Interim Financial Statements (Consolidated) for The Year Ending March 31, 2007

November 6, 2006

Name of Listed Company:	**SHIONOGI & CO., LTD.**	Listed Exchanges:	Section I of Tokyo and Osaka
Code:	4507 (URL http://www.shionogi.co.jp)	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 6, 2006
Application of U.S. accounting standards: N.A.

1. Financial results for the period from April 1, 2006 to September 30, 2006

(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, 2006	92,154	(4.9)	10,984	(9.6)	10,977	(11.1)
Six months ended September 30, 2005	96,853	1.6	12,151	17.5	12,348	21.3
Year ended March 31, 2006	196,388	(1.5)	29,226	1.7	29,656	6.7

	Net income		Earnings per share	Earnings per share (diluted)
	Million yen	%	Yen	Yen
Six months ended September 30, 2006	6,394	(23.1)	18.78	-
Six months ended September 30, 2005	8,310	2.3	24.39	-
Year ended March 31, 2006	22,735	20.0	66.55	-

(Notes) [1] Profit (loss) on investments accounted for by the equity method
Six months ended September 30, 2006: (662) million yen
Six months ended September 30, 2005: (44) million yen
Year ended March 31, 2006: (5) million yen

[2] Average number of shares outstanding during the period (consolidated)
Six months ended September 30, 2006: 340,558,394 shares
Six months ended September 30, 2005: 340,698,536 shares
Year ended March 31, 2006: 340,667,236 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	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2006	425,155	339,358	79.8	995.78
As of September 30, 2005	392,324	314,893	80.3	924.33
As of March 31, 2006	427,682	337,185	78.8	989.76

(Note) Shares outstanding as of the period-end (consolidated)
As of September 30, 2006: 340,526,378 shares
As of September 30, 2005: 340,671,870 shares
As of March 31, 2006: 340,609,560 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, 2006	2,175	(20,957)	(3,916)	53,390
Six months ended September 30, 2005	8,510	(1,257)	(22,471)	80,866
Year ended March 31, 2006	16,885	(12,047)	(24,796)	76,142

(4) Scope of consolidation and companies accounted for by the equity method
Consolidated subsidiaries: 10 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): 1 subsidiary Equity Method (New): None (Excluded): None

2. Forecasted results for the year ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
For the year ending March 31, 2007	205,000	31,000	18,000

(Reference) Estimated earnings per share for FY 2006: ¥ 52.85

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 6, 2006 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

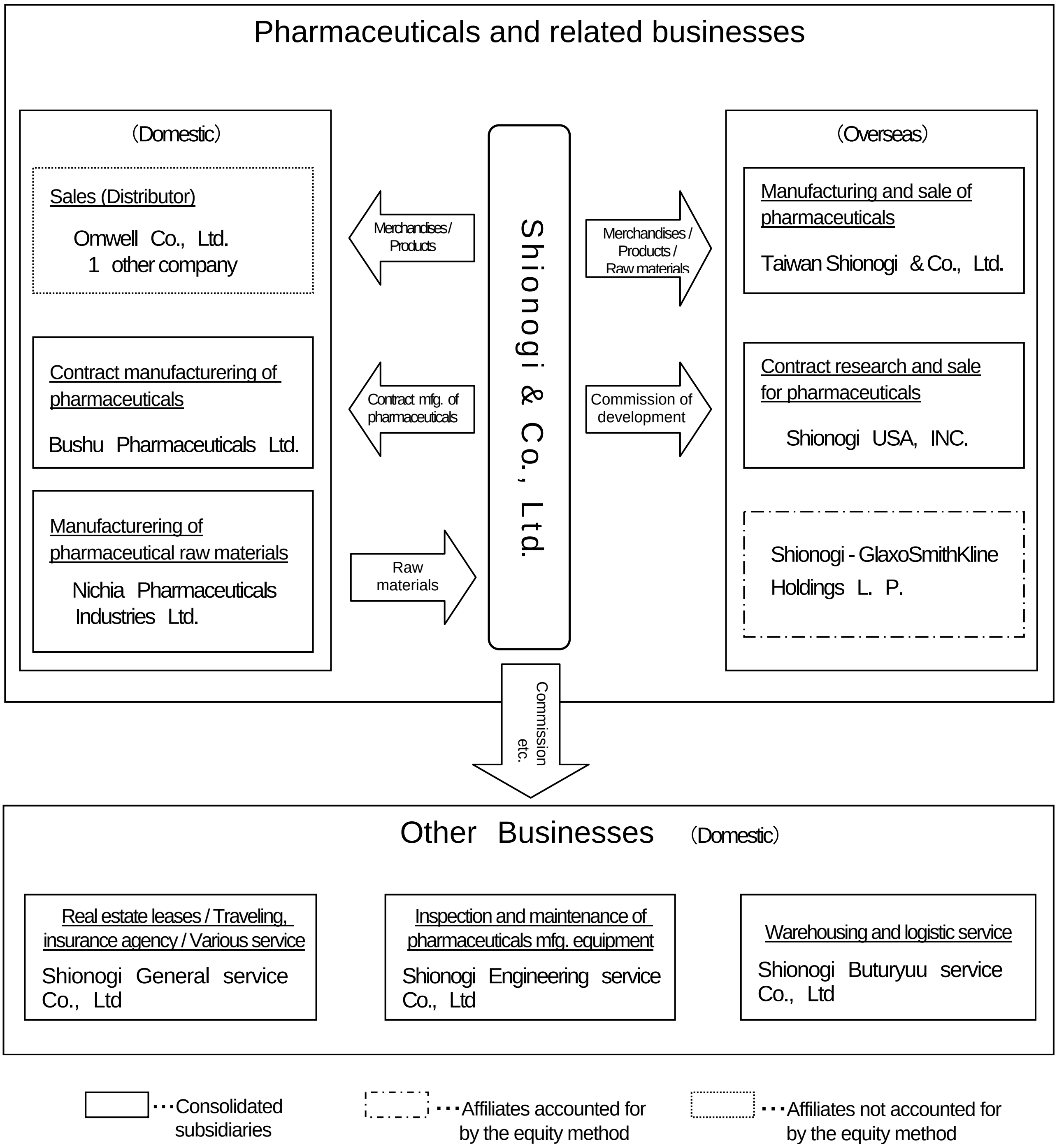
Companies in the Shionogi Group

As of September 30, 2006, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 10 consolidated subsidiaries and 6 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs. 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. 5 other companies (12 companies in total)
Other businesses	Real estate leasing, Physical distribution and other services	Shionogi General Service Co., Ltd. Shionogi Buturyuu Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 2 other companies (5 companies in total)

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



(note) Three consolidated subsidiaries and 3 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 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

Under the first medium-term management plan from April 2000 to March 2005, Shionogi largely completed building a foundation supported by business structure reengineering, profit structure reforms and management reforms. 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 began in April 2005, 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 the area of research and development, Shionogi will narrow its focus and concentrate on establishing second and third fields of specialization where it can contribute to medical treatment, in addition to the area of infectious diseases that has supported the Company until now. In the area of sales, Shionogi will contribute to hospitals and clinics and establish a robust sales system with a strong presence 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.

In addition, results of previously implemented measures, expansion of new product sales and increased license fee as royalty income will absorb expected increases in research and development costs and other expenses as Shionogi works to steadily achieve its numerical management objectives. In order to achieve these objectives, we will reaffirm our philosophy of striving to "continually provide the superior medicines essential to people's health." Shionogi considers it essential to further enhance its corporate culture, which encourages all employees to work together to contribute to society through medicine, and intends to continue working to realize this objective.

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

Net sales	305 billion yen
Operating income	98 billion yen
Net income	59 billion yen
Return on equity	14 %

3. Parent Company Information

N／A

4. Fundamental Policy on Appropriation of Retained Earnings

While the Company works to increase corporate value by aggressively investing in future business development with a medium to long term perspective, 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. The Company also flexibly uses share repurchases as a means of improving capital efficiency.

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, 2006

1) General Overview

During the six months ended September 30, 2006, against the backdrop of discussions on containing rising healthcare costs, reforms that are causing major changes in the business structure of pharmaceutical companies were underway in the Japanese pharmaceutical industry. In particular, National Health Insurance (NHI) drug prices were reduced by an average of 6.7 percent across the industry in April 2006, making the domestic pharmaceutical market environment even more challenging. In this environment, domestic pharmaceutical companies stepped up activities such as consolidation, restructuring and concentration of resources on the prescription drug business, and competition in the areas of sales and R&D, including competition with global companies, intensified further.

In these conditions, the Shionogi Group formulated its second medium-term management plan (April 2005 to March 2010), which is aimed at long-term growth as a pharmaceutical manufacturer, and began implementing it in April 2005. In the current fiscal year, the second year of the plan, Shionogi will steadily implement strategies to achieve the plan's targets one step at a time in a rapidly changing environment. The second medium-term management plan reaffirms Shionogi's need to enhance its presence through its contribution to healthcare as a pharmaceutical manufacturer. To realize this goal, in the area of research and development, Shionogi will focus its efforts on establishing second and third fields of specialization where it can contribute to healthcare in addition to the field of infectious diseases. In the area of sales, Shionogi will focus its efforts on cultivating and strengthening medical representatives (MRs) who can respond quickly and consistently to healthcare needs. For the antihyperlimipemia drug Crestor, which was launched in April 2005, Shionogi conducted intensive post-marketing surveillance together with AstraZeneca K.K., which is co-marketing Crestor in Japan, because of the paucity of data on safety when used by Japanese patients. As a result, an interim analysis of more than 3,500 patients reconfirmed the drug's safety and effectiveness. Therefore, Shionogi and AstraZeneca K.K. stepped up Crestor to regular promotional activities as of September 25, 2006. Shionogi is confident that Crestor will be able to make a significant contribution to medical treatment as a hyperlipidemia drug.

Consolidated Results of Operations

(Units:Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Six months ended 9/06	92,154	10,984	10,977	6,394
Six months ended 9/05	96,853	12,151	12,348	8,310
Percentage Decrease	(4.9)	(9.6)	(11.1)	(23.1)

Sales

Net sales decreased 4.9 percent compared to the same period of the previous year to ¥92,154 million. Royalty income from industrial property rights increased substantially, but sales of prescription drugs decreased due to the revision of NHI drug prices and the effect of a shrinking market for antibiotics, a core product. An additional factor was the sale of the capsule business in October 2005, and its exclusion from the scope of consolidation.

Income

Although net sales decreased, the increase in royalty income from industrial property rights, in addition to an improved cost of sales ratio due to cost-cutting efforts, offset negative factors such as the NHI drug price revisions, resulting in a slight increase in gross profit. However, research and development expenses increased sharply along with steady progress in R&D activities. As a result, operating income decreased 9.6 percent from the same period in the previous fiscal year to ¥10,984 million, and ordinary income decreased 11.1 percent to ¥10,977 million. Net income for the period was ¥6,394 million, a decrease of 23.1 percent compared to the same period in the previous year, when the Company recorded extraordinary income from gain on sales of investments in securities and other items.

Research and Development

In research and development, Shionogi clarified the concentration of resources in its three targeted research areas of infectious diseases, pain and metabolic syndrome. The Company is also working to bolster its R&D organization with the aim of building a structure that enables reliable performance at each stage of research and development. Currently, Shionogi is moving forward in Japan with the development of various drugs, including an antidepressant, an antihypertensive and an antibiotic. Overseas, Shionogi USA, Inc. is the operating base advancing the development of drugs including an anti-obesity agent. Doripenem (generic name), a carbapenem antibiotic that Shionogi has outlicensed in the territories of North America and Europe, continues to be developed by Johnson & Johnson in these territories. In October 2006, Shionogi and Hokkaido University agreed to establish a joint research facility to promote research exchanges with each other. This initiative will improve the drug discovery technology platform by facilitating joint research on Hokkaido University’s glyco-engineering technology, protein conformation analysis technologies and other areas. As a result, Shionogi expects it to contribute to the discovery of more new drug seeds.

As a result of these activities, research and development expenditures for the Shionogi Group during the interim period were ¥17,874 million, equivalent to 19.4 percent of net sales.

Capital Investment

The Shionogi Group’s capital investment during the interim period totaled ¥5.4 billion, and centered on expanding manufacturing facilities for the production of new products and expansion of contract manufacturing, and expanding research facilities.

2) Segment Information

Pharmaceuticals and Related Businesses

Regarding prescription drugs, sales increased of Avelox, a new quinolone antibiotic, and Finibax, a carbapenem antibiotic, which were launched in 2005. In addition, there was an increase in sales of Crestor, an antihyperlimidemia drug that Shionogi stepped up to regular promotional activities in late September 2006. However, overall sales of prescription drugs declined, reflecting the NHI drug price revision and a shrinking market for antibiotics, a core Shionogi product. Sales of over-the-counter products and diagnostics decreased. However, royalty income from industrial property rights increased substantially due to inceased overseas sales of Crestor by AstraZeneca. As a result, sales of Pharmaceuticals and Related Businesses increased 1.7 percent compared with the same period in the previous year to ¥90,875 million.

Despite the increase in royalty income from industrial property rights, operating income from Pharmaceuticals and Related Businesses decreased 4.1 percent from the same period in the previous year to ¥10,287 million due to factors including the large increase in research and development expenses.

Other Businesses

Net sales of Other Businesses decreased 12.6 percent compared with the same period in the previous year to ¥1,279 million.

Total operating income of Other Businesses decreased 4.4 percent to ¥697 million.

Shionogi sold the Capsule Business in October 2005, and therefore the description of this segment is no longer included as of this fiscal year.

(2) Forecast for the Year Ending March 31, 2007

Projected results for the year ending March 31, 2007 are as follows.

Consolidated Projection

(Units:Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending 3/07	205,000	31,000	31,000	18,000
Year ended 3/06	196,388	29,226	29,656	22,735
Percentage Increase (Decrease)	4.4	6.1	4.5	(20.8)

In Shionogi's core business of prescription drugs, the sales environment has become even more challenging. However, the Company forecasts higher revenues from expanded sales of new products, centered on Crestor, which Shionogi stepped up to regular promotional activities in September, as well as increased royalty income from industrial property rights.

Although expenses are projected to increase due to promotion of research and development and sales expansion measures, Shionogi forecasts increases in both operating income and ordinary income due to sales growth and an increase in royalty income from industrial property rights. Net income is projected to decrease due to the absence of the extraordinary income from the sale of the capsule business in the year ended March 31, 2006.

2. Financial Position

(1) Assets, Liabilities and Net Assets

Total assets at September 30, 2006 were ¥425,155 million, a decrease of ¥2,527 million compared with the end of the previous fiscal year. The principal factors were decreases in cash and deposits and in notes and accounts receivable. Total liabilities decreased ¥4,453 million from the previous fiscal year-end, mainly due to a decrease in accrued income taxes. Net assets increased ¥2,173 million due to an increase in retained earnings and other factors.

(2) Cash Flow

Net cash provided by operating activities decreased ¥6,335 million compared with the same period of the previous year to ¥2,175 million, mainly due to a decrease in income before income taxes and minority interests and an increase in income taxes paid related to the previous fiscal year.

Net cash used in investing activities was ¥20,957 million due to factors including increases in capital expenditures and time deposits.

Net cash used in financing activities totaled ¥3,916 million, due to factors including cash dividends paid to shareholders of the Company.

As a result, cash and cash equivalents at September 30, 2006 stood at ¥53,390 million, a decrease of ¥22,752 million from March 31, 2006.

Trends in Cash Flow Indicators

	Year ended March 2005	Six months ended September 2005	Year ended March 2006	Six months ended September 2006
Shareholders' equity ratio (%)	75.5	80.3	78.8	79.8
Shareholders' equity ratio calculated based on market value (%)	126.8	134.2	153.8	173.8
The term for the redemption of liabilities (years)	0.7	0.1	0.2	0.7
Interest coverage ratio (times)	68.5	40.4	72.1	68.6

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio 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.

(3) Forecast for the Year Ending March 31, 2007

Factors expected to exert a material influence on cash flows during the year ending March 31, 2007 are as follows.

Capital investment in the second half of the period is expected to total approximately ¥7.6 billion. In addition, depreciation and amortization is expected to total approximately ¥4.7 billion.

3. Business and Other Risks

(1) Health Care System and Regulatory Risk

Trends in the prescription 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 Shionogi Group’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 prescription 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. There also exist possible risks that our various intellectual property rights fail to fully protect our products and/or infringe intellectual property rights of the third party.

(4) Intensifying Global Competition

Competition in the prescription 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, 2006		Six months ended September 30, 2005		Increase (decrease)	Year ended March 31, 2006	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
		%		%			%
Net sales	92,154	100.0	96,853	100.0	(4,699)	196,388	100.0
Cost of sales	30,609	33.2	35,764	36.9	(5,155)	68,707	35.0
Gross profit	61,544	66.8	61,089	63.1	455	127,681	65.0
Selling, general and administrative expenses	50,560	54.9	48,937	50.6	1,623	98,455	50.1
Operating income	10,984	11.9	12,151	12.5	(1,167)	29,226	14.9
Non-operating income	1,599	1.7	1,799	1.9	(200)	3,440	1.7
Interest income	477		312		165	713	
Dividend income	499		438		61	541	
Exchange gain	--		432		(432)	841	
Income from real estate rental	290		309		(19)	598	
Other income	331		306		25	745	
Non-operating expenses	1,606	1.7	1,603	1.6	3	3,010	1.5
Interest expense	47		89		(42)	128	
Contributions	474		474		0	1,066	
Loss on disposal of property, plant and equipment	282		215		67	387	
Other expenses	801		823		(22)	1,428	
Ordinary income	10,977	11.9	12,348	12.8	(1,371)	29,656	15.1
Extraordinary income	509	0.6	2,733	2.8	(2,224)	10,647	5.4
Gain on reversal of co-development cost of previous years	389		--		389	--	
Gain on sales of investments in securities	120		2,589		(2,469)	3,053	
Gain on sales of property, plant and equipment	--		140		(140)	140	
Gain on reversal of allowance for doubtful accounts	--		3		(3)	1	
Gain on sales of capsule business	--		--		--	7,452	
Extraordinary losses	--	--	972	1.0	(972)	1,505	0.7
Loss on disposal of property, plant and equipment	--		531		(531)	568	
Loss on impairment of property, plant and equipment	--		440		(440)	936	
Income before income taxes and minority interests	11,487	12.5	14,109	14.6	(2,622)	38,798	19.8
Income taxes, current	1,552	1.7	4,574	4.7	(3,022)	16,890	8.6
Income taxes, deferred	3,517	3.9	1,202	1.3	2,315	(861)	(0.4)
Minority interests	(23)	(0.0)	(20)	(0.0)	(3)	(33)	(0.0)
Net income	6,394	6.9	8,310	8.6	(1,916)	22,735	11.6

Interim Consolidated Balance Sheets

(Units: Millions of yen)

Account \ Period	As of September 30, 2006 Amount	As of September 30, 2006 Percentage	As of March 31, 2006 Amount	As of March 31, 2006 Percentage	Increase (decrease)	As of September 30, 2005 Amount	As of September 30, 2005 Percentage
(Assets)		%		%			%
Current assets:							
Cash and deposits	82,932		90,652		(7,720)	90,323	
Notes and accounts receivable	64,113		69,912		(5,799)	66,532	
Inventories	31,418		27,184		4,234	31,823	
Deferred tax assets	4,542		6,321		(1,779)	4,898	
Other current assets	19,056		14,269		4,787	9,230	
Allowance for doubtful accounts	(12)		(13)		1	(68)	
Total current assets	202,051	47.5	208,327	48.7	(6,276)	202,739	51.7
Fixed assets:							
Property, plant and equipment:							
Buildings and structures	30,730		30,759		(29)	31,446	
Machinery and equipment	11,180		9,899		1,281	12,375	
Land	14,811		14,805		6	16,597	
Construction in progress	3,952		3,601		351	3,590	
Other	5,402		5,184		218	4,774	
Property, plant and equipment, net	66,077	15.6	64,251	15.0	1,826	68,783	17.5
Intangible fixed assets	6,772	1.6	7,131	1.7	(359)	6,405	1.6
Investments and other assets:							
Investments in securities	129,040		129,037		3	96,050	
Prepaid pension costs	17,782		15,360		2,422	14,242	
Deferred tax assets	51		50		1	260	
Other	3,544		3,686		(142)	4,040	
Allowance for doubtful accounts	(165)		(162)		(3)	(200)	
Total investments and other assets	150,253	35.3	147,972	34.6	2,281	114,394	29.2
Total fixed assets	223,104	52.5	219,355	51.3	3,749	189,584	48.3
Total assets	425,155	100.0	427,682	100.0	(2,527)	392,324	100.0

Interim Consolidated Balance Sheets

(Units: Millions of yen)

Account / Period	As of September 30, 2006		As of March 31, 2006		Increase (decrease)	As of September 30, 2005	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
(Liabilities)		%		%			%
Current liabilities:							
Note and accounts payable	14,427		10,227		4,200	12,002	
Accrued income taxes	1,696		12,209		(10,513)	5,030	
Reserves:							
Reserve for bonuses	6,827		7,482		(655)	7,476	
Other reserves	989		1,187		(198)	827	
Other current liabilities	24,649		20,771		3,878	18,913	
Total current liabilities	48,591	11.4	51,877	12.1	(3,286)	44,250	11.2
Long-term liabilities:							
Deferred tax liabilities	25,121		23,276		1,845	18,627	
Accrued retirement benefits for employees	8,486		8,318		168	8,657	
Other reserves	185		240		(55)	240	
Long-term accounts payable, other	2,451		5,569		(3,118)	4,481	
Other long-term liabilities	959		965		(6)	938	
Total long-term liabilities	37,205	8.8	38,371	9.0	(1,166)	32,945	8.4
Total liabilities	85,796	20.2	90,249	21.1	(4,453)	77,195	19.6
Minority interests	--	--	247	0.1	--	234	0.1
(Shareholders' equity)							
Common stock	--	--	21,279	5.0	--	21,279	5.4
Additional paid-in capital	--	--	20,227	4.7	--	20,227	5.2
Retained earnings	--	--	266,469	62.3	--	254,089	64.8
Unrealized gain on securities	--	--	38,116	8.9	--	29,355	7.5
Translation adjustments	--	--	(156)	(0.0)	--	(1,409)	(0.4)
Less: Treasury stock, at cost	--	--	(8,750)	(2.1)	--	(8,649)	(2.2)
Total shareholders' equity	--	--	337,185	78.8	--	314,893	80.3
Total liabilities, minority interests and shareholders' equity	--	--	427,682	100.0	--	392,324	100.0
（**Net Assets**）							
Owners' equity:							
Common stock	21,279	5.0	--	--	--	--	--
Additional paid-in capital	20,227	4.7	--	--	--	--	--
Retained earnings	269,394	63.4	--	--	--	--	--
Less: treasury stock, at cost	(8,920)	(2.1)	--	--	--	--	--
Total owners' equity	301,980	71.0	--	--	--	--	--
Valuation and translation adjustments:							
Unrealized gain on securities	37,298	8.8	--	--	--	--	--
Translation adjustments	(189)	(0.1)	--	--	--	--	--
Total valuation and translation adjustments	37,109	8.7	--	--	--	--	--
Minority interests:	268	0.1	--	--	--	--	--
Total net assets	339,358	79.8	--	--	--	--	--
Total liabilities and net assets	425,155	100.0	--	--	--	--	--

Interim Consolidated Statement of Changes in Net Assets

Six months ended September 30, 2006

(Units: Millions of yen)

	Owner's equity				
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Less treasury stock, at cost**	**Total owner's equity**
Balance at March 31, 2006	21,279	20,227	266,469	(8,750)	299,226
Movements for the six-month period ended September 30, 2006					
Dividends paid from surplus (prior period)			(3,406)		(3,406)
Bonuses to directors and statutory auditors (prior period)			(63)		(63)
Net income for the six-month period ended September 30, 2006			6,394		6,394
Purchase of treasury stock				(170)	(170)
Movements of accounts other than owners' equity, net					--
Total movements of accounts for the six-month period ended September 30, 2006	--	--	2,925	(170)	2,754
Balance at September 30, 2006	21,279	20,227	269,394	(8,920)	301,980

(Units: Millions of yen)

	Valuation and translation adjustments			**Minority interests**	**Total net assets**
	Unrealized gain on securities	**Translation adjustments**	**Total valuation and translation adjustments**		
Balance at March 31, 2006	38,116	(156)	37,959	247	337,433
Movements for the six-month period ended September 30, 2006					
Dividends paid from surplus (prior period)					(3,406)
Bonuses to directors and statutory auditors (prior period)					(63)
Net income for the six-month period ended September 30, 2006					6,394
Purchase of treasury stock					(170)
Movements of accounts other than owners' equity, net	(817)	(33)	(850)	20	(829)
Total movements of accounts for the six-month period ended September 30, 2006	(817)	(33)	(850)	20	1,925
Balance at September 30, 2006	37,298	(189)	37,109	268	339,358

Interim Consolidated Statements of Retained Earnings

(Units: Millions of yen)

	Account / Period	Six months ended September 30, 2005		Year ended March 31, 2006	
	(Additional paid in capital)				
I	**Balance at beginning of the period**		20,227		20,227
II	**Balance at end of the period**		20,227		20,227
	(Retained Earnings)				
I	**Balance at beginning of the period**		248,485		248,485
II	**Increase**				
	Net income	8,310		22,735	
	Increase on consolidated subsidiary's merger of an unconsolidated subsidiary	15	8,326	15	22,750
III	**Deductions**				
	Cash dividends paid	2,640		4,684	
	Bonuses to directors and statutory auditors	82	2,722	82	4,767
IV	**Balance at end of the period**		254,089		266,469

Interim Consolidated Statements of Cash Flows

(Units: Millions of yen)

		Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
		Amount	Amount	Amount
Ⅰ	**Operating activities**			
	Income before income taxes and minority interests	11,487	14,109	38,798
	Depreciation and amortization	4,156	4,255	8,652
	Loss on impairment of fixed assets	--	440	936
	Loss on disposal of property, plant and equipment	283	740	943
	Gain on sales of capsule business	--	--	(7,452)
	Gain on sales of investments in securities	(120)	(2,589)	(3,053)
	Provision for allowance for doubtful accounts	2	0	(4)
	Reversal of retirement benefits, net of payments	(2,254)	(817)	(1,706)
	Interest and dividend income	(977)	(751)	(1,254)
	Interest expense	47	89	128
	Exchange loss (gain)	0	(911)	(878)
	Decrease(increase) in notes and accounts receivable, trade	5,782	7,028	(89)
	Increase in inventories	(4,249)	(1,874)	(167)
	Increase in notes and accounts payable, trade	4,217	3,143	2,657
	Increase(decrease) in accrued expenses	635	(178)	(32)
	Decrease in accounts payable, other	(5,141)	(6,189)	(5,415)
	Bonuses to directors and statutory auditors	(64)	(83)	(83)
	Other	(801)	389	(2,626)
	Subtotal	13,002	16,802	29,352
	Interest and dividend income received	1,154	941	1,471
	Interest paid	(31)	(210)	(234)
	Income taxes paid	(11,950)	(9,022)	(13,704)
	Net cash provided by operating activities	2,175	8,510	16,885
Ⅱ	**Investing activities**			
	Increase in time deposits	(29,397)	(8,481)	(22,538)
	Decrease in time deposits	14,335	8,828	17,891
	Purchases of marketable securities	(19)	(19)	(2,023)
	Proceeds from sales of marketable securities	2,020	20	2,020
	Increase in investments in securities	(2,308)	(19)	(21,182)
	Proceeds from sales of investments in securities	375	3,543	3,561
	Purchases of property, plant and equipment	(4,160)	(2,653)	(5,386)
	Proceeds from sales of property, plant and equipment	12	332	343
	Proceeds from collection of loans receivable	3	3	3
	Purchases of investments in an affiliate	(1,099)	--	--
	Proceeds from sales of investments in an affiliate	129	--	1,016
	Proceeds from sales of subsidiaries' stock, resulting in change in scope of consolidation	--	--	18,722
	Other	(847)	(2,810)	(4,475)
	Net cash used in investing activities	(20,957)	(1,257)	(12,047)
Ⅲ	**Financing activities**			
	Short-term loans, net	--	276	276
	Repayment of long-term debt	--	(0)	(0)
	Redemption of bonds	--	(20,000)	(20,000)
	Repayment of other long-term debt	(342)	(35)	(218)
	Payments for purchase of treasury stock	(170)	(75)	(176)
	Cash dividends paid to shareholders of the Company	(3,400)	(2,634)	(4,675)
	Cash dividends paid to minority interests	(2)	(2)	(2)
	Net cash used in financing activities	(3,916)	(22,471)	(24,796)
Ⅳ	**Effect of exchange rate changes on cash and cash equivalents**	(53)	342	358
Ⅴ	**Decrease in cash and cash equivalents**	(22,751)	(14,875)	(19,600)
Ⅵ	**Cash and cash equivalents at beginning of period**	76,142	95,719	95,719
Ⅶ	**Increase in cash and cash equivalents resulting from merger of consolidated subsidiary with unconsolidated subsidiary**	--	23	23
Ⅷ	**Cash and cash equivalents at end of period**	53,390	80,866	76,142

Notes to Interim Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 10
Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries, Ltd., Saishin Igaku Co., Ltd.,
Shionogi Engineering Service Co., Ltd., Shionogi Butsuryuu Service Co., Ltd., Shionogi General Service Co., Ltd.,
Aburahi AgroResearch Co., Ltd., Taiwan Shionogi & Co., Ltd., Shionogi USA, Inc., SG Holding Inc.

(excluded)
Ohmori Groupe Honsha 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 5 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

Three 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 net assets; 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 presentation of net assets in the balance sheet]

Effective April 1, 2006, the Company has adopted “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standard Board of Japan Guidance No. 8, December 9, 2005). The amount corresponding to conventional “Total shareholders’ equity” in the balance sheet was ¥339,090 million. “Net assets” in the balance sheet at September 30, 2006 has been presented in accordance with the revised “Regulations Concerning the Terminology, Form and Preparation Methods of Interim consolidated Financial Statements” dated April 25, 2006.

[Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures]

Effective April 1, 2006, the Company has adopted "Accounting Standard for Business Combinations" (by the Business Accounting Council, October 31, 2003) and "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No.7, December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No.10, December 27, 2005).

[Notes to interim consolidated statements of income]

1. The major items and amounts included in sales, general and administrative expenses are summarized as follows:

	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
Sales promotional activities	5,706	Million yen	5,571	Million yen	11,744	Million yen
Salaries	8,449		8,971		20,908	
Provision for reserve for bonuses	3,645		3,990		4,100	
Provision for retirement benefits	0		728		1,449	
R & D expenses	17,874	Million yen	15,270	Million yen	32,256	Million yen
(R&D expenses above include the following amounts provided as reserves:)						
Provision for reserve for bonuses	1,863	Million yen	1,935	Million yen	2,019	Million yen
Provision for retirement benefits	0		343		687	

2. impairment of fixed assets

Six months ended September 30, 2006

N/A

Six months ended September 30, 2005

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.

Year ended March 31, 2006

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
U.S.A.	--	Goodwill etc.	¥496 Million	--
--	--	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.

In addition, goodwill and others of an overseas consolidated subsidiary have been reduced to the amount determined by an external third party based on the test for impairment of U.S. accounting standards.

[Notes to interim consolidated balance sheets]

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
1. Accumulated depreciation of property, plant and equipment	159,503	Million yen	158,513	Million yen	167,325	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		11	
Total amount of lines of credit	24,000	Million yen	24,000	Million yen	24,000	Million yen
The amount of borrowing	-		-		-	
Outstanding balances	24,000	Million yen	24,000	Million yen	24,000	Million yen

3. Guaranteed liabilities	102	Million yen	116	Million yen	143	Million yen

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	

4. Pledged assets and secured liabilities

The assets listed below have been pledged as collateral against borrowings and other debts:

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
Book value of pledged assets:						
Cash and deposits	5	Million yen	5	Million yen	5	Million yen
Liabilities secured by the above assets:						
Other current liabilities	6	Million yen	5	Million yen	5	Million yen

5. Accounting for settlement of notes receivable and payable maturing on September 30, 2006

In general, the settlement of notes is recorded on the clearing date. Because September 30, 2006 was a bank holiday, the balances of notes receivable and payable as of the end of the period include the following notes which matured but were not settled on that day:

	As of September 30, 2006		As of March 31, 2006		As of September 30, 2005	
Notes payable (including notes payable related to construction and installation contracts)	9	Million yen	--	Million yen	--	Million yen

6. Accrued consumption tax is included in other current liabilities

[Notes to interim consolidated statement of changes in net assets]

1. Type and number of shares in issue and type and number of shares of treasury stock

(Units: Shares)

	March 31, 2006	Increase	Decrease	September 30, 2006
Shares in issue				
Common stock	351,136,165	--	--	351,136,165
Total	351,136,165	--	--	351,136,165
Treasury stock				
Common stock	10,526,605	83,182	--	10,609,787
Total	10,526,605	83,182	--	10,609,787

(Note) The increase in treasury stock reflects the purchase of odd-lot shares.

2. Matters concerning subscription rights and subscription rights owned by the Company：None

3. Dividends

（1）Dividend payments

Resolution	Category	Total amount of dividend	Amount per share	Dividend record date	Effective date
Annual General Meeting of Shareholders held on June 29, 2006	Common stock	3,406 Million yen	10 Yen	March 31, 2006	June 30, 2006

（2）Dividends whose effective date is subsequent to September 30, 2006

Resolution	Category	Total amount of dividend	Funds for dividend	Amount per share	Dividend record date	Effective date
Board of Directors Meeting held on November 6, 2006	Common stock	2,724 Million yen	Retained earnings	8 Yen	September 30, 2006	December 1, 2006

[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:

	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
Cash and deposits	82,932	Million yen	90,323	Million yen	90,652	Million yen
Time deposits with a maturity exceeding three months	(29,542)		(9,457)		(14,510)	
Cash and cash equivalents	53,390	Million yen	80,866	Million yen	76,142	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, 2006		Year ended March 31, 2006		Six months ended September 30, 2005	
1. Acquisition cost equivalent, accumulated depreciation equivalent and period-end balance equivalent of leased properties						
Acquisition cost equivalent	1,985	Million yen	841	Million yen	896	Million yen
Accumulated depreciation equivalent	531		315		285	
Period-end balance	1,453	Million yen	525	Million yen	610	Million yen
* Tool and furniture account for most of the above balances.						
2. Breakdown of period-end balance equivalent of unexpired leases						
Within one year	448	Million yen	162	Million yen	166	Million yen
Exceeding one year	1,005		362		443	
Total	1,453	Million yen	525	Million yen	610	Million yen
3. Lease payments and depreciation equivalent						
Lease payments	296	Million yen	183	Million yen	99	Million yen
Depreciation equivalent	296		183		99	
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, 2006			As of March 31, 2006			As of September 30, 2005		
	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	40,141	40,063	(77)	40,172	39,695	(476)	20,144	20,332	188
(2) Corporate bonds	--	--	--	--	--	--	--	--	--
(3) Other bonds	19	19	0	19	19	(0)	19	19	0
Total	40,161	40,083	(77)	40,192	39,715	(476)	20,164	20,352	188

2. Other securities; market value available

(Units: Millions of yen)

	As of September 30, 2006			As of March 31, 2006			As of September 30, 2005		
	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	15,748	77,895	62,147	15,745	78,348	62,603	14,685	62,888	48,202
(2) Bonds									
[1] National, local government and other public bonds	--	--	--	--	--	--	--	--	--
[2] Corporate bonds	--	--	--	--	--	--	--	--	--
[3] Other bonds	1,829	2,749	920	1,846	2,731	885	1,863	2,741	878
(3) Other securities	5,005	5,121	115	5,005	5,083	77	5,005	5,049	44
Total	22,583	85,766	63,183	22,596	86,163	63,566	21,553	70,679	49,125

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

(Units: Millions of yen)

	As of September 30, 2006	As of March 31, 2006	As of September 30, 2005
	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)	4,504	4,189	4,247
[2] Certificates of deposits (domestic)	2,300	--	1,200

(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, 2006, March 31, 2006 and September 30, 2005.

[Segment Information]

1. Business Segment Information

Six months ended September 30, 2006 (Units: Millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Other businesses	Total	Eliminations	Consolidated
Net sales and operating income:					
Net sales					
(1) Sales to third parties	90,875	1,279	92,154	--	92,154
(2) Inter-group sales and transfers	--	2,591	2,591	(2,591)	--
Total	90,875	3,870	94,746	(2,591)	92,154
Operating expenses	80,588	3,172	83,761	(2,591)	81,169
Operating income	10,287	697	10,984	0	10,984

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

Year ended March 31, 2006 (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	187,235	6,060	3,092	196,388	--	196,388
(2) Inter-group sales and transfers	--	116	8,571	8,687	(8,687)	--
Total	187,235	6,177	11,663	205,075	(8,687)	196,388
Operating expenses	160,476	5,489	9,933	175,899	(8,736)	167,162
Operating income	26,758	687	1,730	29,176	49	29,226

(Notes)

1. Businesses of the Shionogi & Co., Ltd and consolidated subsidiaries are segmented into “Pharmaceuticals and related businesses” and “Other businesses”, considering the types of products/merchandise handled and the similarities in their markets. Previously, the business segments were “Pharmaceuticals and related businesses”, “Capsule business” and “Other businesses”. However, the capsule business was excluded from the scope of consolidation with the sale of that business in the previous fiscal year, and therefore businesses for interim period are segmented into “Pharmaceuticals and related businesses” and “Other businesses”.
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
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, 2006 (Units: Millions of yen)

	Total
Ⅰ. Overseas sales	¥10,671
Ⅱ. Consolidated net sales	¥92,154
Ⅲ. Overseas sales as a percentage of to consolidated net sales	11.6%

(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, 2005 (Units: 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%

Year ended March 31, 2006

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, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
Net assets per share	995.78 Yen	924.33 Yen	989.76 Yen
Earnings per share	18.78	24.39	66.55

(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, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
Net income	6,394	Million yen	8,310	Million yen	22,735	Million yen
The amount which is not attributable to ordinary shareholders	--		--		63	
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(--)		(--)		(63)	
Net income related to common stocks	6,394		8,310		22,672	
Average number of shares outstanding during the period	340,558	Thousands of stocks	340,698	Thousands of stocks	340,667	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, 2006 and September 30, 2005 and the year ended March 31, 2006 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
Pharmaceuticals and related businesses		75,384	69,781	144,546
	Ethical drugs	69,787	64,540	134,697
	OTC drugs	3,656	3,809	7,126
	Diagnostics	1,941	1,432	2,723
Capsule business		--	6,378	6,378
Other businesses		--	--	--
Total		75,384	76,159	150,924

(Notes) 1. Amounts are calculated based on net sales prices.
2. Shionogi sold the capsule business in October 2005, and excluded it from the scope of consolidation in the second half of the previous fiscal year.
3. Amounts are stated exclusive of consumption tax.

2. Purchases

The consolidated purchases for each business segment for the six months ended September 30, 2006 and September 30, 2005 and the year ended March 31, 2006 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
Pharmaceuticals and related businesses		9,550	9,700	18,179
	Ethical drugs	9,254	9,432	17,589
	OTC drugs	14	18	30
	Diagnostics	282	250	560
Capsule business		--	--	--
Other businesses		--	--	--
Total		9,550	9,700	18,179

(Notes) 1. Amounts are based on actual purchases.
2. Shionogi sold the capsule business in October 2005, and excluded it from the scope of consolidation in the second half of the previous fiscal year.
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, 2006 and September 30, 2005 and the year ended March 31, 2006 were as follows:

(Units: Millions of yen)

Business Segment		Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
Pharmaceuticals and related businesses		90,875	89,329	187,235
	Ethical drugs	76,097	79,604	165,466
	Contract manufacturing	1,688	587	2,083
	OTC drugs	3,094	3,245	6,447
	Diagnostics	1,681	1,754	3,391
	License fee as royalty income	8,315	4,139	9,848
Capsule business		--	6,060	6,060
Other businesses		1,279	1,463	3,092
Total		92,154	96,853	196,388

(Notes) 1. Amounts are sales to customers outside the Shionogi Group.
2. Shionogi sold the capsule business in October 2005, and excluded it from the scope of consolidation in the second half of the previous fiscal year.
3. Amounts are stated exclusive of consumption tax.