

Interim Financial Statements (Non-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>)
 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
 Listed Exchanges: Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo
 Location of Head Office: Osaka Prefecture
 Date of Meeting of Board of Directors for Approving Financial Statements: November 7, 2005
 Commencement of Interim Dividend Payment: December 1, 2005
 Interim Dividend System: Available
 Unit Share System: Available (1 Unit: 1,000shares)

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	87,599	2.5	10,447	33.2	11,844	40.1
Six months ended September 30, 2004	85,440	(5.0)	7,842	40.5	8,456	53.5
Year ended March 31, 2005	180,743	(1.4)	24,576	52.0	25,499	65.0

	Net income		Earnings per share	
	Million yen	%	Yen	
Six months ended September 30, 2005	8,443	19.5	24.78	
Six months ended September 30, 2004	7,068	-	20.44	
Year ended March 31, 2005	17,787	-	51.38	

(Notes) [1] Average number of shares outstanding during the period
 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

[2] Changes in accounting method: None

[3] 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) Dividends

	Interim dividend per share		Annual dividend per share	
	Yen		Yen	
Six months ended September 30, 2005	6.00		-	
Six months ended September 30, 2004	4.25		-	
Year ended March 31, 2005	-		12.00	

(3) 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	376,105	308,028	81.9	904.18
As of September 30, 2004	369,810	288,050	77.9	833.00
As of March 31, 2005	386,572	293,357	75.9	860.83

(Notes) [1] Shares outstanding as of the period end
 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

[2] Treasury stocks held as of the period end
 As of September 30, 2005: 10,464,295 shares
 As of September 30, 2004: 5,337,901 shares
 As of March 31, 2005: 10,411,961 shares

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

	Net sales	Ordinary income	Net income	Annual dividend per share	
				Year-end dividend per share	
	Million yen	Million yen	Million yen	Yen	Yen
For the year ending March 31, 2006	187,000	27,800	26,500	6.00	12.00

(Reference) Estimated earnings per share for FY 2006: ¥ 77.79

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.

Interim Non-consolidated Statements of Income

(Units: Millions of yen)

Account	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	87,599	100.0	85,440	100.0	2,159	180,743	100.0
Cost of sales	30,604	34.9	31,361	36.7	(757)	64,087	35.5
Gross profit	56,994	65.1	54,078	63.3	2,916	116,656	64.5
Selling, general and administrative expenses	46,547	53.2	46,236	54.1	311	92,079	50.9
Operating income	10,447	11.9	7,842	9.2	2,605	24,576	13.6
Non-operating income	2,870	3.3	2,559	3.0	311	4,600	2.5
Interest income	173		112		61	242	
Interest on securities	201		234		(33)	433	
Dividend income	832		553		279	909	
Income from real estate rental	976		1,006		(30)	1,974	
Exchange gain	400		462		(62)	396	
Other income	284		191		93	644	
Non-operating expenses	1,473	1.7	1,945	2.3	(472)	3,677	2.0
Interest expense	15		21		(6)	37	
Interest on bonds	63		201		(138)	398	
Contributions	460		466		(6)	1,013	
Depreciation	248		278		(30)	559	
Taxes and public impositions	199		200		(1)	323	
Loss on disposal of inventories	167		177		(10)	457	
Loss on disposal of property, plant and equipment	159		145		14	305	
Other expenses	159		455		(296)	582	
Ordinary income	11,844	13.5	8,456	9.9	3,388	25,499	14.1
Extraordinary income	2,738	3.1	3,719	4.3	(981)	4,245	2.4
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	8		-		8	-	
Gain on change to a defined contribution pension plan	-		3,563		(3,563)	3,563	
Gain on exchange of subsidiaries securities	-		-		-	412	
Extraordinary losses	1,048	1.2	91	0.1	957	498	0.3
Loss on disposal of property, plant and equipment	531		-		531	-	
Loss on impairment of property, plant and equipment	516		-		516	-	
Loss on revaluation of investments in securities	-		91		(91)	92	
Loss on sales of subsidiary's securities	-		-		-	405	
Income before income taxes	13,534	15.4	12,084	14.1	1,450	29,245	16.2
Income taxes, current	3,990	4.5	1,910	2.2	2,080	8,790	4.9
Income taxes, deferred	1,101	1.3	3,106	3.6	(2,005)	2,668	1.5
Net income	8,443	9.6	7,068	8.3	1,375	17,787	9.8
Retained earnings brought forward	3,230		3,765		(535)	3,765	
Interim dividends	-		-		-	1,469	
Unappropriated earnings at the end of the period	11,674		10,833		841	20,083	

Interim Non-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		76,521		93,029		(16,508)	70,531	
Notes receivable		592		659		(67)	745	
Accounts receivable - trade		60,719		68,878		(8,159)	62,220	
Marketable securities		2,008		2,011		(3)	22,094	
Inventories		27,424		25,632		1,792	28,780	
Other current assets		17,901		17,259		642	15,045	
Allowance for doubtful accounts		(901)		(910)		9	(908)	
Total current assets		184,265	49.0	206,560	53.4	(22,295)	198,510	53.7
Fixed assets:								
Property, plant and equipment:								
Buildings		26,344		26,856		(512)	27,185	
Other		25,813		27,279		(1,466)	28,821	
Property, plant and equipment, net		52,157	13.9	54,135	14.0	(1,978)	56,007	15.1
Intangible fixed assets		5,288	1.4	5,833	1.5	(545)	3,685	1.0
Investments and other assets:								
Investments in securities		110,783		97,181		13,602	90,732	
Other assets		23,770		23,023		747	21,064	
Allowance for doubtful accounts		(161)		(161)		0	(190)	
Total investments and other assets		134,392	35.7	120,042	31.1	14,350	111,607	30.2
Total fixed assets		191,839	51.0	180,012	46.6	11,827	171,300	46.3
Total assets		376,105	100.0	386,572	100.0	(10,467)	369,810	100.0

Interim Non-consolidated Balance Sheets
(Liabilities 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:								
Accounts payable		10,163		8,006		2,157	10,687	
Short-term loans		-		-		-	169	
Current portion of bonds		-		20,000		(20,000)	20,000	
Reserve for bonuses		7,000		7,300		(300)	6,569	
Other reserves		796		778		18	798	
Other current liabilities		19,943		30,849		(10,906)	19,273	
Total current liabilities		37,903	10.1	66,934	17.3	(29,031)	57,497	15.5
Long-term liabilities:								
Deferred income taxes		17,981		11,053		6,928	8,967	
Accrued retirement benefits for employees		8,083		7,771		312	7,601	
Other reserves		240		254		(14)	254	
Other long-term liabilities		3,868		7,202		(3,334)	7,437	
Total long-term liabilities		30,173	8.0	26,281	6.8	3,892	24,261	6.6
Total liabilities		68,077	18.1	93,215	24.1	(25,138)	81,759	22.1
(Shareholders' equity)								
Common stock		21,279	5.7	21,279	5.5	0	21,279	5.8
Additional paid-in capital		20,227	5.4	20,227	5.2	0	20,227	5.5
Additional paid-in capital		20,227		20,227		0	20,227	
Earned Surplus		246,349	65.5	240,599	62.2	5,750	231,350	62.5
Legal reserve		5,388		5,388		0	5,388	
Reserves		229,286		215,127		14,159	215,127	
Unappropriated retained earnings		11,674		20,083		(8,409)	10,833	
Unrealized gain on securities		28,821	7.6	19,825	5.2	8,996	16,632	4.5
Less: Treasury stock		(8,649)	(2.3)	(8,574)	(2.2)	(75)	(1,439)	(0.4)
Total shareholders' equity		308,028	81.9	293,357	75.9	14,671	288,050	77.9
Total liabilities and shareholders' equity		376,105	100.0	386,572	100.0	(10,467)	369,810	100.0

Notes to interim non-consolidated financial statements

1. Basis and method of asset evaluation

- (1) Securities
- | | | |
|--------------------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Held-to-maturity securities | | Amortized cost method |
| Investments in subsidiaries and affiliates | | At cost determined by the moving average 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
- | | | |
|------------------------------------------------------------------|-------|-------------------------------------------------------------------------|
| Merchandise, raw materials | | At the lower-of-cost-or-market method determined by the average method. |
| Finished goods, semifinished goods, work in process and supplies | | At cost determined by the average method |

2. Depreciation method of fixed assets

- (1) Property, plant and equipment By the declining-balance method
- (2) Intangible fixed assets Straight-line method
- | | | |
|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | [Buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 are depreciated by straight-line method.] |
| | | [Expenditures relating to computer software intended for internal use are amortized over the useful life of the respective assets (in general, 5 years).] |

3. Basis for providing 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
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 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 lease transactions

Finance leases other than those under which the leased property is deemed transferred to the lessee are accounted for as operating leases.

5. 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 for receivables and payables denominated in foreign currencies.

6. Consumption tax

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

[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 by ¥516 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 non-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 non-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 were as follows:						
Advertising	2,331	Million yen	1,975	Million yen	4,059	Million yen
Sales promotional activities	5,526		4,474		10,917	
Salaries	8,099		8,136		19,843	
Provision for reserve for bonuses	3,862		3,660		4,067	
Provision for retirement benefits	719		569		1,137	
R & D expenses	15,222	Million yen	15,698	Million yen	29,294	Million yen
(R&D expenses above include following amounts provided as reserves:)						
Provision for reserve for bonuses	1,930	Million yen	1,790	Million yen	1,974	Million yen
Provision for retirement benefits	343		268		536	
2. Depreciation for the period						
Property, plant and equipment	2,826	Million yen	3,113	Million yen	6,519	Million yen
Intangible fixed assets	733		583		1,235	

3. 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	¥516 Million	Leased assets

The Company classifies the assets used for its business operations into groups which are separate for management accounting purposes (product groups), whereas the Company 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. 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 non-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	149,853	Million yen	152,379	Million yen	150,472	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	377	Million yen	122	Million yen
4. Consumption tax						
Consumption tax paid and consumption tax received are netted and the amount is included in other current liabilities.						

[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	186	Million yen	320	Million yen	321	Million yen
Accumulated depreciation equivalent	98		224		195	
Period-end balance	88	Million yen	96	Million yen	125	Million yen
* Tools and furniture account for most of the above balances.						
2. Breakdown of period-end balance equivalent of unexpired leases						
Within one year	24	Million yen	38	Million yen	55	Million yen
Exceeding one year	63		57		69	
Total	88	Million yen	96	Million yen	125	Million yen
3. Lease payments and depreciation equivalent						
Lease payments	28	Million yen	57	Million yen	28	Million yen
Depreciation equivalent	28	Million yen	57	Million yen	28	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]

Stocks of subsidiaries and affiliates with available quoted market prices ...None

[Amounts per share]

	Six months ended September 30, 2005		Six months ended September 30, 2004		Year ended March 31, 2005	
Shareholders' equity per share	904.18	Yen	833.00	Yen	860.83	Yen
Earnings per share	24.78		20.44		51.38	

(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	8,443	Million yen	7,068	Million yen	17,787	Million yen
The amount which is not attributable to ordinary shareholders	-		-		52	
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(-)		(-)		(52)	
Net income related to common stocks	8,443		7,068		17,734	
Average number of shares outstanding during the period	340,698	Thousands of stocks	345,821	Thousands of stocks	345,175	Thousands of stocks