

Interim settlement for  
the six months  
ended September 30, 2006

<Supplement >

November 6, 2006

 **SHIONOGI & CO., LTD.**

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## ① Business forecast

<Consolidated>

(Unit: 100 million Yen)

	For the period from Apr. 1, 2006 to Sep. 30, 2006	For the period from Oct. 1, 2006 to Mar. 31, 2007 (forecast)	For the year ending March 31, 2007 (forecast)	For the period from Apr. 1, 2005 to Sep. 30, 2005	For the period from Oct. 1, 2005 to Mar. 31, 2006	For the year ended March 31, 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
Net Sales	921 (Δ 4.9)	1,129 ( 13.4)	2,050 ( 4.4)	968 ( 1.6)	995 (Δ 4.3)	1,963 (Δ 1.5)	Δ 47	134	87
Operating income	109 (Δ 9.6)	201 ( 17.2)	310 ( 6.1)	121 ( 17.5)	171 (Δ 7.1)	292 ( 1.7)	Δ 12	30	18
Ordinary income	109 (Δ 11.1)	201 ( 15.7)	310 ( 4.5)	123 ( 21.3)	173 (Δ 1.8)	296 ( 6.7)	Δ 14	28	14
Net income	63 (Δ 23.1)	117 (Δ 19.5)	180 (Δ 20.8)	83 ( 2.3)	144 ( 33.4)	227 ( 20.0)	Δ 20	Δ 27	Δ 47

( ) percent increase to the same periods of previous year

<Non-consolidated>

(Unit: 100 million Yen)

	For the period from Apr. 1, 2006 to Sep. 30, 2006	For the period from Oct. 1, 2006 to Mar. 31, 2007 (forecast)	For the year ending March 31, 2007 (forecast)	For the period from Apr. 1, 2005 to Sep. 30, 2005	For the period from Oct. 1, 2005 to Mar. 31, 2006	For the year ended March 31, 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
Net Sales	880 ( 0.5)	1,050 ( 10.1)	1,930 ( 5.2)	875 ( 2.5)	958 ( 0.5)	1,833 ( 1.5)	5	92	97
Operating income	90 (Δ 13.2)	185 ( 20.3)	275 ( 6.7)	104 ( 33.2)	153 (Δ 8.4)	257 ( 4.9)	Δ 14	32	18
Ordinary income	100 (Δ 14.7)	190 ( 16.2)	290 ( 3.2)	118 ( 40.1)	163 (Δ 4.6)	281 ( 10.2)	Δ 18	27	9
Net income	56 (Δ 33.0)	114 (Δ 37.7)	170 (Δ 36.2)	84 ( 19.5)	182 ( 70.0)	266 ( 49.9)	Δ 28	Δ 68	Δ 96

( ) percent increase to the same periods of previous year

## ② Financial results of significant consolidated subsidiaries

<Bushu Pharmaceuticals Ltd.>

(Unit: million Yen)

	For the period from Apr. 1, 2006 to Sep. 30, 2006	For the period from Oct. 1, 2006 to Mar. 31, 2007 (forecast)	For the year ending March 31, 2007 (forecast)	For the period from Apr. 1, 2005 to Sep. 30, 2005	For the period from Oct. 1, 2005 to Mar. 31, 2006	For the year ended March 31, 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
Net Sales	3,687 ( 76.5)	3,813 ( 22.4)	7,500 ( 44.1)	2,089 (Δ 3.5)	3,116 ( 47.1)	5,205 ( 21.5)	1,598	697	2,295
Operating income	365 (973.5)	355 (Δ 30.7)	720 ( 31.9)	34 (Δ 86.1)	512 (140.4)	546 ( 19.2)	331	Δ 157	174
Ordinary income	266 ( -)	294 (Δ 35.0)	560 ( 29.9)	Δ 21 ( -)	452 (165.9)	431 ( 15.5)	287	Δ 158	129
Net income	140 ( -)	190 (Δ 26.9)	330 ( 33.6)	Δ 13 ( -)	260 ( 68.8)	247 (Δ 30.8)	153	Δ 70	83

( ) percent increase to the same periods of previous year

### ③ Sales by segment

(Unit: 100 million Yen)

	Apr. 2006- Sep. 2006	Oct. 2006- Mar. 2007 (forecast)	Apr. 2006- Mar. 2007 (forecast)	Apr. 2005- Sep. 2005	Oct. 2005- Mar. 2006	Apr. 2005- Mar. 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
Pharmaceuticals and related businesses	909 ( 1.7)	1,085 ( 10.8)	1,994 ( 6.5)	893 ( 2.5)	979 ( 1.1)	1,872 ( 1.8)	16	106	122
Ethical drugs	761 (Δ 4.4)	889 ( 3.6)	1,650 (Δ 0.3)	796 ( 0.4)	859 (Δ 1.9)	1,655 (Δ 0.8)	Δ 35	30	Δ 5
FLOMOX	138	182	320	151	190	341	Δ 13	Δ 8	Δ 21
FLUMARIN	74	70	144	87	77	164	Δ 13	Δ 7	Δ 20
VANCOMYCIN	72	65	137	82	79	161	Δ 10	Δ 14	Δ 24
IMUNACE	57	58	115	53	58	111	4	0	4
RINDERON	53	47	100	54	48	102	Δ 1	Δ 1	Δ 2
CLARITIN	25	55	80	33	47	80	Δ 8	8	0
OXYCONTIN	25	45	70	20	23	43	5	22	27
LONGES	19	21	40	24	20	44	Δ 5	1	Δ 4
KEFRAL	15	15	30	18	17	35	Δ 3	Δ 2	Δ 5
MS CONTIN	13	9	22	20	15	35	Δ 7	Δ 6	Δ 13
RHYTHMY	13	13	26	14	13	27	Δ 1	0	Δ 1
LANDEL	9	15	24	10	9	19	Δ 1	6	5
CRESTOR	11	29	40	0	1	1	11	28	39
FINIBAX	9	26	35	1	7	8	8	19	27
AVELOX	11	19	30	-	18	18	11	1	12
CETROTIDE	0	5	5	-	-	-	0	5	5
Contract manufacturing	17 (187.6)	23 ( 51.5)	40 ( 89.9)	6 (Δ 10.5)	15 (134.1)	21 ( 60.8)	11	8	19
OTC and quasi-drugs	31 (Δ 4.7)	33 ( 3.2)	64 (Δ 0.7)	32 ( 5.1)	32 (Δ 1.9)	64 ( 1.5)	Δ 1	1	0
SEDES	13	15	28	14	12	26	Δ 1	3	2
POPON-S	6	6	12	6	6	12	0	0	0
Diagnostics	17 (Δ 4.2)	18 ( 11.1)	35 ( 3.2)	18 (Δ 3.5)	16 (Δ 7.0)	34 (Δ 5.3)	Δ 1	2	1
Royalty income	83 (100.9)	122 (113.4)	205 (108.2)	41 ( 80.3)	57 ( 49.8)	98 ( 61.3)	42	65	107
CRESTOR	74	111	185	32	49	81	42	62	104
Capsule business	- ( -)	- ( -)	- ( -)	61 ( 2.4)	- ( -)	61 (Δ 49.1)	Δ 61	0	Δ 61
Other business	13 (Δ 12.6)	43 (165.6)	56 ( 81.3)	15 (Δ 36.6)	16 ( 50.0)	31 (Δ 8.9)	Δ 2	27	25
<b>Total</b>	<b>921</b> (Δ 4.9)	<b>1,129</b> ( 13.4)	<b>2,050</b> ( 4.4)	<b>968</b> ( 1.6)	<b>995</b> (Δ 4.3)	<b>1,963</b> (Δ 1.5)	<b>Δ 47</b>	<b>134</b>	<b>87</b>

( ) percent increase to the same periods of previous year

#### ④ Investments in equipments/Depreciation cost

(Unit: 100 million Yen)

	For the period from Apr. 1, 2006 to Sep. 30, 2006	For the period from Oct. 1, 2006 to Mar. 31, 2007 (forecast)	For the year ending March 31, 2007 (forecast)	For the period from Apr. 1, 2005 to Sep. 30, 2005	For the period from Oct. 1, 2005 to Mar. 31, 2006	For the year ended March 31, 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
<Consolidated>									
Investment in equipments	54	76	130	51	60	111	3	16	19
Depreciation cost	42	47	89	42	44	86	0	3	3
<Non-consolidated>									
Investment in equipments	46	74	120	21	31	52	25	43	68
Depreciation cost	37	42	79	35	41	76	2	1	3

#### ⑤ R&D cost

(Unit: 100 million Yen)

	For the period from Apr. 1, 2006 to Sep. 30, 2006	For the period from Oct. 1, 2006 to Mar. 31, 2007 (forecast)	For the year ending March 31, 2007 (forecast)	For the period from Apr. 1, 2005 to Sep. 30, 2005	For the period from Oct. 1, 2005 to Mar. 31, 2006	For the year ended March 31, 2006	Change		
							For the period from Apr. 1 to Sep. 30	For the period from Oct. 1 to Mar. 31	For the year from Apr. 1 to Mar. 31
Consolidated (% to Net sales)	179 (19.4%)	191 (16.9%)	370 (18.0%)	152 (15.8%)	170 (17.1%)	322 (16.4%)	27	21	48
Non-consolidated (% to Net sales)	179 (20.3%)	191 (18.2%)	370 (19.2%)	152 (17.4%)	169 (17.7%)	321 (17.5%)	27	22	49

#### ⑥ Employees

(Unit: persons)

	End of March 2005	End of September 2005	End of March 2006	End of September 2006	End of March 2007 (forecast)	Change		
						Sep. 30 2005 - Mar. 31 2006	Mar. 31 2006 - Sep. 30 2006	Sep. 30 2006 - Mar. 31 2007
Consolidated	5,522	5,614	4,997	5,058	4,940	△ 617	61	△ 118
Non-consolidated	4,293	4,343	4,246	4,397	4,270	△ 97	151	△ 127

## ⑦ Consolidated affiliated companies and affiliated company accounted for by the equity method

### < Consolidated affiliated companies >

No.	Company name	Location	Common stock	Business status	Establish	Closing date	Ownership (%)
1	Bushu Pharmaceuticals Ltd.	Saitama, Japan	JPY 1,000 million	Contract mfg. of pharmaceuticals	August 3, 1998	March 31	100
2	Nichia Pharmaceutical Industries Ltd.	Tokushima, Japan	JPY 200 million	Mfg. of pharmaceutical raw materials	August 24, 1976	March 31	75
3	Saishin Igaku Co., Ltd.	Osaka, Japan	JPY 90 million	Publication of medical information	December 21, 1998	March 31	100
4	Shionogi Engineering Service Co., Ltd.	Hyogo, Japan	JPY 20 million	Inspection and maintenance of pharmaceuticals mfg. equipment	November 2, 1992	March 31	100
5	Shionogi Buturyuu Service & Co., Ltd.	Osaka, Japan	JPY 10 million	Warehousing and logistic services	May 21, 1985	March 31	100
6	Shionogi General Service Co., Ltd.	Osaka, Japan	JPY 10 million	Traveling, Insurance agency	November 2, 1992	March 31	100
7	Aburahi AgroResearch Co., Ltd.	Shiga, Japan	JPY 10 million	Contract Laboratories for Agro Chemicals	February 26, 2004	March 31	* 100
8	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TW\$ 92 million	Mfg. and sale of pharmaceuticals	December 26, 1963	December 31	100
9	Shionogi USA, INC.	Delaware, U.S.A.	US\$ 10 million	Contract research and sale for pharmaceuticals	February 15, 2001	December 31	100
10	SG Holding, INC.	Delaware, U.S.A.	US\$ 60	Holding company	September 27, 2001	December 31	100

\*Shionogi & Co., Ltd. merged a consolidated affiliated company, Ohmori Group Honsha Co., Ltd. in April 2006.

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

No.	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

## ⑧ Management Objectives Trend (Consolidated)

< Management Objectives Trend (Consolidated) >

		FY2006 1H	FY2005	FY2005 1H	FY2004
Ratio Of Operating Income To Net Sales	%	11.9	14.9	12.5	14.4
Ratio Of Ordinary Income To Net Sales	%	11.9	15.1	12.8	13.9
Ratio Of Net Income To Net Sales	%	6.9	11.6	8.6	9.5
Total Assets Turnover		0.22	0.48	0.25	0.52
Equity Ratio	%	79.8	78.8	80.3	75.5
Return On Assets (ROA)	%	2.6	7.2	3.1	7.2
Return On Equity (ROE)	%	1.9	7.1	2.7	6.4
Dividend Payout Ratio	%	—	24.0	—	22.0
Earnings Per Share	Yen	18.78	66.55	24.39	54.64



## ⑨ Consolidated Statements of Income

(Unit: million Yen)

	First Half of FY 2006	First Half of FY 2005	Change	
I Net Sales	92,154	96,853	△ 4,699	Due to exclusion of Capsule business △6,100 million Yen
II Cost of sales	30,609	35,764	△ 5,155	
Gross profit	61,544	61,089	455	
III SG & A Expenses	50,560	48,937	1,623	Due to exclusion of Capsule business △1,200 million Yen R&D expenses +2,600 million Yen
Operating Income	10,984	12,151	△ 1,167	
IV Non-operating income	1,599	1,799	△ 200	
1. Interest income	477	312	165	
2. Dividend income	499	438	61	
3. Exchange gain	-	432	△ 432	
4. Income from real estate rental	290	309	△ 19	
5. Other income	331	306	25	
V Non-operating expenses	1,606	1,603	3	
1. Interest expense	47	89	△ 42	
2. Contributions	474	474	0	
3. Loss on disposal of property, plant and equipment	282	215	67	
4. Other expenses	801	823	△ 22	
Ordinary income	10,977	12,348	△ 1,371	
VI Extraordinary income	509	2,733	△ 2,224	<First Half of FY 2005> Gains on sale of its stocks of Peninsula Pharmaceuticals, Inc.
1. Gain on reversal of co-development cost of the previous years	389	-	389	
2. Gain on sales of investments in securities	120	2,589	△ 2,469	
3. Gain on sales of property, plant and equipment	-	140	△ 140	<First Half of FY 2005> Gains on sale of land and other factors
4. Gain on reversal of allowance for doubtful accounts	-	3	△ 3	
VII Extraordinary Losses	-	972	△ 972	<First Half of FY 2005> Disposal of ideal property
1. Loss on disposal of property, plant and equipment	-	531	△ 531	
2. Loss on impairment of property, plant and equipment	-	440	△ 440	
Income before income taxes and minority interests	11,487	14,109	△ 2,622	<First Half of FY 2005> Loss on impairment of Land in Sendai
Income taxes, current	1,552	4,574	△ 3,022	
Income taxes, defferred	3,517	1,202	2,315	
Minority interest(△)	△ 23	△ 20	△ 3	
Net income	6,394	8,310	△ 1,916	

## ⑩-1 Consolidated Balance Sheets (Assets)

(Unit: million Yen)

	As of September. 30, 2006	As of March. 31, 2006	Change
( Assets )			
I Current assets			
1. Cash and deposits	82,932	90,652	△ 7,720
2. Notes and accounts receivable	64,113	69,912	△ 5,799
3. Inventories	31,418	27,184	4,234
4. Deferred tax assets	4,542	6,321	△ 1,779
5. Other current assets	19,056	14,269	4,787
Allowance for doubtful accounts	△ 12	△ 13	1
Total current assets	202,051	208,327	△ 6,276
II Fixed assets			
1. Property, plant and equipmejnt			
(1) Building and structures	30,730	30,759	△ 29
(2) Machinery and equipment	11,180	9,899	1,281
(3) Land	14,811	14,805	6
(4) Construction in progress	3,952	3,601	351
(5) other	5,402	5,184	218
Property, plant and equipment, net	66,077	64,251	1,826
2. Intangible fixed assets	6,772	7,131	△ 359
3. Investments and other assets			
(1) Investments in securities	129,040	129,037	3
(2) Prepaid pension costs	17,782	15,360	2,422
(3) Deferred tax assets	51	50	1
(4) Other	3,544	3,686	△ 142
Allowance for doubtful accounts	△ 165	△ 162	△ 3
Total investments and other assets	150,253	147,972	2,281
Total fixed assets	223,104	219,355	3,749
Total assets	425,155	427,682	△ 2,527

Payment of income tax for last year

Rise and fall due to seasonal variations

Increase in the advance by increase of a construction order received in a subsidiary etc.

## ⑩-2 Consolidated Balance Sheets (Liabilities and Net Assets)

(Unit: million Yen)

	As of September. 30, 2006	As of March. 31, 2006	Change
<b>( Liabilities )</b>			
<b>I Current liabilities</b>			
1. Note and accounts payable	14,427	10,227	4,200
2. Accrued income taxes	1,696	12,209	△ 10,513
3. Reserves			
(1) Reserve for bonuses	6,827	7,482	△ 655
(2) Other reserves	989	1,187	△ 198
4. Other current liabilities	24,649	20,771	3,878
<b>Total current liabilities</b>	<b>48,591</b>	<b>51,877</b>	<b>△ 3,286</b>
<b>II Long-term liabilities</b>			
1. Deferred tax liabilities	25,121	23,276	1,845
2. Reserves			
(1) Accrued retirement benefits for employees	8,486	8,318	168
(2) Other reserves	185	240	△ 55
3. Long-term accounts payable	2,451	5,569	△ 3,118
4. Other long-term liabilities	959	965	△ 6
<b>Total long-term liabilities</b>	<b>37,205</b>	<b>38,371</b>	<b>△ 1,166</b>
<b>Total liabilities</b>	<b>85,796</b>	<b>90,249</b>	<b>△ 4,453</b>
<b>( Minority interests )</b>			
Minority interests	—	247	—
<b>( Shareholders' equity )</b>			
<b>I Common stock</b>	—	21,279	—
<b>II Additional paid-in-capital</b>	—	20,227	—
<b>III Retained earnings</b>	—	266,469	—
<b>IV Unrealized gain on securities</b>	—	38,116	—
<b>V Translation adjustments</b>	—	△ 156	—
<b>VI Less treasury stock, at cost</b>	—	△ 8,750	—
<b>Total Shareholders' equity</b>	—	<b>337,185</b>	—
<b>Total liabilities, minority interests and shareholders' equity</b>	—	<b>427,682</b>	—
<b>( Net Assets )</b>			
<b>I Owners' equity</b>			
1. Common stock	21,279	—	—
2. Additional paid-in-capital	20,227	—	—
3. Retained earnings	269,394	—	—
4. Less treasury stock, at cost	△ 8,920	—	—
<b>Total owners' equity</b>	<b>301,980</b>	—	—
<b>II Valuation and translation adjustments</b>			
1. Unrealized gain on securities	37,298	—	—
2. Translation adjustments	△ 189	—	—
<b>Total valuation and translation adjustments</b>	<b>37,109</b>	—	—
<b>III Minority interests</b>	268	—	—
<b>Total net assets</b>	<b>339,358</b>	—	—
<b>Total liabilities and net assets</b>	<b>425,155</b>	—	—

Decrease by payment  
of income tax for last  
year

Increase in the advance by  
the increase of a construction  
order received in a subsidiary  
etc.

Reduction due to  
payment for the defined  
contribution past  
accompanying  
retirement pension plan  
change (April 2004).

<In Japan>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-8116 (Oxycodone hydrochloride)	Immediate-release oxycodone (Oral)	Cancer pain	Approval (October, 2006)	Mundipharma AG (Netherlands)	In-house
SCH29851 (Loratadine)	Histamine H1 receptor antagonist (Oral)	Additional indication: Pediatric use (allergic rhinitis and itch caused by various dermatitis)	NDA submission (September, 2004: Schering-Plough K.K.)	Schering-Plough Corp. (USA)	Co-development: Schering-Plough K.K.
SR47436 (Irbesartan)	Angiotensin II receptor antagonist (Oral)	Hypertension	NDA submission (in preparation)	Sanofi-Aventis (France)	Co-development: Dainippon Sumitomo Pharma Co., Ltd.
S-7701 (Pirfenidone)	Anti-fibrosis (Oral)	Idiopathic interstitial pulmonary fibrosis	Phase 3	Marnac, Inc. (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Depression	Phase 3	Eli Lilly and Company (USA)	In-house
NS75A (Cetrorelix acetate)	Gonadotropin releasing hormone antagonist (Injection)	Uterine myoma	Phase 2	Zentaris AG (Germany)	Co-development: Nippon Kayaku Co., Ltd.
S-013420	Novel macrolide antibiotic (Oral)	Bacterial infection	Phase 2b	Enanta Pharmaceuticals, Inc. (USA)	In-house
LY248686 (Duloxetine hydrochloride)	SNRI (serotonin & norepinephrine reuptake inhibitor) (Oral)	Diabetic Peripheral neuropathic pain	Phase 2	Eli Lilly and Company (USA)	In-house
NS75B (Cetrorelix pamoate)	Gonadotropin releasing hormone antagonist (Injection)	Benign Prostatic Hypertrophy	Phase 1/2	Zentaris AG (Germany)	Co-development: Nippon Kayaku Co., Ltd.
S-777469	Antipruritic agent (Oral)	Pruritus with atopic dermatitis	Phase 1	In-house	In-house
S-0373	Non-peptide mimetic of TRH (Oral)	Spinocerebellar ataxia, Parkinson's disease	Phase 1 (in preparation)	In-house	In-house

<Outside Japan>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-2367	Central nervous system antagonist (Oral)	Obesity	USA: Phase 2	In-house	In-house
S-0139	Endothelin A receptor antagonist (Injection)	Cerebrovascular diseases	Japan: Phase 2a Europe: Phase 1	In-house	In-house

<Shionogi-GlaxoSmithKline>

Code No.	Category (Administration)	Indication	Stage	Origin	Development
S-364735	HIV integrase inhibitor (Oral)	HIV infection	USA: Phase 2 (in preparation)	Shionogi-GlaxoSmithKline Pharmaceuticals LLC (USA)	Shionogi-GlaxoSmithKline Pharmaceuticals LLC

<Out-Licensing Activity>

Code No. (Generic name)	Category (Administration)	Indication	Stage	Origin	Development
S-4661 (Doripenem hydrate)	Carbapenem antibiotic (Injection)	Bacterial infection	Phase 3	In-house	Peninsula (USA) ↓ Johnson & Johnson (USA)

<In-Licensing Activity>

Generic name	Category (Administration)	Indication	Stage	Origin	Development
Adapalene gel	Retinoic acid nuclear receptor agonist (Topical)	Acne vulgaris	NDA submission (June, 2006)	Galderma (France)	Galderma K.K.