

Interim Financial Statements (Non-consolidated) for The Year Ending March 31, 2007

November 6, 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
 Date of Meeting of Board of Directors for Approving Financial Statements: November 6, 2006
 Commencement of Interim Dividend Payment: December 1, 2006
 Unit Share System : Available (1 Unit: 1,000shares)

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	88,021	0.5	9,073	(13.2)	10,099	(14.7)
Six months ended September 30, 2005	87,599	2.5	10,447	33.2	11,844	40.1
Year ended March 31, 2006	183,388	1.5	25,770	4.9	28,107	10.2

	Net income		Earnings per share	
	Million yen	%	Yen	
Six months ended September 30, 2006	5,653	(33.0)	16.60	
Six months ended September 30, 2005	8,443	19.5	24.78	
Year ended March 31, 2006	26,663	49.9	78.11	

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

[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) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2006	407,521	334,603	82.1	982.61
As of September 30, 2005	376,105	308,028	81.9	904.18
As of March 31, 2006	415,740	332,426	80.0	975.81

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

[2] Treasury stocks held as of the period end
 As of September 30, 2006: 10,609,787 shares
 As of September 30, 2005: 10,464,295 shares
 As of March 31, 2006: 10,526,605 shares

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	193,000	29,000	17,000

(Reference) Estimated earnings per share for FY 2007: ¥ 49.91

3. Dividends

·Cash dividends	Amounts per share (Yen)		
	Interim	Year-end	Annual
Year ended March 31, 2006	6.00	10.00	16.00
Year ending March 31, 2007 (Actual)	8.00	--	16.00
Year ending March 31, 2007 (Projection)	--	8.00	

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.

Interim Non-consolidated Statements of Income

(Units: Millions of yen)

Account	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	88,021	100.0	87,599	100.0	422	183,388	100.0
Cost of sales	29,337	33.3	30,604	34.9	(1,267)	62,583	34.1
Gross profit	58,683	66.7	56,994	65.1	1,689	120,805	65.9
Selling, general and administrative expenses	49,609	56.4	46,547	53.2	3,062	95,035	51.8
Operating income	9,073	10.3	10,447	11.9	(1,374)	25,770	14.1
Non-operating income	2,550	2.9	2,870	3.3	(320)	5,295	2.8
Interest income	180		173		7	309	
Interest on securities	321		201		120	486	
Dividend income	799		832		(33)	1,086	
Income from real estate rental	960		976		(16)	1,938	
Other income	288		685		(397)	1,474	
Non-operating expenses	1,525	1.7	1,473	1.7	52	2,957	1.6
Interest expense	15		15		0	30	
Interest on bonds	--		63		(63)	63	
Contributions	458		460		(2)	1,045	
Depreciation	229		248		(19)	521	
Taxes and public impositions	156		199		(43)	312	
Loss on disposal of property, plant and equipment	252		159		93	309	
Other expenses	412		327		85	675	
Ordinary income	10,099	11.5	11,844	13.5	(1,745)	28,107	15.3
Extraordinary income	509	0.6	2,738	3.1	(2,229)	14,714	8.0
Gain on reversal of co-development cost of previous years	389		--		389	--	
Gain on sales of a subsidiary's securities	120		--		120	400	
Gain on sales of investments in securities	--		2,589		(2,589)	2,589	
Gain on sales of property, plant and equipment	--		140		(140)	140	
Gain on reversal of allowance for doubtful accounts	--		8		(8)	902	
Gain on sales of capsule business	--		--		--	10,681	
Extraordinary losses	386	0.5	1,048	1.2	(662)	1,085	0.6
Loss on liquidation of an investment security	386		--		386	--	
Loss on disposal of property, plant and equipment	--		531		(531)	568	
Loss on impairment of property, plant and equipment	--		516		(516)	516	
Income before income taxes	10,222	11.6	13,534	15.4	(3,312)	41,737	22.7
Income taxes, current	1,030	1.2	3,990	4.5	(2,960)	15,630	8.5
Income taxes, deferred	3,539	4.0	1,101	1.3	2,438	(556)	(0.3)
Net income	5,653	6.4	8,443	9.6	(2,790)	26,663	14.5
Retained earnings brought forward	--		3,230		--	3,230	
Interim dividends	--		--		--	2,044	
Unappropriated earnings at the end of the period	--		11,674		--	27,850	

Interim Non-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
(Assets)			%		%			%
Current assets								
Cash and deposits		75,015		83,450		(8,435)	76,521	
Notes receivable		199		279		(80)	592	
Accounts receivable - trade		61,100		68,208		(7,108)	60,719	
Marketable securities		4,006		4,009		(3)	2,008	
Inventories		29,198		24,871		4,327	27,424	
Other current assets		19,762		18,541		1,221	17,901	
Allowance for doubtful accounts		(6)		(7)		1	(901)	
Total current assets		189,276	46.4	199,354	48.0	(10,078)	184,265	49.0
Fixed assets:								
Property, plant and equipment:								
Buildings		25,474		25,644		(170)	26,344	
Other		28,129		26,429		1,700	25,813	
Property, plant and equipment, net		53,604	13.2	52,074	12.5	1,530	52,157	13.9
Intangible fixed assets		6,195	1.5	6,520	1.5	(325)	5,288	1.4
Investments and other assets:								
Investments in securities		131,859		133,420		(1,561)	110,783	
Other assets		26,750		24,532		2,218	23,770	
Allowance for doubtful accounts		(165)		(162)		(3)	(161)	
Total investments and other assets		158,444	38.9	157,790	38.0	654	134,392	35.7
Total fixed assets		218,244	53.6	216,386	52.0	1,858	191,839	51.0
Total assets		407,521	100.0	415,740	100.0	(8,219)	376,105	100.0

Interim Non-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:								
Accounts payable		11,999		9,275		2,724	10,163	
Reserves:								
Reserve for bonuses		6,603		7,250		(647)	7,000	
Other reserves		930		1,030		(100)	796	
Other current liabilities		19,022		30,479		(11,457)	19,943	
Total current liabilities		38,555	9.5	48,034	11.5	(9,479)	37,903	10.1
Long-term liabilities:								
Deferred income taxes		25,024		23,179		1,845	17,981	
Accrued retirement benefits for employees		8,445		8,279		166	8,083	
Other reserves		185		240		(55)	240	
Other long-term liabilities		706		3,579		(2,873)	3,868	
Total long-term liabilities		34,362	8.4	35,279	8.5	(917)	30,173	8.0
Total liabilities		72,917	17.9	83,314	20.0	(10,397)	68,077	18.1
(Shareholders' equity)								
Common stock		--	--	21,279	5.1	--	21,279	5.7
Additional paid-in capital		--	--	20,227	4.9	--	20,227	5.4
Additional paid-in capital		--		20,227			20,227	
Retained earnings		--	--	262,525	63.2	--	246,349	65.5
Legal reserve		--		5,388			5,388	
Reserves:		--		229,286			229,286	
Unappropriated retained earnings		--		27,850			11,674	
Unrealized gain on securities		--	--	37,144	8.9	--	28,821	7.6
Less: Treasury stock, at cost		--	--	(8,750)	(2.1)	--	(8,649)	(2.3)
Total shareholders' equity		--	--	332,426	80.0	--	308,028	81.9
Total liabilities and shareholders' equity		--	--	415,740	100.0	--	376,105	100.0

Interim Non-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
(NetAssets)								
Owners' equity :								
Common stock		21,279	5.2	--	--	--	--	--
Additional paid-in capital								
Additional paid-in capital		20,227						
Total Additional paid-in capital		20,227	5.0	--	--	--	--	--
Retained earnings								
Legal reserve		5,388						
Others								
Special depreciation		701						
Deferred capital gain on property		25						
General reserve		248,645						
Retained earnings brought Forward		9,957						
Total Retained earnings		264,718	65.0	--	--	--	--	--
Less: treasury stock, at cost		(8,920)	(2.2)	--	--	--	--	--
Total owners' equity		297,304	73.0	--	--	--	--	--
Valuation and translation adjustments								
Unrealized gain on securities		37,298	9.1	--	--	--	--	--
Total valuation and translation adjustments		37,298	9.1	--	--	--	--	--
Total net assets		334,603	82.1	--	--	--	--	--
Total liabilities and net assets		407,521	100.0	--	--	--	--	--

Interim Non-consolidated Statement of Changes in Net Assets

Six months ended September 30, 2006

(Units: Millions of yen)

	Owners' equity									Valuation and translation adjustments	Total net assets
	Common stock	Additional paid-in capital	Retained earnings					Less treasury stock, at cost	Total owners' equity	Unrealized gain on securities	
		Additional paid-in capital	Legal reserve	Other retained earnings							
				Special depreciation	Deferred capital gain on property	General reserve	Retained earnings brought forward				
Balance at September 30, 2006	21,279	20,227	5,388	615	26	228,645	27,850	(8,750)	295,281	37,144	332,426
Movements for the six-month period ended September 30, 2006											
Provision for special depreciation (prior period)				226			(226)		--		--
Reversal of reserve for special depreciation				(140)			140		--		--
Reversal of provision capital gain on property (prior period)					(0)		0		--		--
Reversal of provision capital gain on property					(0)		0		--		--
General reserve provision for general reserve (prior period)						20,000	(20,000)		--		--
Dividends paid from surplus (prior period)							(3,406)		(3,406)		(3,406)
Bonuses to directors and statutory auditors (prior period)							(54)		(54)		(54)
Net income for the six-month period ended September 30, 2006							5,653		5,653		5,653
Purchase of treasury stock								(170)	(170)		(170)
Movements of accounts other than owners' equity, net										154	154
Total movements of accounts for the six-month period ended September 30, 2006	--	--	--	86	(1)	20,000	(17,892)	(170)	2,022	154	2,177
Balance at September 30, 2006	21,279	20,227	5,388	701	25	248,645	9,957	(8,920)	297,304	37,298	334,603

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 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
- | | | |
|--|-------|---|
| 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 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). As a result of the application of this new standard, there was no impact on the balance of shareholders' equity. "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 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 non-consolidated statements of income]

	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
1. The major items and amounts included in sales, general and administrative expenses were as follows:						
Advertising	2,403	Million yen	2,331	Million yen	4,499	Million yen
Sales promotional activities	5,653		5,526		11,643	
Salaries	7,983		8,099		19,585	
Provision for reserve for bonuses	3,579		3,862		3,950	
Provision for retirement benefits	--		719		1,429	
R & D expenses	17,865		15,222		32,134	
(R&D expenses above include following amounts provided as reserves:)						
Provision for reserve for bonuses	1,862		1,930		2,015	
Provision for retirement benefits	--		343		687	
2. Depreciation for the period						
Property, plant and equipment	2,760	Million yen	2,826	Million yen	6,034	Million yen
Intangible fixed assets	919		733		1,586	
3. 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	¥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.

Year ended March 31, 2006

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.

4. Loss on liquidation of an investment security

The loss on liquidation of an investment security arose in connection with the merger of Ohmori Group Honsha Co.,Ltd. on April 1, 2006.

[Notes to interim non-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	152,013 Million yen	151,272 Million yen	149,853 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
4. 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:		
Notes payable (including notes payable related to construction and installation contracts)	-- Million yen	-- Million yen	-- Million yen
5. Consumption tax	Consumption tax paid and consumption tax received are netted and the amount is included in other current liabilities.		

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

Type and number of shares of treasury stock

	March 31, 2006	Increase	Decrease	September 30, 2006
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.

[Notes to lease transactions]

	Six months ended September 30, 2006		Year ended March 31, 2006		Six months ended September 30, 2005	
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	1,256	Million yen	132	Million yen	186	Million yen
Accumulated depreciation equivalent	203		58		98	
Period-end balance	1,052	Million yen	74	Million yen	88	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	301	Million yen	21	Million yen	24	Million yen
Exceeding one year	750		53		63	
Total	1,052	Million yen	74	Million yen	88	Million yen
3. Lease payments and depreciation equivalent						
Lease payments	152	Million yen	42	Million yen	28	Million yen
Depreciation equivalent	152		42		28	
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, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
Net Assets per share	982.61	Yen	904.18	Yen	975.81	Yen
Earnings per share	16.60		24.78		78.11	

(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	5,653	Million yen	8,443	Million yen	26,663	Million yen
The amount which is not attributable to ordinary shareholders	--		--		54	
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(--)		(--)		(54)	
Net income related to common stocks	5,653		8,443		26,608	
Average number of shares outstanding during the period	340,558	Thousands of stocks	340,698	Thousands of stocks	340,667	Thousands of stocks