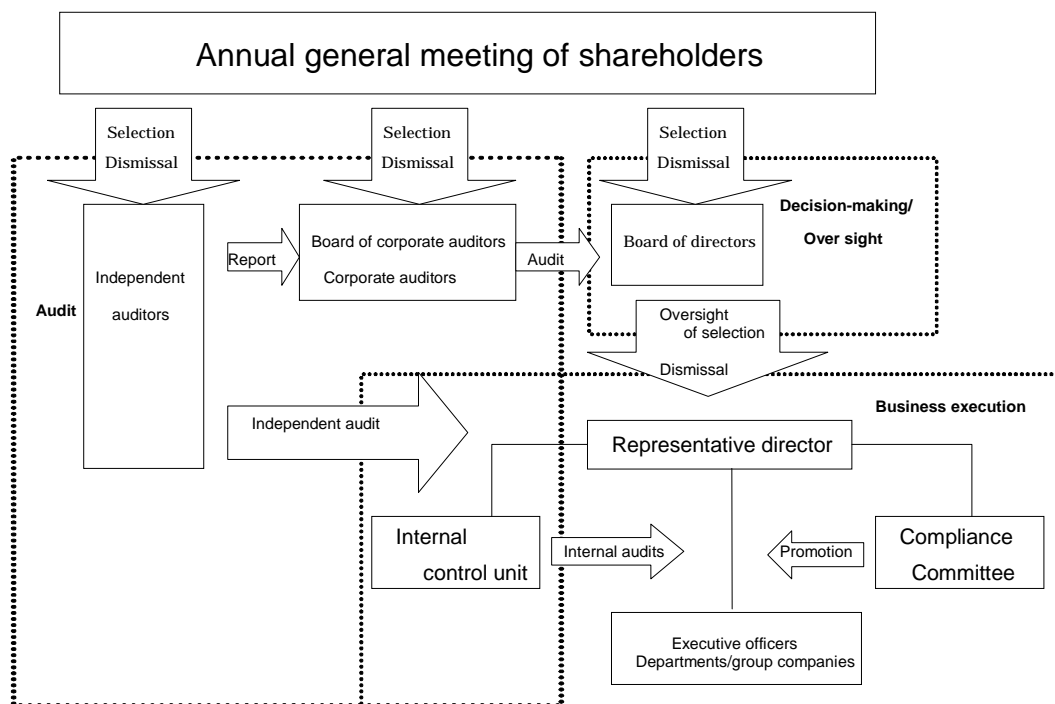
The Company uses a corporate auditor system. Corporate auditors attend important meetings including those of the Board of Directors, and enhance the auditing system by collaborating with the Internal Control Unit and the accounting auditors in conducting a thorough audit of the Company and checks of the legal compliance and propriety of operations of Group companies. The four corporate auditors at present include two outside auditors.

The Company has entered into an audit contract with Shin Nihon & Co. as accounting auditors to conduct accounting audits. The certified public accountants who performed the accounting audit work are Tadimitsu Konishi and Akihiko Masuda.

To deal with compliance, the Company has established the Compliance Committee, which reports directly to the President, to carry out various measures to promote a high level of ethics strict compliance with laws and regulations

in its business activities. In addition, the Shionogi Compliance Handbook is distributed to all employees to help ensure legal compliance and ethical behavior.

The following organizational flow chart depicts Shionogi's corporate governance structure.



(2) Personal Relationships, Equity Relationships, Business Relationships and Interests between the Company and its Outside Directors and Outside Auditors

NA.

4. Fundamental Policy on Appropriation of Retained Earnings

The Company's basic policy is to distribute profits while taking into account capital requirements for future business development and the trend of results in each fiscal term. Concerning dividends, the Company follows a policy of distributing dividends in proportion to results for each fiscal term, and aims to make stable increases in the dividend in the medium to long term.

The Company also flexibly uses share repurchases as a means of improving capital efficiency. In addition, the Company will allocate retained earnings to investment in research and development, capital investment and reinforcement of its business infrastructure, with a focus on overseas operations, in order 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, and the cost effectiveness of implementation are presently under comprehensive review as the Company considers 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, 2005

1) General Overview

In the Japanese pharmaceutical industry in the six months ended September 30, 2005, the overhauled Pharmaceutical Affairs Law went into effect in April 2005, and active discussions continued on containing rising healthcare costs. The progress of these and other reforms is causing major changes in the business structure of pharmaceutical companies. In addition, some mergers and integrations among domestic pharmaceutical companies took place, and competition, which included foreign companies, further intensified in the areas of research and development and marketing. As a result, the operating environment is changing more rapidly and is becoming more severe.

In these conditions, Shionogi formulated its second medium-term management plan (April 2005 – March 2010), which is aimed at long-term growth as a pharmaceutical manufacturer, and began implementing it in April, based on the business structure established during the first medium-term management plan (April 2000 – March 2005). During the interim period, in the area of research and development, Shionogi focused concentration of resources in the three areas of infection, pain and metabolic syndrome, which it has narrowed down as target areas. In sales, Shionogi worked to expand market share by identifying medical needs in its target fields, such as antibiotics drugs, allergic disease treatments and cancer pain treatments. In addition, Approval for the hypercholesterolaemia treatment Crestor was obtained and Shionogi began co-marketing it in Japan in April 2005 with AstraZeneca. Shionogi is currently conducting intensive post-marketing surveillance of Crestor to quickly establish evidence on safety in Japanese people, in order to develop it into a drug that can contribute to treatment from a long-term perspective.

As part of its focus on the pharmaceutical business, Shionogi decided to sell all of its shareholdings in the Shionogi Qualicaps Group, a subsidiary that conducts the capsule business, to the Carlyle Group, which is aimed at increasing the value of the business. The transfer was completed on October 3, 2005.

Consolidated Results of Operations

	(Units:Millions of yen)			
	Net Sales	Operating Income	Ordinary Income	Net Income
Six months ended 9/05	96,853	12,151	12,348	8,310
Six months ended 9/04	95,341	10,341	10,176	8,127
Percentage Increase	1.6	17.5	21.3	2.3

Sales

Net sales increased 1.6 percent compared to the same period of the previous year to ¥96,853 million. Royalty income from industrial property rights increased substantially, but sales of ethical drugs were flat due to the effect of a shrinking market for antibiotics and other factors.

Income

In addition to the large increase in royalty income from industrial property rights, the cost of sales ratio improved due to Shionogi's cost-reduction efforts. As a result, operating income increased 17.5 percent compared to the same period in the previous year to ¥12,151 million, and ordinary income increased 21.3 percent to ¥12,348 million. Although Shionogi posted extraordinary gains of ¥8,310 million due to factors including the sale of investment securities, net income increased only 2.3 percent because an extraordinary gain also occurred in the interim period of the previous year in connection with revision of the retirement benefit system.

Research and Development

In research and development, Shionogi promoted the quick development of drugs currently in clinical trials, and also further narrowed down its target areas and made focused investments of management resources with the objective of advancing at least five new compounds to Phase II or higher during the period of the second medium-term management plan. In domestic development, Shionogi received approval in July 2005 for Finibax (generic name: doripenem), a carbapenem antibiotic that was under application for manufacturing and marketing approval, and launched it in September. In addition, Shionogi is currently developing drugs including an antidepressant, a hypertension treatment and an antibacterial agent. Overseas, Shionogi is conducting development of drugs including an anti-allergic and an anti-obesity drug, based at Shionogi USA, Inc.

Doripenem (generic name), which Shionogi licensed to Peninsula Pharmaceuticals, Inc., whose territory was European and North American countries, will continue to be developed in Europe and North America by Johnson & Johnson, which acquired Peninsula in June 2005.

As a result of these activities, research and development expenses for the Shionogi Group during the interim period totaled ¥15,270 million, equivalent to 15.8 percent of net sales.

Capital Investment

The Shionogi Group's capital investment during the interim period totaled ¥5.1 billion, and centered on strengthening manufacturing facilities and expanding research facilities.

2) Segment Information

Pharmaceuticals and Related Businesses

In sales of ethical drugs, sales of oral cephem antibiotic Flomox increased, but sales of injectable oxacephem antibiotic Flumarin declined due to factors including the effects of a shrinking market. Sales of the anti-allergic Claritin increased in comparison with the interim period of the previous year, but did not reach the planned target due to a difficult market environment and intensifying competition. As a result, total sales of ethical drugs were essentially unchanged. However, royalty income from industrial property rights increased due to expansion of overseas sales of the hypercholesterolaemia treatment Crestor by AstraZeneca. As a result, overall sales of Pharmaceuticals and Related Businesses increased 2.5 percent compared to the same period in the previous year to ¥89,329 million.

Operating income of Pharmaceuticals and Related Businesses increased 21.9 percent compared to the same period in the previous year to ¥10,726 million as a result of the substantial increase in royalty income from industrial property rights, in addition to improvement of the cost of sales ratio due to lower raw material costs.

Capsule Business

Capsule sales for the interim period increased 2.4 percent compared with the same period in the previous year to ¥6,060 million. However, operating income decreased 28.1 percent to ¥687 million, due in part to worsening of the cost of sales ratio.

Other Businesses

Sales of Other Businesses decreased 36.6 percent compared with the same period in the previous year to ¥1,463 million. Operating income for Other Businesses increased 25.7 percent to ¥729 million.

(2) Forecast for the Year Ending March 31, 2006

Projected results for the year ending March 31, 2006 are as follows.

Consolidated Projection

	(Units:Millions of yen)			
	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending 3/06	200,000	29,300	28,500	22,500
Year ending 3/05	199,364	28,729	27,804	18,941
Percentage Increase	0.3	2.0	2.5	18.8

In the second half of the current fiscal year, discussions are taking place on the healthcare system reforms scheduled to be implemented in April 2006, centered on revision of medical fees. Consequently, the market environment for ethical drugs is expected to become even more challenging.

Given these circumstances, Shionogi will steadily execute the tasks in the second medium-term management plan, such as aggressive development of target areas in research and development, establishment of a strong marketing presence, and steadily develop overseas business, starting with the infectious disease field. Particularly in sales, Shionogi will focus on further expanding its presence in the area of infections with the addition of Finibax, a carbapenem antibiotic launched in September this year, and Avelox, a new quinolone antibacterial that is scheduled for launch in the near future.

As for performance, although expenses related to the launch of new products and research and development expenses are projected to increase in the second half, this will be absorbed by expanded sales of new products and increase of royalty income from industrial property rights. Therefore, Shionogi expects to achieve improved profit levels for the full fiscal year.

The Qualicaps Group will be removed from consolidated accounts in the second half in line with the sale of the capsule business. In addition, Shionogi expects to post extraordinary gains of ¥12.0 billion on a non-consolidated basis and ¥8.8 billion on a consolidated basis from the sale of Qualicaps Group shares.

2. Financial Position

(1) Results for the Six Months Ended September 30, 2005

Net cash provided by operating activities was ¥8,510 million, or ¥4,591 million less than in the interim period of the previous year. Although income increased, income taxes paid and other items also increased.

Net cash used in investing activities was ¥1,257 million, as Shionogi made investments in property, plant and equipment, but received proceeds from the sale of investment securities.

Net cash used in financing activities was ¥22,471 million, as Shionogi used internal funds to redeem ¥20 billion worth of bonds.

As a result, cash and cash equivalents at the end of the interim period totaled ¥80,866 million, a decrease of ¥14,853 million from the end of the corresponding period in the previous fiscal year.

Trends in Cash Flow Indicators

	Year ended March 2004	Six months ended September 2004	Year ended March 2005	Six months ended September 2005
The ratio of shareholders' equity (%)	77.7	77.6	75.5	80.3
The ratio of shareholders' equity calculated based on market value (%)	169.0	143.9	126.8	134.2
The term for the redemption of liabilities (years)	1.4	0.8	0.7	0.1
Interest coverage ratio (times)	32.4	61.9	68.5	40.4

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, 2006

Factors expected to exert a material influence on cash flows during the second half of the period are as follows.

- In cash flow from investing activities, the Company expects proceeds from the sale of the capsule business.
- Capital investment in the second half of the period is expected to total ¥6.4 billion. In addition, depreciation and amortization is expected to total ¥4.4 billion.

3. Business and Other Risks

(1) Health Care System and Regulatory Risk

Amid the advancing demographic proportion of seniors, trends in the ethical drug industry in Japan, including further revision of the National Health Insurance (NHI) system and its drug pricing system, may exert a material influence on the Company's business results.

(2) Risk of Pharmaceutical Side Effects

Possible events such as termination of production or recall of pharmaceutical products due to the occurrence of unforeseen side effects may exert a material influence on the Shionogi Group's business results.

(3) Pharmaceutical Research and Development Risks

Research and development of ethical drugs requires a substantial investment of business resources and time. In addition, various uncertainties exist during the period leading up to the actual launch of a new drug.

(4) Intensifying Global Competition

Competition in the ethical drug industry, including competition with foreign companies, is intensifying in the areas of research and development and sales.

(5) Other Risks

The occurrence of natural disasters or calamities may exert a material influence on the Shionogi Group's business results.

Other risks include, but are not limited to, governmental and financial factors.

Interim Consolidated Statements of Income

(Units: Millions of yen)

Account	Period	Six months ended September 30, 2005		Six months ended September 30, 2004		Increase (decrease)	Year ended March 31, 2005	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
			%		%			%
Net sales		96,853	100.0	95,341	100.0	1,512	199,364	100.0
Cost of sales		35,764	36.9	36,822	38.6	(1,058)	74,069	37.2
Gross profit		61,089	63.1	58,519	61.4	2,570	125,295	62.8
Selling, general and administrative expenses		48,937	50.6	48,177	50.5	760	96,566	48.4
Operating income		12,151	12.5	10,341	10.9	1,810	28,729	14.4
Non-operating income		1,799	1.9	1,726	1.8	73	2,726	1.4
Interest income		312		309		3	595	
Dividend income		438		400		38	476	
Exchange gain		432		437		(5)	311	
Income from real estate rental		309		336		(27)	637	
Other income		306		244		62	705	
Non-operating expenses		1,603	1.6	1,892	2.0	(289)	3,651	1.9
Interest expense		89		226		(137)	443	
Contributions		474		466		8	1,014	
Loss on disposal of inventories		303		204		99	564	
Loss on disposal of property, plant and equipment		215		162		53	325	
Other expenses		519		832		(313)	1,303	
Ordinary income		12,348	12.8	10,176	10.7	2,172	27,804	13.9
Extraordinary income		2,733	2.8	3,719	3.9	(986)	4,349	2.2
Gain on sales of investments in securities		2,589		156		2,433	154	
Gain on sales of property, plant and equipment		140		-		140	115	
Gain on reversal of allowance for doubtful accounts		3		-		3	-	
Gain on change to defined contribution pension plans		-		3,563		(3,563)	3,667	
Gain on exchange of a subsidiary's securities		-		-		-	412	
Extraordinary losses		972	1.0	91	0.1	881	498	0.2
Loss on disposal of property, plant and equipment		531		-		531	-	
Loss on impairment of property, plant and equipment		440		-		440	-	
Loss on sales of a subsidiary's securities		-		-		-	405	
Loss on revaluation of investment in securities		-		91		(91)	92	
Income before income taxes and minority interests		14,109	14.6	13,804	14.5	305	31,655	15.9
Income taxes, current		4,574	4.7	2,608	2.8	1,966	10,065	5.1
Income taxes, deferred		1,202	1.3	3,053	3.2	(1,851)	2,628	1.3
Minority interests		(20)	(0.0)	(14)	(0.0)	(6)	(18)	(0.0)
Net income		8,310	8.6	8,127	8.5	183	18,941	9.5

Interim Consolidated Statements of Retained Earnings

(Units: Millions of yen)

Account	Period	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
(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		248,485		232,589		232,589
II	Increase						
	Net income	8,310		8,127		18,941	
	Increase on consolidated subsidiary's merger of an unconsolidated subsidiary	15	8,326	-	8,127	-	18,941
III	Deductions						
	Cash dividends paid	2,640		1,469		2,939	
	Bonuses to directors and statutory auditors	82		105		105	
	Decrease on initial consolidation of subsidiary	-	2,722	0	1,575	0	3,045
IV	Balance at end of the period		254,089		239,141		248,485

Interim Consolidated Balance Sheets

(Assets)

(Units: Millions of yen)

Account	Period	As of September 30, 2005		As of March 31, 2005		Increase (decrease)	As of September 30, 2004	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Assets)			%		%			%
Current assets:								
Cash and deposits		90,323		105,395		(15,072)	81,880	
Notes and accounts receivable		66,532		73,458		(6,926)	67,043	
Inventories		31,823		29,696		2,127	32,675	
Deferred tax assets		4,898		5,238		(340)	4,821	
Other current assets		9,230		8,339		891	26,477	
Allowance for doubtful accounts		(68)		(63)		(5)	(60)	
Total current assets		202,739	51.7	222,064	55.9	(19,325)	212,837	56.1
Fixed assets:								
Property, plant and equipment:								
Buildings and structures		31,446		32,104		(658)	32,489	
Machinery and equipment		12,375		12,742		(367)	13,813	
Land		16,597		17,051		(454)	17,209	
Construction in progress		3,590		1,408		2,182	1,559	
Other		4,774		4,883		(109)	5,254	
Property, plant and equipment, net		68,783	17.5	68,191	17.2	592	70,325	18.5
Intangible fixed assets		6,405	1.6	7,146	1.8	(741)	4,743	1.3
Investments and other assets:								
Investments in securities		96,050		82,067		13,983	76,022	
Prepaid pension costs		14,242		13,088		1,154	11,775	
Deferred tax assets		260		247		13	339	
Other		4,040		4,393		(353)	3,628	
Allowance for doubtful accounts		(200)		(200)		0	(232)	
Total investments and other assets		114,394	29.2	99,596	25.1	14,798	91,534	24.1
Total fixed assets		189,584	48.3	174,933	44.1	14,651	166,603	43.9
Total assets		392,324	100.0	396,998	100.0	(4,674)	379,441	100.0

Interim Consolidated Balance Sheets
(Liabilities, minority interests and shareholders' equity)

(Units: Millions of yen)

Account	Period	As of September 30, 2005		As of March 31, 2005		Increase (decrease)	As of September 30, 2004	
		Amount	Percentage	Amount	Percentage		Amount	Percentage
(Liabilities)			%		%			%
Current liabilities:								
Note and accounts payable		12,002		8,660		3,342	11,311	
Current portion of bonds		-		20,000		(20,000)	20,000	
Accrued income taxes		5,030		9,659		(4,629)	2,977	
Reserves:								
Reserve for bonuses		7,476		7,809		(333)	7,025	
Other reserves		827		807		20	799	
Other current liabilities		18,913		22,214		(3,301)	16,533	
Total current liabilities		44,250	11.2	69,151	17.4	(24,901)	58,647	15.5
Long-term liabilities:								
Deferred tax liabilities		18,627		11,603		7,024	9,552	
Accrued retirement benefits for employees		8,657		8,321		336	8,326	
Other reserves		240		254		(14)	254	
Long-term accounts payable, other		4,481		6,600		(2,119)	6,729	
Other long-term liabilities		938		1,003		(65)	1,108	
Total long-term liabilities		32,945	8.4	27,783	7.0	5,162	25,972	6.8
Total liabilities		77,195	19.6	96,934	24.4	(19,739)	84,620	22.3
Minority interests		234	0.1	217	0.1	17	213	0.1
(Shareholders' equity)								
Common stock		21,279	5.4	21,279	5.4	0	21,279	5.6
Additional paid-in capital		20,227	5.2	20,227	5.1	0	20,227	5.3
Retained earnings		254,089	64.8	248,485	62.6	5,604	239,141	63.0
Unrealized gain on securities		29,355	7.5	19,964	5.0	9,391	17,179	4.5
Translation adjustments		(1,409)	(0.4)	(1,535)	(0.4)	126	(1,781)	(0.4)
Less:								
Treasury stock, at cost		(8,649)	(2.2)	(8,574)	(2.2)	(75)	(1,439)	(0.4)
Total shareholders' equity		314,893	80.3	299,847	75.5	15,046	294,607	77.6
Total liabilities, minority interests and shareholders' equity		392,324	100.0	396,998	100.0	(4,674)	379,441	100.0

Interim Consolidated Statements of Cash Flows

(Units: Millions of yen)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	Amount	Amount	Amount
I Operating activities			
Income before income taxes and minority interests	14,109	13,804	31,655
Depreciation and amortization	4,255	4,472	9,330
Amortization of excess of cost over net assets acquired	-	40	81
Loss on disposal of property, plant and equipment	740	162	310
Provision for allowance for doubtful accounts	0	61	34
Gain on change to defined contribution pension plans	-	(3,563)	(3,667)
Pension assets to be transferred to defined contribution pension plans	-	(17,413)	(17,413)
Provision for (reversal of) retirement benefits, net of payments	(817)	44	142
Interest and dividend income	(751)	(709)	(1,072)
Interest expense	89	226	443
Exchange gain	(911)	(780)	(39)
Decrease(increase) in notes and accounts receivable, trade	7,028	4,437	(2,016)
Decrease(increase) in inventories	(1,874)	902	4,314
Increase(decrease) in notes and accounts payable, trade	3,143	950	(1,685)
Increase(decrease) in accrued expenses	(178)	118	(111)
Increase(decrease) in accounts payable, other	(6,189)	9,290	9,360
Bonuses to directors and statutory auditors	(83)	(105)	(105)
Other	(1,759)	1,812	405
Subtotal	16,802	13,750	29,965
Interest and dividend income received	941	851	1,279
Interest paid	(210)	(211)	(416)
Income taxes paid	(9,022)	(1,288)	(2,276)
Net cash provided by operating activities	8,510	13,101	28,551
II Investing activities			
Increase in time deposits	(8,481)	(6,513)	(14,757)
Decrease in time deposits	8,828	6,460	11,557
Purchases of marketable securities	(19)	(19)	(19)
Proceeds from sales of marketable securities	20	932	22,960
Increase in investments in securities	(19)	(1,753)	(4,137)
Proceeds from sales of investments in securities	3,543	175	352
Purchases of property, plant and equipment	(2,653)	(3,093)	(5,424)
Proceeds from sales of property, plant and equipment	332	224	533
Proceeds from collection of loans receivable	3	2	2
Other	(2,810)	(245)	(1,282)
Net cash used in(provided by) investing activities	(1,257)	(3,830)	9,784
III Financing activities			
Short-term loans, net	276	(292)	(125)
Repayment of long-term debt	(0)	(748)	(918)
Redemption of bonds	(20,000)	-	-
Repayment of other long-term debt	(35)	-	-
Payments for purchase of treasury stock	(75)	(94)	(7,231)
Cash dividends paid to shareholders of the Company	(2,634)	(1,467)	(2,935)
Cash dividends paid to minority interests	(2)	-	-
Net cash used in financing activities	(22,471)	(2,603)	(11,209)
IV Effect of exchange rate changes on cash and cash equivalents	342	64	(40)
V Increase (decrease) in cash and cash equivalents	(14,875)	6,733	27,085
VI Cash and cash equivalents at beginning of period	95,719	68,623	68,623
VI Increase in cash and cash equivalents resulting from merger of consolidated subsidiary with unconsolidated subsidiary	23	-	-
VII Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	-	9	9
IX Cash and cash equivalents at end of period	80,866	75,366	95,719

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 Butsuruyuu Service Co., Ltd., Shionogi General Service Co., Ltd., Shionogi USA, Inc., SG Holding Inc., Aburahi AgroResearch Co., Ltd.

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 6 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 (The securities based on Securities and Exchange Law article 2.2 are evaluated their net profit/loss(equity 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.

(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.

[Accounting for impairment of fixed assets]

The Company has adopted "Accounting Standard for the Impairment of Fixed Assets" (Accounting Standards Board, August 9, 2002) and "Guidelines for the Accounting Standard for the Impairment of Fixed Assets" (Accounting Standards Board Guideline No 6, October 31, 2003). The application of this new accounting standard reduced income before income taxes and minority interests by ¥440 million from the corresponding amount if calculated by the previous method of accounting. Accumulated impairment losses are deducted directly from the related fixed assets.

[Reclassification of accounts]

Through the six months ended September 30, 2004, the securities classified based on Article 2.2 of the Securities and Exchange Law have been presented as 'other' of 'investments and other assets' in interim consolidated balance sheets. As the change of Article 2.2 of the Securities and Exchange Law, effective the six months ended September 30, 2005, the Company has included such securities in 'investments in securities'.

The amount of this portion is 987 million yen as 'investments in securities' for the six months ended September 30, 2005 and the amount of this portion was 1,067 million yen as 'other' of 'investments and other assets' for the six months ended September 30, 2004.

[Notes to interim consolidated statements of income]

	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
1. The major items and amounts included in sales, general and administrative expenses are summarized as follows:						
Sales promotional activities	5,571	Million yen	-	Million yen	10,999	Million yen
Salaries	8,971		8,967		21,728	
Provision for reserve for bonuses	3,990		3,782		4,208	
Provision for retirement benefits	728		595		1,164	
R & D expenses	15,270	Million yen	15,771	Million yen	29,409	Million yen
(R&D expenses above include the following amounts provided as reserves:)						
Provision for reserve for bonuses	1,935	Million yen	1,795	Million yen	1,976	Million yen
Provision for retirement benefits	343		268		536	

2. impairment of fixed assets

Loss on impairment of property, plant and equipment is summarized as follows:

Place	Description	Classification	Amount	Remarks
Wakabayashi-ku, Sendai and Other	Leased assets	Land	¥277 Million	Leased assets
--	--	Excess of cost over net assets acquired	¥162 Million	--

The Shionogi Group companies classify the assets used for their business operations into groups which are separate for management accounting purposes (product groups), whereas the Shionogi Group companies individually classify leased assets and assets not currently in use.

The book value of leased land whose value has significantly declined has been reduced to the respective recoverable amounts. In addition the carrying amount of the excess of cost over net assets acquired has been reduced, because the carrying amount is deemed not to be recoverable.

The recoverable amounts of leased assets have been determined based on their net realizable value and the carrying value is recorded at its market price.

[Notes to interim consolidated balance sheets]

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
1. Accumulated depreciation of property, plant and equipment	167,325	Million yen	169,788	Million yen	167,089	Million yen
2. Commitments - Lines of Credit	The Company entered into line-of-credit commitments with financial institutions in order to enhance its working capital efficiency. The outstanding balances of these lines of credit were as follows:					
Number of financial institutions	11		11		9	
Total amount of lines of credit	24,000	Million yen	24,000	Million yen	20,000	Million yen
The amount of borrowing	-		-		-	
Outstanding balances	24,000	Million yen	24,000	Million yen	20,000	Million yen
3. Guaranteed liabilities	143	Million yen	150	Million yen	8	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	5	Million yen	4	Million yen	4	Million yen
Liabilities secured by the above assets:						
Other current liabilities	5	Million yen	5	Million yen	5	Million yen
5. Accrued consumption tax is included in other current liabilities.						

[Notes to interim consolidated statements of cash flows]

	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
Reconciliation of balances of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:						
Cash and deposits	90,323	Million yen	81,880	Million yen	105,395	Million yen
Time deposits with a maturity exceeding three months	(9,457)		(6,513)		(9,676)	
Cash and cash equivalents	80,866	Million yen	75,366	Million yen	95,719	Million yen

[Notes to lease transactions]

	Six months ended September 30, 2005		Year ended March 31, 2005		Six months ended September 30, 2004	
Finance leases other than those under which the leased property is deemed to have been transferred to the lessee:						
1. Acquisition cost equivalent, accumulated depreciation equivalent and period-end balance equivalent of leased properties						
Acquisition cost equivalent	896	Million yen	1,055	Million yen	695	Million yen
Accumulated depreciation equivalent	285		366		296	
Period-end balance	610	Million yen	689	Million yen	398	Million yen
* Machinery and equipment account for most of the above balances.						
2. Breakdown of period-end balance equivalent of unexpired leases						
Within one year	166	Million yen	180	Million yen	125	Million yen
Exceeding one year	443		509		273	
Total	610	Million yen	689	Million yen	398	Million yen
3. Lease payments and depreciation equivalent						
Lease payments	99	Million yen	171	Million yen	94	Million yen
Depreciation equivalent	99	Million yen	171	Million yen	94	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, 2005			As of March 31, 2005			As of September 30, 2004		
	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	20,144	20,332	188	20,172	20,484	312	40,315	40,496	181
(2) Corporate bonds	-	-	-	-	-	-	-	-	-
(3) Other bonds	19	19	-	19	19	(0)	-	-	-
Total	20,164	20,352	188	20,192	20,504	312	40,315	40,496	181

2. Other securities; market value available

(Units: Millions of yen)

	As of September 30, 2005			As of March 31, 2005			As of September 30, 2004		
	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	14,685	62,888	48,202	14,685	47,419	32,733	14,266	41,808	27,542
(2) Bonds									
[1] National, local government and other public bonds	-	-	-	-	-	-	-	-	-
[2] Corporate bonds	-	-	-	-	-	-	-	-	-
[3] Other bonds	1,863	2,741	878	1,878	2,629	750	1,892	2,807	914
(3) Other securities	5,005	5,049	44	5,005	5,106	100	5,005	5,151	146
Total	21,553	70,679	49,125	21,569	55,154	33,585	21,164	49,768	28,603

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

(Units: Millions of yen)

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
	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)	4,247	5,883	5,822
[2] Certificates of deposits (domestic)	1,200	1,000	22,200

(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, 2005, March 31, 2005 and September 30, 2004.

[Segment Information]

1. Business Segment Information

Six months ended September 30, 2005

(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	89,329	6,060	1,463	96,853	-	96,853
(2) Inter-group sales and transfers	-	163	2,631	2,794	(2,794)	-
Total	89,329	6,223	4,094	99,647	(2,794)	96,853
Operating expenses	78,603	5,536	3,365	87,505	(2,803)	84,702
Operating income	10,726	687	729	12,142	8	12,151

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) Inter-group 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

Year ended March 31, 2005

(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	184,074	11,895	3,394	199,364	-	199,364
(2) Inter-group sales and transfers	-	236	4,726	4,963	(4,963)	-
Total	184,074	12,132	8,121	204,328	(4,963)	199,364
Operating expenses	158,187	10,671	6,759	175,619	(4,983)	170,635
Operating income	25,886	1,460	1,361	28,709	20	28,729

(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

Six months ended September 30, 2005

(Millions of yen)

	Total
I. Overseas sales	¥10,619
II. Consolidated net sales	¥96,853
III. Overseas sales as a percentage of to consolidated net sales	11.0%

(Notes)

1. Overseas sales represent those of the Company and consolidated subsidiaries in countries and areas outside Japan and include profit derived from licensing fees and royalty payments.

2. Because the overseas sales of each segment accounted for less than 10% of total consolidated sales, the disclosure of overseas sales by geographical region has been omitted.

Six months ended September 30, 2004 and Year ended March 31, 2005

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, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
Shareholders' equity per share	924.33	Yen	851.96	Yen	879.79	Yen
Earnings per share	24.39		23.50		54.64	

(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 per share is as follows.

	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
Net income	8,310	Million yen	8,127	Million yen	18,941	Million yen
The amount which is not attributable to ordinary shareholders	-		-		82	
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(-)		(-)		(82)	
Net income related to common stocks	8,310		8,127		18,859	
Average number of shares outstanding during the period	340,698	Thousands of stocks	345,821	Thousands of stocks	345,175	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, 2005 and September 30, 2004 and the year ended March 31, 2005 were as follows:

(Units: Millions of yen)

Business Segment	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
Pharmaceuticals and related businesses	69,781	73,609	141,303
Ethical drugs	64,540	68,902	132,695
OTC drugs	3,809	3,335	5,799
Diagnostics	1,432	1,372	2,809
Capsule business	6,378	6,059	12,280
Other businesses	-	-	-
Total	76,159	79,668	153,583

- (Notes)
1. Amounts are calculated based on net sales prices.
 2. Amounts are stated exclusive of consumption tax.

2. Purchases

The consolidated purchases for each business segment for the six months ended September 30, 2005 and September 30, 2004 and the year ended March 31, 2005 were as follows:

(Units: Millions of yen)

Business Segment	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
Pharmaceuticals and related businesses	9,700	10,158	20,424
Ethical drugs	9,432	9,610	19,064
OTC drugs	18	237	627
Diagnostics	250	311	733
Capsule business	-	-	-
Other businesses	-	-	-
Total	9,700	10,158	20,424

- (Notes)
1. Amounts are based on actual purchases.
 2. 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, 2005 and September 30, 2004 and the year ended March 31, 2005 were as follows:

(Units: Millions of yen)

Business Segment	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
Pharmaceuticals and related businesses	89,329	87,118	184,074
Ethical drugs	80,191	79,917	168,040
OTC drugs	3,245	3,088	6,351
Diagnostics	1,754	1,818	3,579
License fee as royalty income	4,139	2,295	6,104
Capsule business	6,060	5,916	11,895
Other businesses	1,463	2,307	3,394
Real estate lease/Physical distributing and other services	1,463	2,307	3,394
Total	96,853	95,341	199,364

- (Notes)
1. Amounts are sales to customers outside the Shionogi Group.
 2. Amounts are stated exclusive of consumption tax.