

Financial Statements (Non-consolidated) for The Year ended March 31, 2006

May 15, 2006

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

TEL: (06)6202-2161

Listed Exchanges: Section I of Tokyo and Osaka

Location of Head Office: Osaka Prefecture

Date of Meeting of Board of Directors

for Approving Financial Statements: May 15, 2006

Interim Dividend System: Available

Date of Regular General Meeting of the Share holders: June 29, 2006

Unit Share System : Available (1 Unit: 1,000 shares)

Scheduled starting date of dividend payments: June 30, 2006

1. Financial results for the period from April 1, 2005 to March 31, 2006

(1) Results of operations

(Note: All amounts are rounded down to the nearest million yen.)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2006	183,388	1.5	25,770	4.9	28,107	10.2
Year ended March 31, 2005	180,743	(1.4)	24,576	52.0	25,499	65.0

	Net income		Earnings per share	Earnings per share (diluted)	Return on Equity	Ordinary income to total assets	Ordinary income to net sales
	Million yen	%	Yen	Yen	%	%	%
Year ended March 31, 2006	26,663	49.9	78.11	----	8.5	7.0	15.3
Year ended March 31, 2005	17,787	--	51.38	----	6.1	6.8	14.1

(Notes) ① Average number of shares outstanding during the period
Year ended March 31, 2006: 340,667,236 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 period of the prior year.

(2) Dividends

	Annual dividend per share			Annual dividend payment	Dividend payout ratios	Payout ratio per equity
	Interim	Year end				
	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2006	16.00	6.00	10.00	5,450	20.5	1.6
Year ended March 31, 2005	12.00	4.25	7.75	4,110	23.4	1.4

(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 March 31, 2006	415,740	332,426	80.0	975.81
As of March 31, 2005	386,572	293,357	75.9	860.83

(Notes) ① Shares outstanding as of the period end
As of March 31, 2006: 340,609,560 shares
As of March 31, 2005: 340,724,204 shares

② Treasury stocks held as of the period end
As of March 31, 2006: 10,526,605 shares
As of March 31, 2005: 10,411,961 shares

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

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	Year end	
	Million yen	Million yen	Million yen	Yen	Yen	Yen
For the six months ending September 30, 2006	93,000	10,600	6,000	8.00	----	----
For the year ending March 31, 2007	198,000	29,000	17,000	----	8.00	16.00

(Reference) Estimated earnings per share (for the year ending March 31, 2007): ¥49.91

The accompanying non-consolidated financial statements have been prepared in accordance with accounting principles and practice generally accepted and applied in Japan.

Note: These estimates on May 15, 2006 include in a number of assumptions, forward-looking projection and plans. The actual results may differ substantially depending on the situations of competitors, uncertainties in the market. Refer to page 6.

Non-consolidated Statements of Income

(Units: millions of yen)

Account	Year ended March 31, 2006		Year ended March 31, 2005		Increase (decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Net sales	183,388	100.0	180,743	100.0	2,645	1.5
Cost of sales	62,583	34.1	64,087	35.5	(1,504)	(2.3)
Gross profit	120,805	65.9	116,656	64.5	4,149	3.6
Selling, general and administrative expenses	95,035	51.8	92,079	50.9	2,956	3.2
Operating income	25,770	14.1	24,576	13.6	1,194	4.9
Non-operating income	5,295	2.8	4,600	2.5	695	15.1
Interest income	309		242		67	
Interest on securities	486		433		53	
Dividend income	1,086		909		177	
Income from real estate rental	1,938		1,974		(36)	
Exchange gain	781		396		385	
Other	692		644		48	
Non-operating expenses	2,957	1.6	3,677	2.0	(720)	(19.6)
Interest expense	30		37		(7)	
Interest on bonds	63		398		(335)	
Contributions	1,045		1,013		32	
Depreciation	521		559		(38)	
Loss on disposal of inventories	382		457		(75)	
Loss on disposal of property, plant and equipment	317		311		6	
Tax public charges	312		323		(11)	
Other	285		576		(291)	
Ordinary income	28,107	15.3	25,499	14.1	2,608	10.2
Extraordinary income	14,714	8.0	4,245	2.4	10,469	246.6
Gain on sales of capsule business	10,681		--		10,681	
Gain on sales of investments in securities	2,589		154		2,436	
Gain on sales of a subsidiary's securities	400		--		400	
Gain on reversal of allowance for doubtful accounts	902		--		902	
Gain on sales of property, plant and equipment	140		115		25	
Gain on change to a defined contribution pension plan	--		3,563		(3,563)	
Gain on exchange of subsidiaries securities	--		412		(412)	
Extraordinary loss	1,085	0.6	498	0.3	587	117.7
Loss on disposal of property, plant and equipment	568		--		568	
Loss on impairment of fixed assets	516		--		516	
Loss on sales of subsidiary's securities	--		405		(405)	
Loss on revaluation of investments in securities	--		92		(92)	
Income before income taxes	41,737	22.7	29,245	16.2	12,492	42.7
Income taxes, current	15,630	8.5	8,790	4.9	6,840	77.8
Income taxes, deferred	(556)	(0.3)	2,668	1.5	(3,224)	(120.9)
Net income	26,663	14.5	17,787	9.8	8,876	49.9
Retained earnings brought forward	3,230		3,765		(535)	
Interim dividends	2,044		1,469		575	
Unappropriated retained earnings at the end of the year	27,850		20,083		7,767	

Non-consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account	Period	As of March 31, 2006		As of March 31, 2005		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Assets)			%		%	
Current assets						
Cash and deposits		83,450		93,029		(9,579)
Notes receivable		279		659		(380)
Accounts receivable, trade		68,208		68,878		(670)
Marketable securities		4,009		2,011		1,998
Merchandise		3,158		3,191		(33)
Finished goods		7,935		6,666		1,269
Semi-finished goods		3,787		5,093		(1,306)
Raw materials		3,505		3,395		110
Work in process		5,583		6,618		(1,035)
Supplies		901		668		233
Deferred tax assets		6,098		5,253		845
Accounts receivable, other		2,985		1,442		1,543
Short-term loans receivable		2,846		6,895		(4,049)
Advances account		6,001		2,378		3,623
Other		609		1,289		(680)
Allowance for doubtful accounts		(7)		(910)		903
Total current assets		199,354	48.0	206,560	53.4	(7,206)
Fixed assets:						
Property, plant and equipment:						
Buildings		25,644		26,856		(1,212)
Structures		1,398		1,532		(134)
Machinery and equipment		8,350		9,061		(711)
Vehicles		61		76		(15)
Tools, furniture and fixtures		4,983		4,617		366
Land		10,123		10,804		(681)
Constructions in progress		1,511		1,187		324
Property, plant and equipment, net		52,074	12.5	54,135	14.0	(2,061)
Software		2,436		2,926		(490)
Other		4,084		2,907		1,177
Total intangible fixed assets		6,520	1.5	5,833	1.5	687
Investments and other assets:						
Investments in securities		122,051		75,482		46,569
Investments in subsidiaries' and affiliates' securities		10,389		20,902		(10,513)
Other investments in subsidiaries' and affiliates' securities		979		796		183
Long-term deposits		27		30		(3)
Long-term loans receivable		313		24		289
Long-term loans receivable to employees		11		14		(3)
Long-term loans receivable to subsidiaries		5,370		5,490		(120)
Long-term prepaid expenses		2,421		3,344		(923)
Prepaid pension costs		15,360		13,088		2,272
Other		1,026		1,030		(4)
Allowance for doubtful accounts		(162)		(161)		(1)
Total investments and other assets		157,790	38.0	120,042	31.1	37,748
Total fixed assets		216,386	52.0	180,012	46.6	36,374
Total assets		415,740	100.0	386,572	100.0	29,168

Non-consolidated Balance Sheets

(Liabilities and shareholders' equity)

(Units: millions of yen)

Account	Period	As of March 31, 2006		As of March 31, 2005		Increase (decrease)
		Amount	Percentage	Amount	Percentage	Amount
(Liabilities)			%		%	
Current liabilities:						
Accounts payable		9,275		8,006		1,269
Current portion of bonds		--		20,000		(20,000)
Accounts payable, other		10,359		13,591		(3,232)
Accrued expenses		4,269		4,736		(467)
Accrued income taxes		11,479		8,855		2,624
Deposits received		4,309		3,658		651
Reserve for bonuses		7,250		7,300		(50)
Reserve for sales rebates		948		675		273
Reserve for losses on sales		82		103		(21)
Other		61		8		53
Total current liabilities		48,034	11.5	66,934	17.3	(18,900)
Long-term liabilities:						
Deferred tax liabilities		23,179		11,053		12,126
Accrued retirement benefits		8,279		7,771		508
Accrued retirement benefits for directors and statutory auditors		240		254		(14)
Long-term accounts payable, other		2,869		6,491		(3,622)
Other		710		710		0
Total long-term liabilities		35,279	8.5	26,281	6.8	8,998
Total liabilities		83,314	20.0	93,215	24.1	(9,901)
(Shareholders' equity)						
Common stock		21,279	5.1	21,279	5.5	0
Additional paid-in capital		20,227	4.9	20,227	5.2	0
Additional paid-in capital		20,227		20,227		0
Retained earnings		262,525	63.2	240,599	62.2	21,926
Legal reserve		5,388		5,388		0
Reserves:		229,286		215,127		14,159
Special depreciation		615		455		160
Deferred capital gain on property		26		27		(1)
General reserve		228,645		214,645		14,000
Unappropriated retained earnings		27,850		20,083		7,767
Unrealized gain on securities		37,144	8.9	19,825	5.2	17,319
Less: Treasury stock		(8,750)	(2.1)	(8,574)	(2.2)	(176)
Total shareholders' equity		332,426	80.0	293,357	75.9	39,069
Total liabilities and shareholders' equity		415,740	100.0	386,572	100.0	29,168

Proposed Appropriations of Retained Earnings

(Units: millions of yen)

Account \ Period	Year ended March 31, 2006	Year ended March 31, 2005	Increase (Decrease)
Unappropriated retained earnings	27,850	20,083	7,767
Reversal of reserve for deferred capital gain on property	0	0	0
Total	27,851	20,083	7,768
Appropriations			
Dividends	3,406	2,640	766
	(10.00yen per share)	(7.75yen per share)	
Bonuses to directors and statutory auditors	54	52	2
(Directors)	(51.3)	(49.3)	(2.0)
(Statutory auditors)	(3.5)	(3.5)	(0.0)
Special depreciation reserve	226	159	67
General reserve	20,000	14,000	6,000
Total appropriations	23,687	16,853	6,834
Retained earnings brought forward to the next year	4,163	3,230	933

Notes: An interim dividends payment of ¥2,044 million (¥6.00 per share) was made on December 1, 2005.

Notes to non-consolidated financial statements

1. Significant accounting policies

(1) Basis and method of significant 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 investments in subsidiaries' and affiliates (The securities based on Securities and Exchange Law article 2.2)	-----	The securities based on Securities and Exchange Law article 2.2 are evaluated their net profit/loss(equity method).
Other securities		
Market value available	-----	At fair value, based on market price or other appropriate quotation as of 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 significant depreciable assets

① Property, plant and equipment

----- 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. The useful lives are as follows:
Buildings and structures: 3 to 60 years
Machinery and equipment and vehicles: 4 to 17 years]

② Intangible fixed assets

----- 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) Transactions denominated in foreign currencies

Monetary receivables and payable denominated in foreign currencies are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Gain or loss resulting from translation is credited or charged to income.

(4) Basis for providing significant allowances and reserves

① Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad debt loss. The amount provided for general receivables is based on the historical rate of bad debts; for certain receivable accounts of considerable risk, the estimated uncollectible amount is provided as an additional allowance after examining specific possibility of collection.

② Reserve for bonuses

To prepare for 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 the 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 Accrued retirement benefits for directors and statutory auditors
 To prepare for the payment of retirement benefits to directors and statutory auditors, a reserve for retirement benefits is provided at an estimated amount as of the year end based on the Company's internal rules.
 The retirement benefits system for directors and statutory auditors was abolished in June 2004, and there is no provision for the year ended March 31, 2006.
- ⑤ Reserve for sales rebates
 To prepare for future discounts and rebates for certain agents, a reserve for discounts and rebates is provided based on the amount of their stock as of the year end the estimated rebate rate for the year.
- ⑥ Reserve for losses on sales returns
 To prepare for loss on sales return, a reserve for loss on sales returns is provided at the maximum amount stipulated in the Corporation Tax Law of Japan.
- (5) 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.
- (6) 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 for receivables and payables denominated in foreign currencies.
- (7) Other significant accounting policies
- Consumption tax
 Amounts reflected in the unconsolidated 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.

[Notes to unconsolidated statements of income]

[Year ended March 31, 2006]

[Year ended March 31, 2005]

1. Transaction to affiliated companies
- | | | | | |
|--------------------------------|-------|-------------|-------|-------------|
| Income from real estate rental | 1,528 | Million yen | 1,523 | Million yen |
| Dividend income | 593 | | 479 | |
2. The major items and amounts included in sales, general and administrative expenses were as follows:
- | | | | | |
|-----------------------------------|--------|-------------|--------|-------------|
| Advertising | 4,499 | Million yen | 4,059 | Million yen |
| Sales promotional activities | 11,643 | | 10,917 | |
| Salaries | 19,585 | | 19,843 | |
| Provision for reserve for bonuses | 3,950 | | 4,067 | |
| Provision for retirement benefits | 1,429 | | 1,137 | |
| Depreciation | 1,495 | | 1,275 | |
| R & D expenses | 32,134 | Million yen | 29,294 | Million yen |
- (R&D expenses above include following amounts provided to reserves and depreciation:)
- | | | | | |
|-----------------------------------|-------|-------------|-------|-------------|
| Provision for reserve for bonuses | 2,015 | Million yen | 1,974 | Million yen |
| Provision for retirement benefits | 687 | | 536 | |
| Depreciation | 2,478 | | 2,524 | |

3. Impairment of fixed assets

Loss on impairment of fixed assets 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 unconsolidated balance sheets]

[As of March 31, 2006]

[As of March 31, 2005]

1. Receivables and Obligations to affiliated companies
- | | | | | |
|-----------------------------|-------|-------------|-------|-------------|
| Current assets | | | | |
| Accounts receivable, trade | 3,374 | Million yen | 5,623 | Million yen |
| Short-term loans receivable | 2,846 | | 6,895 | |
| Liabilities | 4,669 | | 3,979 | |
2. Accumulated depreciation of property, plant and equipment
- | | | | | |
|--|---------|-------------|---------|-------------|
| | 151,272 | Million yen | 152,379 | Million yen |
|--|---------|-------------|---------|-------------|
3. Shares
- | | | | | |
|-----------------------------|-----------|------------------|---------------------|--|
| Number of authorized shares | | | | |
| Common stocks | 1,000,000 | thousands shares | The same as at left | |
| Number of shares in issue | | | | |
| Common stocks | 351,136 | thousands shares | The same as at left | |
4. Commitments ---- Lines of Credit
- The Company entered into line-of-credit commitments with 11 financial institutions in order to enhance its working capital efficiency. The outstanding balances of these lines of credit is as follows:
- | | | | | |
|---------------------------------|--------|-------------|--------|-------------|
| Total amount of lines of credit | 24,000 | Million yen | 24,000 | Million yen |
| The amount of borrowing | -- | | -- | |
| Outstanding balances | 24,000 | | 24,000 | |
5. The number of shares of treasury stocks held by the Company
- | | | | | |
|---------------|--------|------------------|--------|------------------|
| Common stocks | 10,526 | thousands shares | 10,411 | thousands shares |
|---------------|--------|------------------|--------|------------------|
6. Guaranteed liabilities
- | | | | | |
|--|-----|-------------|-----|-------------|
| | 116 | Million yen | 377 | Million yen |
|--|-----|-------------|-----|-------------|

[Notes to lease transactions]

Finance leases other than those under which the lease property is deemed transferred to the lessee

	[As of March 31, 2006]	[As of March 31, 2005]
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties		
Acquisition cost equivalent	132 Million yen	320 Million yen
Accumulated depreciation equivalent	58	224
Term-end balance	74 Million yen	96 Million yen
* Vehicles account for most of the above balances.		
2. Breakdown of period end balance equivalent of unexpired leases		
Within one year	21 Million yen	38 Million yen
Exceeding one year	53	57
Total	74 Million yen	96 Million yen
3. Lease payments and depreciation equivalent		
Lease payments	42 Million yen	57 Million yen
Depreciation equivalent	42 Million yen	57 Million yen
4. Calculation of depreciation equivalent	<p>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.</p>	<p>The same as at left</p>

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

[Notes to securities]

The market value of investments in subsidiaries and affiliates was not determinable at March 31, 2006 and 2005.

[Notes to tax effects]

1. The contents of significant evidences from which Deferred income taxes arisen

	<u>As of March 31, 2006</u>	<u>(Units: millions of yen) As of March 31, 2005</u>
(1) Current:		
Deferred tax assets:		
Reserve for bonuses	2,943	2,963
Accrued enterprise tax	1,030	802
Allowance for doubtful accounts	--	363
Reserve for sales rebates	384	274
Research and development expenses	679	--
Other	1,105	885
Total deferred tax assets	<u>6,143</u>	<u>5,290</u>
Deferred tax liabilities:	(44)	(36)
Net deferred tax assets	<u>6,098</u>	<u>5,253</u>
(2) Non-current:		
Deferred tax assets:		
Retirement benefits for directors and statutory auditors	97	103
Research and development expenses	1,349	1,218
Excess of cost over retirement benefits	29	927
Loss on revaluation of investments in securities	443	546
Other	1,048	307
Total deferred tax assets	<u>2,969</u>	<u>3,103</u>
Deferred tax liabilities:		
Unrealized gain on other securities	(25,388)	(13,550)
Special depreciation	(575)	(420)
Other	(185)	(185)
Total deferred tax liabilities	<u>(26,148)</u>	<u>(14,156)</u>
Net deferred tax liabilities	<u>(23,179)</u>	<u>(11,053)</u>

2. The effective tax rates for the years ended March 31, 2006 and 2005 differ from the statutory tax rate above for the following reasons:

	<u>As of March 31, 2006</u>	<u>As of March 31, 2005</u>
Statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	2.5	3.8
Dividends not taxable for income tax purpose	(0.7)	(0.7)
Inhabitants' per capita taxes	0.3	0.4
Tax credit	(6.0)	(4.9)
Other	(0.6)	0.0
Effective tax rates	<u>36.1 %</u>	<u>39.2 %</u>

[Amounts per share]

	Year ended March 31, 2006	(Units: yen) Year ended March 31, 2005
Shareholders' equity per share	975.81	860.83
Earnings per share	78.11	51.38

(Notes)

1. Net income after giving effect to the diluted potential of common stocks 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.

	Year ended March 31, 2006	Year ended March 31, 2005
Net income (millions of yen)	26,663	17,787
The amount which is not attributable to ordinary shareholders (millions of yen)	54	52
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(54)	(52)
Net income related to common stocks (millions of yen)	26,608	17,734
Average number of shares outstanding during the period (thousands of stocks)	340,667	345,175

Change of Directors and Auditors (Scheduled for 29th June, 2006)

1. Change of Representatives

There is no change.

2. Change of other Directors and Auditors

(1) New Director Candidate

Director Yasuhiro Mino

Corporate Officer, Corporate Strategic Planning Executive and General manager of Corporate Planning Dept. (current)
will be continued after the appointment.

(2) Retiring Director

Director and Adviser Takashi Maeda

Note:

- Directors are scheduled to be appointed or retire at the day of Annual General Meeting of Shareholders to be held June 29, 2006.
- This was disclosed February 27, 2006.