

**Interim settlement for  
the six months  
ended September 30, 2004**

<Supplement >

November 1, 2004

## Business forecast

<Consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004
Net Sales	953 ( 3.5)	1,047 ( 2.9)	2,000 ( 0.2)	987 ( 44.3)	1,017 ( 5.7)	2,004 ( 29.7)
Operating income	103 ( 34.1)	182 ( 44.3)	285 ( 40.4)	77 ( 8.9)	125 ( 3.2)	202 ( 5.3)
Ordinary income	101 ( 55.0)	169 ( 52.6)	270 ( 53.5)	65 ( 8.9)	110 ( 8.7)	175 ( 2.8)
Net income	81 ( -)	99 ( 98.3)	180 (717.1)	27 ( -)	49 ( 0.5)	22 ( 62.7)

( ) percent increase to the same periods of previous year

<Non-consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004
Net Sales	854 ( 5.0)	966 ( 3.5)	1,820 ( 0.7)	899 ( 2.8)	933 ( 5.4)	1,832 ( 4.1)
Operating income	78 ( 40.5)	167 ( 57.4)	245 ( 51.5)	55 ( 0.1)	105 ( 24.8)	161 ( 14.9)
Ordinary income	84 ( 53.5)	166 ( 66.3)	250 ( 61.7)	55 ( 3.0)	99 ( 6.5)	154 ( 2.9)
Net income	70 ( -)	100 (117.5)	170 (1173.4)	32 ( -)	45 ( 77.7)	13 ( 61.3)

( ) percent increase to the same periods of previous year

## Financial results of significant consolidated subsidiaries

### <Shionogi Qualicaps Co., Ltd.>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2004	2,791	469	468	270
Six months ended September 30, 2003	2,825	522	525	294
(% increase)	( 1.2)	( 10.2)	( 10.9)	( 8.2)
Year ending March 31, 2005	5,920	900	900	550
Year ended March 31, 2004	5,902	1,010	1,005	520
(% increase)	( 0.3)	( 10.9)	( 10.4)	( 5.8)

### <Overseas 3 capsule companies>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2004	3,391	471	425	226
Six months ended September 30, 2003	3,371	208	208	114
(% increase)	( 0.6)	(126.4)	(104.3)	( 98.2)
Year ending March 31, 2005	6,300	500	450	250
Year ended March 31, 2004	6,085	240	10	168
(% increase)	( 3.5)	(108.3)	(4400.0)	( -)

### <Bushu Pharmaceuticals Ltd.>

(Unit: millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2004	2,164	245	203	203
Six months ended September 30, 2003	1,983	165	76	76
(% increase)	( 9.1)	( 48.5)	(167.1)	(167.1)
Year ending March 31, 2005	4,200	430	350	300
Year ended March 31, 2004	4,118	481	322	265
(% increase)	( 2.0)	( 10.6)	( 8.7)	( 13.2)

## Ratio of Consolidated financial results against non-consolidated financial results

	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004
Net Sales	1.1	1.1	1.1	1.1	1.1	1.1
Operating income	1.3	1.1	1.2	1.4	1.2	1.3
Ordinary income	1.2	1.0	1.1	1.2	1.1	1.1
Net income	1.1	1.0	1.1	-	1.1	1.7

## Consolidated affiliated companies and affiliated company accounted for by the equity method

### < Consolidated affiliated companies >

	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Shionogi Qualicaps Co., Ltd.	Nara, Japan	JPY 400 million	Mfg. and sale of capsules	April 26, 1965	March 31	100
2	Bushu Pharmaceuticals Ltd.	Saitama, Japan	JPY 1,000 million	Contract mfg. of pharmaceuticals	August 3, 1998	March 31	100
3	Nichia Pharmaceutical Industries Ltd.	Tokushima, Japan	JPY 200 million	Mfg. of pharmaceutical raw materials	August 24, 1976	March 31	75
4	Ohmori Group Honsha Co., Ltd.	Osaka, Japan	JPY 2,634 million	Wholesaling of pharmaceuticals	August 19, 1963 (Reorganized on July 1, 1998)	March 15	100
5	Saishin Igaku Co., Ltd.	Osaka, Japan	JPY 90 million	Publication of medical information	December 21, 1998	March 31	100
6	Shionogi Engineering Service Co., Ltd.	Hyogo, Japan	JPY 20 million	Inspection and maintenance of pharmaceuticals mfg. equipment	November 2, 1992	March 31	100
7	Shionogi Buturyuu Service & Co., Ltd.	Osaka, Japan	JPY 10 million	Warehousing and logistic services	May 21, 1985	March 31	100
8	Shionogi General Service Co., Ltd.	Osaka, Japan	JPY 10 million	Traveling, Insurance agency	November 2, 1992	March 31	100
9	Aburahi AgroResearch Co., Ltd.	Shiga, Japan	JPY 10 million	Contract Laboratories for Agro Chemicals	February 26, 2004	March 31	* 100
10	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TW\$ 92 million	Mfg. and sale of pharmaceuticals	December 26, 1963	December 31	100
11	Shionogi Europe B.V.	Amsterdam, The Netherlands	Euro 35,910 thousand	Holding company	June 17, 1992	December 31	100
12	Shionogi Qualicaps, Inc.	North Carolina, U.S.A.	US\$ 31 million	Mfg. and sale of capsules	June 10, 1992	December 31	* 100
13	Shionogi Qualicaps, S.A.	Madrid, Spain	Euro 15,626 thousand	Mfg. and sale of capsules	September 10, 1992	December 31	* 100
14	Shionogi USA, INC.	Delaware, U.S.A.	US\$ 10 million	Contract research and sale for pharmaceuticals	February 15, 2001	December 31	100
15	SG Holding, INC.	Delaware, U.S.A.	US\$ 60	Holding company	September 27, 2001	December 31	100

### < Affiliated company accounted for by the equity method >

	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Shionogi-GlaxoSmithKline Holding L.P.	Cayman Islands	-	Holding company	October 19, 2001	December 31	* 50

\* Incl. Indirect ownership

## Sales by segment

### <Consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004
Pharmaceuticals and related businesses	871	978	1,849	904	949	1,853
Ethical drugs	799	890	1,689	846	889	1,735
OTC and quasi-drugs	31	35	66	35	33	68
Diagnostics	18	17	35	20	18	38
Royalty income	23	36	59	3	9	12
Capsule business	59	56	115	59	55	114
Other businesses	23	13	36	25	13	38
Industrial Chemicals	0	0	0	10	0	10
Real estate/Distributing service etc.	23	13	36	15	13	28
<b>Total</b>	<b>953</b>	<b>1,047</b>	<b>2,000</b>	<b>987</b>	<b>1,017</b>	<b>2,004</b>

### <Non-consolidated>

(Unit: Yen 100 million)

	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004
Pharmaceuticals and related businesses	854	966	1,820	889	934	1,823
Ethical drugs	782	878	1,660	832	873	1,705
OTC and quasi-drugs	31	35	66	35	33	68
Diagnostics	18	17	35	20	18	38
Royalty income	23	36	59	3	9	12
Industrial Chemicals	0	0	0	10	0	10
<b>Total</b>	<b>854</b>	<b>966</b>	<b>1,820</b>	<b>899</b>	<b>933</b>	<b>1,832</b>

## Main Products <Non-consolidated>

### Ethical drugs

(Unit: Yen 100 million)

Product name	Category	Apr. 2004- Sep. 2004	Oct. 2004- Mar. 2005 (forecast)	Apr. 2004- Mar. 2005 (forecast)	Apr. 2003- Sep. 2003	Oct. 2003- Mar. 2004	Apr. 2003- Mar. 2004
Total ethical drugs		782	878	1,660	832	873	1,705
Top 10 products							
1	FLOMOX Oral cephem antibiotic (in-house)	143	200	343	150	195	345
2	FLUMARIN Injectable Oxacephem antibiotic (in-house)	90	85	175	99	94	193
3	VANCOMYCIN Glycopeptide antibiotic	84	80	164	95	87	182
4	RINDERON Synthetic adrenocortical hormone	55	49	104	54	47	101
5	IMUNACE Interleukin-2	54	57	111	46	49	95
6	MS CONTIN Long-acting analgesic for cancer pain	32	31	63	40	37	77
7	LONGES ACE inhibitor	26	25	51	29	28	57
8	CLARITIN Antiallergic agent	24	50	74	21	34	55
9	KEFRAL Oral cephem antibiotic	21	23	44	25	24	49
10	DOBUTREX Agent for treatment of acute circulatory insufficiency	16	19	35	20	19	39
Other main products							
	BERIZYM Digestive enzymes	14	14	28	14	14	28
	BROACT Injectable cephem antibiotic	13	15	28	15	14	29
	RHYTHMY Sleep inducer (in-house)	13	12	25	13	12	25
	OXYCONTIN Long-acting analgesic for cancer pain	12	18	30	2	7	9
	LANDEL Antihypertensive (Calcium antagonist)	10	12	22	11	10	21
	PL GRANULES Cold remedy	9	20	29	10	20	30
	ULGUT Gastritis and peptic ulcer therapeutic agent	7	6	13	7	7	14
	AQUPLA Anticancer (in-house)	6	6	12	6	6	12
	MORPHINE- HYDROCHLORIDE Injectable morphine hydrochloride analgesic	6	6	12	6	6	12
	SG GRANULES Analgesic and antipyretic	3	3	6	2	2	4
	CEFTIBUTEN (Export) Oral cephem antibiotic (in-house)	5	6	11	15	8	23
New products							
	CRESTOR Antihyperlipidemia	-	-	-	-	-	-
	CETRORELIX (Generic name) Luteinizing hormone-releasing hormone antagonist	-	-	-	-	-	-

### OTC products

(Unit: Yen 100 million)

Product name	Category	Apr. 2004- Sep. 2004	Oct. 2004- Mar. 2005 (forecast)	Apr. 2004- Mar. 2005 (forecast)	Apr. 2003- Sep. 2003	Oct. 2003- Mar. 2004	Apr. 2003- Mar. 2004
Total OTC products		31	35	66	35	33	68
	SEDES Analgesic and antipyretic	13	16	29	16	14	30
	POPON-S Multivitamin with calcium	5	7	12	7	6	13

## Investments in equipments/Depreciation cost

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)
<Consolidated>						
Investment in equipments	29	29	58	26	37	63
Depreciation cost	46	50	96	45	49	94
<Non-consolidated>						
Investment in equipments	22	27	49	23	30	53
Depreciation cost	38	41	79	37	40	77

Main constructions	Total budget	Result until March 31, 2004	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)
Mfg. equipment for S-4661	20	7	5	8	13

## R&D cost

(Unit: Yen 100 million)

	For the period from Apr. 1, 2003 to Sep. 30, 2003	For the period from Oct. 1, 2003 to Mar. 31, 2004	For the year ended March 31, 2004	For the period from Apr. 1, 2004 to Sep. 30, 2004	For the period from Oct. 1, 2004 to Mar. 31, 2005 (forecast)	For the year ending March 31, 2005 (forecast)
Consolidated (% to Net sales)	146 (14.8%)	152 (14.9%)	298 (14.9%)	158 (16.5%)	159 (15.2%)	317 (15.9%)
Non-consolidated (% to Net sales)	144 (16.0%)	151 (16.2%)	295 (16.1%)	157 (18.4%)	158 (16.4%)	315 (17.3%)

## Employees

(Unit: persons)

	End of March 2003	End of September 2003	End of March 2004	End of September 2004	End of March 2005 (forecast)
Consolidated	6,149	6,153	5,589	5,611	5,510
Non-consolidated	4,744	4,783	4,334	4,350	4,260

Drugs Under Development

1-Nov-04

<in Japan>

Stage/ Code No.	Administration	Indication/Mechanism	Origin	NDA submission
<b>Approved</b>				
Vancomycin	Injection	Glycopeptide antibiotic Additional indication: sepsis, pneumonia, meningitis caused by PRSP (orphan). Generic name: vancomycin	Licensed from Eli Lilly and Company (USA)	March, 2003  Approved on October 22, 2004

**NDAs filed**

NS75A	SC	Prevention of premature ovulation during a controlled ovarian stimulation followed by assisted reproductive technology (ART). Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	December, 2000
SR47436	Oral	Antihypertensive Angiotensin II receptor antagonist Not prodrug unlike other antagonists. Not found cough appeared in ACE inhibitors. Generic name: irbesartan	Co-developed with Bristol Pharmaceuticals K.K. Licensed from Sanofi SA (France)	October, 2002
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Low renal toxicity and low response (convulsion) toward central nervous system. Generic name: doripenem	Developed in-house	September, 2003
S-8116	Oral	Analgesic for cancer pain. Immediate-release oxycodone preparation Generic name: oxycodone.	Licensed from Mundipharma AG (Netherlands)	May, 2004
SCH29851	Oral	Antiallergic Histamine H1 receptor antagonist. Additional Preparation, Additional Indication : Pediatric use (allergic rhinitis and itch caused by atopic dermatitis, eczema, dermatitis, pruritus) Generic name: loratadine	Co-developed with Schering-Plough K.K. Licensed from Schering-Plough Corp. (USA)	September, 2004

**Phase 3**

LY248686	Oral	Antidepressant S N R I (serotonin & norepinephrine reuptake inhibitor). Considering the dosage in USA, additional study at higher dose is conducting to confirm the efficacy .	Licensed from Eli Lilly and Company (USA)	Refiling, 2007-2008
S-7701	Oral	Anti-fibrosis (idiopathic interstitial pulmonary fibrosis). Additional indications to other fibrosis may be possible. Generic name: pirfenidone	Licensed from Marnac, Inc. (USA)	Refiling, 2006

**Phase 2**

NS75A	Injection	Uterine myoma Luteinizing hormone-releasing hormone antagonist. Once a week preparation Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany) Phase 2a (completed)	
S-6820	Injection	Recombinant interleukin-2 Additional indication: liver metastasis from colorectal cancer. Generic name: teceleukin	Licensed from Biogen, Inc. (USA)	



**Phase 1 in preparation**

S-0373	Oral	Spinocerebellar ataxia A TRH derivative. Good intracerebral transfer and long-action Considering domestic and overseas development	Developed in-house	
NS75B	Injection	Prostatomegaly Luteinizing hormone-releasing hormone antagonist. Generic name: cetrorelix	Co-developed with Nippon Kayaku Co., Ltd. Licensed from Zentaris AG (Germany)	
EP-013420	Oral	Ketolide Antibiotic	Licensed from Enanta Pharmaceuticals, Inc. (USA)	

**<Outside Japan>**

Stage/ Code No.	Administration	Indication/Mechanism	Origin/Overseas status/Stage	NDA submission
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**Phase 2**

S-5751	Oral	Antiallergic Prostaglandin D <sub>2</sub> receptor antagonist. First candidate as PGD <sub>2</sub> receptor antagonists.	Developed in-house Japan: Phase 1 US: Phase 2	
S-3304	Oral	Anticancer Matrix metalloproteinases inhibitor. Not cytotoxic, but prevent proliferation and metastasis. Great safety margin.	Developed in-house USA: Phase 2 (in preparation)	
S-8921	Oral	Antihyperlipidemia Inhibition of bile acid transporter in small intestine.	Developed in-house Europe: Phase 2a	
S-3013	Oral	Antiinflammatory	Developed by collaboration with Eli Lilly and Company (USA)	

**Phase 1**

S-2367	Oral	Anti-obesity agent Central nervous system antagonist Prevention of accumulation of visceral fat, amelioration of blood sugar and serum fat High safety and no rebound are expected . Phase I b (multiple dose studies in healthy obesity volunteers	Developed in-house Europe, USA: Phase 1	
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**<Shionogi-GlaxoSmithKline>**

Code No.	Administration	Indication/Mechanism	Stage	NDA submission
S-8510	Oral	Target indication: Alzheimer's Disease/Dementia Benzodiazepine receptor partial inverse agonist.	Japan: Phase 2 Europe: Phase 1	
S-0139	Injection	Target indication:Cerebrovascular diseases including acute ischemic stroke Endothelin A receptor antagonist	Japan: Phase 2 Europe: Phase 1	

**<Out-Licensing Activity>**

Code No.	Administration	Category/Indication	Remarks	NDA submission
S-4522	Oral	Antihyperlipidemia HMG CoA reductase inhibitor. Superior activity to other statines. Generic name: rosuvastatin	Licensed to "AstraZeneca , UK" in April, 1998	June, 2001 (world wide except Japan) April , 2002 (Japan) Approved in 64 countries
S-1153	Oral	Anti-HIV Non-nucleoside reverse transcriptase inhibitor Generic name: capravirine	Licensed to "Pfizer, USA" in June, 1998 Phase 2 trials on-going	
S-4661	Injection	Carbapenem antibiotic Broad spectrum. Generic name: doripenem	Licensed to "Peninsula, USA" in May, 2003 Phase 3 trails on-going	

**<In-Licensing Activity>**

BAY12-8039	oral	New Quinolone antibiotic Generic name: Moxifloxacin	Licensed from "Bayer Yakuin , Japan" in October, 2003	September , 2002 (Japan)
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**<Discontinued>**

S-3536	Oral	Drug for osteoarthritis (OA), Disease-modifying anti-OA drug (DMAOD) Selective matrix metalloproteinase (MMP) inhibitor	Continue to discover backup	
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