Financial Statements (Consolidated)
for The Year ended March 31, 2005

May 16 , 2005

Name of Listed Company: **SHIONOGI & CO., LTD.**
Listed Exchanges: Section I of Tokyo, Osaka and Nagoya, and Fukuoka and Sapporo
Code: 4507
Location of Head Office: Osaka Prefecture
(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

Date of Meeting of Board of Directors for Approving Financial Statements: May 16 , 2005
Application of U.S. accounting standards: No

1. Financial results for the period from April 1, 2004 to March 31, 2005

(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, 2005	199,364	(0.6)	28,729	41.6	27,804	58.1
Year ended March 31, 2004	200,485	(29.7)	20,292	5.3	17,586	(2.8)

	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, 2005	18,941	759.6	54.64	----	6.4	7.2	13.9
Year ended March 31, 2004	2,203	(62.7)	6.06	----	0.8	4.7	8.8

(Notes) ① Equity in losses on investments accounted for by equity method — Year ended March 31, 2005: (393) million yen — Year ended March 31, 2004: (677) million yen

② Average number of shares outstanding during the period (consolidated) — Year ended March 31, 2005: 345,175,088 shares — Year ended March 31, 2004: 345,902,642 shares

③ Changes in accounting method: None

④ 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) 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, 2005	396,998	299,847	75.5	879.79
As of March 31, 2004	376,160	292,187	77.7	844.53

(Note) Shares outstanding as of the period-end (consolidated) — As of March 31, 2005: 340,724,204 shares — As of March 31, 2004: 345,850,340 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2005	28,551	9,784	(11,209)	95,719
Year ended March 31, 2004	15,059	(8,044)	(10,340)	68,623

(4) Scope of consolidation and companies accounted for by the equity method

Consolidated subsidiaries: 15 subsidiaries   Unconsolidated subsidiaries accounted for by the equity method: None

Affiliates accounted for by the equity method: 1 affiliate

(5) Changes in scope of consolidation and application of equity method

Consolidation (New): 1 subsidiary   (Excluded): None   Equity Method (New): None   (Excluded): None

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

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
For the six months ending September 30, 2005	97,500	10,000	6,800
For the year ending March 31, 2006	206,000	28,500	18,000

(Reference) Estimated earnings per share for FY 2005: ¥52.83

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

Note: These estimates on May 16, 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 8.

Companies in the Shionogi Group

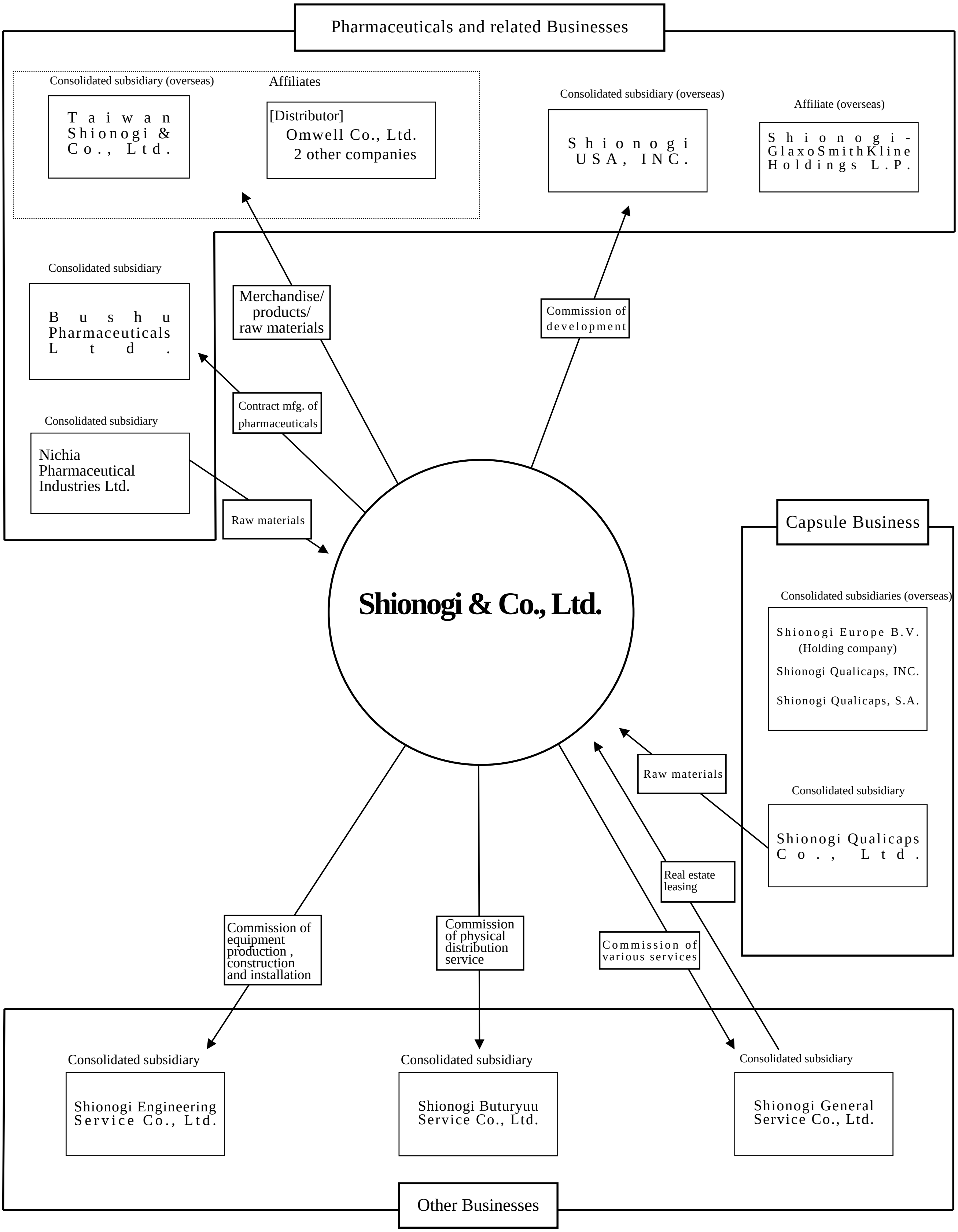
As of March 31, 2005, the Shionogi Group consisted of Shionogi & Co., Ltd. (the "Company"), 15 consolidated subsidiaries, 1 unconsolidated subsidiary and 7 affiliates. These companies are engaged primarily in the manufacture and sale of ethical drugs, OTC drugs, as well as capsules. In addition, they render related services.

The business segments of the Company, and its subsidiaries and affiliates are summarized as follows:

Business segments	Main products/ merchandise and services	Major companies
Pharmaceuticals and related businesses	Ethical drugs, OTC drugs and Diagnostics	Shionogi & Co., Ltd., Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd., Taiwan Shionogi & Co., Ltd., Omwell Co., Ltd., Shionogi USA, INC., Shionogi-GlaxoSmithKline Holdings L.P., 8 other companies (15 companies
Capsule business	Capsules	Shionogi Qualicaps Co., Ltd., Shionogi Europe B.V., Shionogi Qualicaps, Inc., Shionogi Qualicaps, S.A. (4 companies in total)
Other businesses	Real estate leasing, Physical distribution and other services	Shionogi General Service Co., Ltd. Shionogi Buturyuu Service Co., Ltd. Shionogi Engineering Service Co., Ltd. 3 other companies (6 companies in total)

(Notes) Companies engaging in more than one business segment are listed separately by segment in the above table.

A business organizational chart illustrating the above-mentioned activities is presented on the next page.



(note) Four consolidated subsidiaries, 1 unconsolidated subsidiary and 3 affiliates are not shown in this chart as the scale of their business is very small.

MANAGEMENT POLICY

1. Fundamental Management Policy

Shionogi's corporate philosophy is to continually provide the superior medicines essential to protect people's health. Our objective continues to be creating and marketing pharmaceuticals that effectively improve healthcare and raise the quality of life worldwide. Shionogi approaches drug creation, production and marketing as a unified whole to promote effectiveness in improving healthcare and to earn the trust of healthcare professionals and patients. Our commitment to this approach is essential to strengthening the Company and expanding its operations globally, and thus earning the respect of our stakeholders, including customers, society, shareholders and employees.

2. Management Strategy and Challenge Ahead

In the first medium-term management plan from April 2000 to March 2005, Shionogi implemented business structure re-engineering focused on the ethical drug business, conducted profit structure reforms such as factory consolidation and workforce reductions, and implemented management reforms aimed at speeding business execution and clarifying responsibility. Through those mesures, Shionogi has almost completed building the foundation for the future growth.

However, the operating environment in the pharmaceutical industry is likely to become even more challenging due to strengthened policies to contain rising healthcare costs and increasingly intense competition in the global market. Therefore, positioning the second medium-term management plan (April 2005 to March 2010) for acceleration towards significant strides, Shionogi will further solidify the business foundation it has already established. In addition, Shionogi will step up measures to achieve long-term growth through its contribution to society as a pharmaceutical company.

In research and development, Shionogi will narrow its focus and concentrate on establishing second and third areas of strength where it can contribute to medical treatment, in addition to the area of infectious diseases that has supported the company until now. In sales, Shionogi will contribute to hospitals and clinics and establish a robust sales system by cultivating and strengthening medical representatives who consistently think about healthcare needs. In overseas operations, Shionogi aims to contribute globally in the area of infectious diseases, and will steadily develop its business in overseas markets, with a focus on antibiotics in the United States and China.

The results of previously implemented profit structure reforms and additional planned measures, including improvement of operating efficiency, expansion of new product sales and expansion of revenue from industrial property rights will absorb expected increases in research and development costs and other expenses. Shionogi will continue working to increase the level of profits by its business activities.

Management indicator targets for the year ending March 2010 are as follows:

(Consolidated)

Net sales	320 billion yen
Operating income	100 billion yen
Net income	60 billion yen
Return on equity	14 %

3. Corporate Governance

Shionogi recognizes that corporate governance is a key issue for management. The Company believes that in order to respond to the rapidly changing business environment in a timely, flexible manner, and to deal appropriately with management tasks, rapid and appropriate decision-making and execution are indispensable. Also, clarification of oversight functions, legal compliance and highly transparent operations are vitally important.

(1) Company Organization

The Board of Directors is currently composed of five directors who meet, in principle, once a month and conduct management decision-making and oversight of execution. To clarify responsibility, directors' terms of office are set at one year.

The Company has adopted a corporate officer system to support proper response to changes in the operating environment and speedy, flexible and dynamic business execution. Currently there are 14 corporate officers, including three who serve concurrently as directors.

The Company uses a corporate auditor system. Corporate auditors attend important meetings including those of the Board of Directors, and enhance the auditing system through a thorough audit of the Company and checks of legal compliance and appropriateness of operations of Group companies. The four corporate auditors at present include two outside auditors.

In internal oversight, the Audit Office, which had conducted internal audits, was dissolved in December 2004, and the Internal Control Unit was established. Composed of 11 members, it performs audits and provides reasonable guarantees of the effectiveness and efficiency of business execution.

The Company has entered into an audit contract with Shin Nihon & Co. as accounting auditors to conduct accounting audits. The certified public accountants who performed the accounting audit work are Tadamitsu Konishi and Akihiko Masuda.

To deal with compliance, the Company has established the Compliance Committee, which reports directly to the President, to carry out various measures to heighten maintenance of ethical practices and strict compliance with laws and regulations in its business activities. In 2004, the Company conducted a compliance education and training for all employees upon revision of the Shionogi Compliance Handbook.

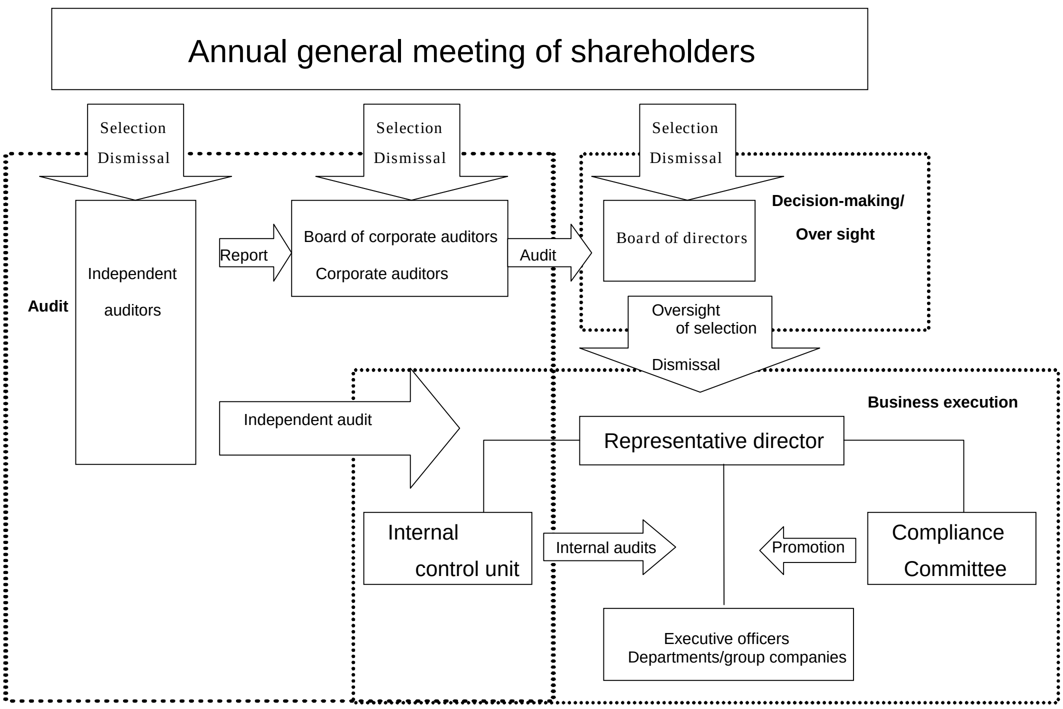
(2) Compensation of Officers

Compensation paid to the Company's directors and corporate auditors is as follows.
Directors: 206 million yen
Corporate auditors: 57 million yen
(Note) Compensation for directors includes wages paid as employees.

(3) Compensation of Accounting Auditors

Fees paid to Shin Nihon & Co., the accounting audit firm the Company uses, were as follows.
Fees pursuant to Article 2, item 1 of the Certified Public Accountant Law (Law No. 103 of 1948):
26 million yen
Fees paid for other services:
1 million yen

The following organizational flow chart depicts Shionogi's corporate governance structure.



(4) Personal Relationships, Equity Relationships, Business Relationships and Interests between the Company and its Outside Directors and Outside Auditors

N/A

4. Parent Company Information

N/A

5. Fundamental Policy on Appropriation of Retained Earnings

The Company's basic policy is to distribute profits while taking into account capital requirements for future business development and the trend of results in each fiscal term. Concerning dividends, the Company follows a policy of distributing dividends in proportion to results for each fiscal term, and aims to make stable increases in the dividend in the medium- to long-term. The Company also flexibly uses share repurchases as a means of improving capital efficiency. In addition, the Company will allocate retained earnings to investment in research and development, capital investment and reinforcement of its business infrastructure, with a focus on overseas operations, in order to maximize corporate value.

6. Approach and Policy for Reducing the Minimum Trading Unit of Shares

The Company acknowledges that it is important for the stock market to encourage participation of new investors, enhance the liquidity of stocks and revitalize the stock market by reducing the minimum unit of shares traded. Factors such as price standards, the market conditions of supply and demand for the Company's shares, and the cost effectiveness of implementation are presently under comprehensive consideration as the Company reviews the reduction of the minimum trading unit of shares.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

1. Results of Operations

(1) Results for the Fiscal Year ended March 31, 2005

1) General Overview

In the domestic pharmaceutical industry during the year ended March 31, 2005, factors including an average 4.2 percent reduction in National Health Insurance (NHI) drug prices, effective as of April 2004, further strengthened the trend to contain drug costs. Amid these circumstances, intensifying competition among firms including global companies made the operating environment more challenging.

Under these conditions, to respond to the rapidly changing operating environment, the Company implemented management structure reforms centered on restructuring of the Board of Directors and introduction of the corporate officer system, with the aim of speeding up decision making and clarifying responsibilities. In addition, the Company put the finishing touches on the medium-term management plan started in April 2000 by reinforcing research and development and marketing functions in its core ethical drug business and further advancing infrastructure improvements aimed at increasing profitability.

In the current challenging environment, the Company drew up the Action Guidelines, which embodies its core philosophy of striving to continually provide the superior medicines essential to protect people's health, stated in "Shionogi's Basic Policies." The Action Guidelines provides guidelines for company-wide cooperation in creating a "strong Shionogi with a greater presence."

Consolidated Results of Operations

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ended 3/05	199,364	28,729	27,804	18,941
Year ended 3/04	200,485	20,292	17,586	2,203
Percentage Increase (Decrease)	(0.6)	41.6	58.1	759.6

Sales

Net sales decreased 0.6 percent year-on-year to ¥199,364 million. Although revenues from industrial property rights increased substantially, sales of ethical drugs declined due to the effects of the National Health Insurance drug price reduction and a shrinking market for antibiotics, a core Company product.

Income

In addition to the benefits of the structural re-engineering implemented under the first medium-term management plan, the revision of the retirement benefit system in April 2004 also reduced costs. Consequently, manufacturing costs and selling, general and administrative expenses decreased. As a result, operating income increased 41.6 percent year-on-year to ¥28,729 million, and ordinary income increased 58.1 percent to ¥27,804 million. During the fiscal year under review, the Company recorded an extraordinary gain of ¥3,667 million on the shift to a defined contribution pension plan in connection with the revision of the retirement benefit system, which led to net income of ¥18,941 million, a large increase over the previous fiscal year.

For the year ended March 31, 2005, the Company plans to pay a year-end dividend of ¥7.75 per share. Combined with the interim dividend, this will bring total cash dividends for the fiscal year to ¥12.00 per share, a ¥3.50 increase over the previous fiscal year.

Research and Development

In research and development, the Company is strongly promoting further selection and concentration to make effective use of limited management resources for the discovery & creation and swift development of new drugs. In domestic development, the Company filed an application in May 2004 for manufacturing approval for an immediate-release preparation of oxycodone, an analgesic for cancer pain, and is currently developing other drugs including an antidepressant and antibacterial drugs. Overseas, Shionogi USA, INC. and Shionogi-GlaxoSmithKline Pharmaceuticals, LLC are developing drugs for allergic diseases, obesity, cerebrovascular disease and other disorders.

As a result of these activities, research and development expenditures for the Shionogi Group in the fiscal year ended March 31, 2005 were ¥29,409 million, accounting for 14.8 percent of net sales.

Crestor, a hyperlipidemia drug that Shionogi licensed to Astra Zeneca plc, which has obtained approvals and commenced sales in countries around the world, was approved in January 2005 in Japan, where Shionogi began co-marketing in April 2005. Because a large amount of clinical trial data from overseas was used in the application for this drug in Japan, Shionogi and AstraZeneca plc will conduct intensive post-marketing surveillance to compile data on safety among Japanese. This will allow the Company to build evidence that the drug is safe to take, helping to cultivate it to make true contributions to medical treatment from a long-term perspective.

Capital Investment

The Shionogi Group's capital investment during the fiscal year totaled ¥5.0 billion, and centered on strengthening manufacturing facilities to manufacture new products, expanding research facilities.

2) Segment Information

Pharmaceuticals and Related Businesses

Sales of ethical drugs declined, reflecting drug price reductions and a shrinking market for antibiotics, a core Company product. Sales of over-the-counter and diagnostic products also decreased. However, revenue from industrial property rights increased substantially due to expanding sales of Crestor by AstraZeneca plc.

As a result, sales of Pharmaceuticals and Related Businesses decreased 0.6 percent year-on-year to ¥184,074 million.

Operating income of Pharmaceuticals and Related Businesses increased 46.2 percent compared with the same period in the previous fiscal year to ¥25,886 million, reflecting increased revenue from industrial property rights and higher profits due to the reduction of manufacturing costs and selling, general and administrative expenses.

Capsule Business

Capsule sales were flat in Japan but increased in Europe, resulting in overall sales of ¥11,895 million, an increase of 4.1 percent compared with the previous fiscal year. Operating income increased 11.8 percent to ¥1,460 million.

Other Businesses

Net sales of Other Businesses totaled ¥3,394 million, but decreased 10.6 percent compared with the previous fiscal year because sales of the industrial chemicals businesses, which was transferred to a joint venture company, were included in the first half of the previous fiscal year.

Total operating income of Other Businesses increased 10.0 percent to ¥1,361 million.

(2) Forecast for the Year Ending March 31, 2006

Projected results for the year ending March 31, 2006 are as follows.

Consolidated Projection

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending 3/06	206,000	30,000	28,500	18,000
Year ended 3/05	199,364	28,729	27,804	18,941
Percentage Increase (Decrease)	3.3	4.4	2.5	(5.0)

The environment in Shionogi's core domestic ethical drug market is projected to remain challenging. However, the Company forecasts higher revenues from anticipated expansion of sales, centered on new products expected to be launched during the period, as well as increased revenues from industrial property rights.

Although expenses are projected to increase due to measures to strengthen research and development and sales capabilities, Shionogi forecasts increases in both operating income and ordinary income due to sales growth and an increase in revenue from industrial property rights. Net income is projected to decrease due to an extraordinary gain from the shift to defined contribution pension plans in the year ended March 2005.

2. Financial Position

(1) Assets, Liabilities and Shareholders' Equity

Total assets at March 31, 2005 were ¥396,998 million, an increase of ¥20,838 million compared with the previous fiscal year end. The principal item contributing to the increase was prepaid pension expenses of ¥13,088 million in connection with the revision of the retirement benefit system. Total liabilities increased ¥13,161 million from the previous fiscal year end mainly due to an increase in accrued income taxes. Total shareholders' equity increased ¥7,660 million due to an increase in retained earnings.

(2) Cash Flow

Net cash provided by operating activities increased ¥13,492 million compared with the previous fiscal year to ¥28,551 million. While income before income taxes increased substantially, there were payments associated with the shift to a defined contribution pension plan.

Net cash provided by investing activities was ¥9,784 million, as maturity redemption of securities offset factors including investment in property, plant and equipment and purchase of securities.

Net cash used in financing activities totaled ¥11,209 million, due to factors including the payment of cash dividends and repurchase of shares.

As a result, cash and cash equivalents at March 31, 2005 stood at ¥95,719 million, an increase of ¥27,096 million from March 31, 2004.

Trends in Cash Flow Indicators

	Year ended March 2001	Year ended March 2002	Year ended March 2003	Year ended March 2004	Year ended March 2005
The ratio of Shareholders' equity (%)	57.7	58.4	73.9	77.7	75.5
The ratio of shareholder's equity calculated based on market value (%)	135.4	144.2	151.5	169.0	126.8
The term for the redemption of liabilities (years)	1.7	1.5	3.7	1.4	0.7
Interest coverage ratio (times)	35.2	40.5	14.9	32.4	68.5

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

The ratio of shareholder's equity calculated based on market value: Market value of the Company's shareholders' equity /Total assets

The term for the redemption of liabilities: Interest-bearing liabilities/Net cash provided by operating activities

Interest coverage ratio: Net cash provided by operating activities/Interest payment

1. These figures have been computed on a consolidated basis.
2. Market value of the Company's shareholder's equity is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stocks) by the closing share price at the end of the fiscal year.
3. Net cash provided by operating activities is as stated in the consolidated statements of cash flows. Interest-bearing liabilities refer to all liabilities recorded in the consolidated balance sheets on which interest is paid. Interest payment is as stated on the consolidated statements of cash flows.

(3) Forecast for the Year Ending March 31, 2006

Factors expected to exert a material influence on cash flows during the year ending March 31, 2006 are as follows.

- The Company plans to redeem ¥20.0 billion worth of bonds in the first half of the period.
- Capital investment in the year ending March 31, 2006 is expected to total ¥8.5 billion. In addition, depreciation and amortization is expected to total ¥10.0 billion.

3. Business and Other Risks

(1) Health Care System and Regulatory Risk

Amid the advancing demographic proportion of seniors, trends in the ethical drug industry in Japan, including further revision of the National Health Insurance (NHI) system and its drug pricing system, may exert a material influence on the Company's business results.

(2) Risk of Pharmaceutical Side Effects

Possible events such as termination of production or recall of pharmaceutical products due to the occurrence of unforeseen side effects may exert a material influence on the Shionogi Group's business results.

(3) Pharmaceutical Research and Development Risks

Research and development of ethical drugs requires a substantial investment of business resources and time. In addition, various uncertainties exist during the period leading up to the actual launch of a new drug.

(4) Intensifying Global Competition

Competition in the ethical drug industry, including competition with foreign companies, is intensifying in the areas of research and development and sales.

(5) Other Risks

The occurrence of natural disasters or calamities may exert a material influence on the Shionogi Group's business results. Other risks include, but are not limited to, governmental and financial factors.

Consolidated Statements of Income

(Units: millions of yen)

Account \ Period	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Net sales	199,364	100.0	200,485	100.0	(1,121)	(0.6)
Cost of sales	74,069	37.2	79,856	39.8	(5,787)	(7.2)
Gross profit	125,295	62.8	120,629	60.2	4,666	3.9
Selling, general and administrative expenses	96,566	48.4	100,337	50.1	(3,771)	(3.8)
Operating income	28,729	14.4	20,292	10.1	8,437	41.6
Non-operating income	2,726	1.4	2,416	1.2	310	12.8
Interest income	595		670		(75)	
Dividend income	476		552		(76)	
Income from real estate rental	637		610		27	
Exchange gain	311		—		311	
Other	705		583		122	
Non-operating expenses	3,651	1.9	5,121	2.5	(1,470)	(28.7)
Interest expense	443		494		(51)	
Contributions	1,014		1,101		(87)	
Loss on disposal of inventories	564		805		(241)	
Loss on disposal of property, plant and equipment	325		415		(90)	
Exchange loss	—		665		(665)	
Other	1,303		1,639		(336)	
Ordinary income	27,804	13.9	17,586	8.8	10,218	58.1
Extraordinary gains	4,349	2.2	16	0.0	4,333	--
Gain on change to defined contribution pension plans	3,667		--		3,667	
Gain on exchange of a subsidiary’s securities	412		--		412	
Gain on sales of investments in securities	154		2		152	
Gain on sales of property, plant and equipment	115		--		115	
Gain on sales of a subsidiary’s securities	--		13		(13)	
Extraordinary losses	498	0.2	12,424	6.2	(11,926)	(96.0)
Loss on sales of a subsidiary’s securities	405		--		405	
Loss on revaluation of investment in securities	92		99		(7)	
Costs related to outplacement support	--		7,081		(7,081)	
Additional retirement benefits	--		3,845		(3,845)	
Other	--		1,397		(1,397)	
Income before income taxes and minority interests	31,655	15.9	5,178	2.6	26,477	511.3
Income taxes, current	10,065	5.1	2,101	1.1	7,964	379.0
Income taxes, deferred	2,628	1.3	844	0.4	1,784	211.3
Minority interests	(18)	(0.0)	(28)	(0.0)	10	(34.9)
Net income	18,941	9.5	2,203	1.1	16,738	759.6

Consolidated Statements of Retained Earnings

(Units: millions of yen)

Account \ Period	Year ended March 31, 2005		Year ended March 31, 2004		Increase (decrease)
(Additional paid in capital)					
I. Balance at beginning of the period		20,227		20,227	0
II. Balance at end of the period		20,227		20,227	0
(Retained Earnings)					
I. Balance at beginning of the period		232,589		230,882	1,707
II. Increase					
Net income	18,941		2,203		
Increase due to merger of an unconsolidated subsidiary	--	18,941	2,585	4,788	14,153
III. Deductions					
Cash dividends paid	2,939		2,960		
Bonuses to directors and statutory auditors	105		104		
(Directors)	(101)		(100)		
(Statutory auditors)	(3)		(3)		
Decrease on initial consolidation of a subsidiary	0		--		
Decrease due to merger of consolidated subsidiaries	--		3		
Decrease in exclusion of consolidated a subsidiary	--	3,045	14	3,082	(37)
IV Balance at end of the period		248,485		232,589	15,896

Consolidated Balance Sheets

(Assets)

(Units: millions of yen)

Account \ Period	As of March 31, 2005 Amount	Percentage	As of March 31, 2004 Amount	Percentage	Increase (decrease)
(Assets)		%		%	
Current assets:					
Cash and deposits	105,395		75,044		30,351
Notes and accounts receivable	73,458		71,459		1,999
Inventories	29,696		33,549		(3,853)
Deferred tax assets	5,238		3,990		1,248
Other	8,339		30,170		(21,831)
Allowance for doubtful accounts	(63)		(64)		1
Total current assets	222,064	55.9	214,150	56.9	7,914
Fixed assets:					
Property, plant and equipment:					
Buildings and structures	32,104		33,035		(931)
Machinery, equipment and vehicles	12,742		15,231		(2,489)
Land	17,051		17,282		(231)
Construction in progress	1,408		1,269		139
Other	4,883		5,175		(292)
Property, plant and equipment, net	68,191	17.2	71,993	19.1	(3,802)
Excess of cost over net assets acquired	162		243		(81)
Other	6,984		4,943		2,041
Total intangible fixed assets	7,146	1.8	5,187	1.4	1,959
Investments and other assets:					
Investments in securities	82,067		80,787		1,280
Prepaid pension costs	13,088		--		13,088
Deferred tax assets	247		384		(137)
Other	4,393		3,824		569
Allowance for doubtful accounts	(200)		(166)		(34)
Total investments and other assets	99,596	25.1	84,829	22.6	14,767
Total fixed assets	174,933	44.1	162,010	43.1	12,923
Total assets	396,998	100.0	376,160	100.0	20,838

Consolidated Balance Sheets

(Liabilities, minority interests and shareholders' equity)

(Units: millions of yen)

Account / Period	As of March 31, 2005 Amount	As of March 31, 2005 Percentage	As of March 31, 2004 Amount	As of March 31, 2004 Percentage	Increase (decrease)
(Liabilities)		%		%	
Current liabilities:					
Notes and accounts payable	8,660		10,346		(1,686)
Current portion of bonds	20,000		--		20,000
Accrued tax liabilities	9,659		1,487		8,172
Reserves:					
Reserve for bonuses	7,809		6,343		1,466
Other reserves	807		710		97
Other	22,214		15,880		6,334
Total current liabilities	69,151	17.4	34,768	9.2	34,383
Long-term liabilities:					
Bonds	--		20,000		(20,000)
Deferred income taxes	11,603		8,339		3,264
Accrued retirement benefits for employees	8,321		18,829		(10,508)
Accrued retirement for directors and statutory auditors	254		462		(208)
Long-term accounts payable, other	6,600		--		6,600
Other	1,003		1,374		(371)
Total long-term liabilities	27,783	7.0	49,005	13.0	(21,222)
Total liabilities	96,934	24.4	83,773	22.2	13,161
(Minority interests)					
Minority interests	217	0.1	199	0.1	18
(Shareholders' equity)					
Common stock	21,279	5.4	21,279	5.7	0
Additional paid-in capital	20,227	5.1	20,227	5.4	0
Retained earnings	248,485	62.6	232,589	61.8	15,896
Unrealized gain on securities	19,964	5.0	21,023	5.6	(1,059)
Translation adjustments	(1,535)	(0.4)	(1,588)	(0.4)	53
Less:					
Treasury stock, at cost	(8,574)	(2.2)	(1,343)	(0.4)	(7,231)
Total shareholders' equity	299,847	75.5	292,187	77.7	7,660
Total liabilities, minority interests and shareholders' equity	396,998	100.0	376,160	100.0	20,838

Consolidated Statements of Cash Flows

(Units: millions of yen)

		Year ended March 31, 2005	Year ended March 31, 2004
		Amount	Amount
I	Operating activities		
	Income before income taxes and minority interests	31,655	5,178
	Depreciation and amortization	9,330	9,623
	Amortization of excess of cost over net assets acquired	81	81
	Loss on disposal of property, plant and equipment	310	415
	Provision for allowance for doubtful accounts	34	11
	Provision for (reversal of) retirement benefits, net of payments	142	(7,509)
	Provision for (reversal of) retirement benefits for directors and statutory auditors	(207)	46
	Interest and dividend income	(1,072)	(1,223)
	Interest expense	443	494
	Exchange (gain) loss , net	(39)	421
	Gain on change to defined contribution pension plans	(3,667)	--
	Pension assets to be transferred to defined contribution pension plans	(17,413)	--
	Increase (decrease) in notes and accounts receivable, trade	(2,016)	4,705
	Decrease in inventories	4,314	7,285
	Decrease in notes and accounts payable, trade	(1,685)	(1,631)
	Decrease in accrued expenses	(111)	(890)
	Increase in accounts payable, other	9,360	1,807
	Bonuses to directors and statutory auditors	(105)	(105)
	Other	613	(155)
	Subtotal	29,965	18,555
	Interest and dividend income received	1,279	1,490
	Interest paid	(416)	(464)
	Income taxes paid	(2,276)	(4,521)
	Net cash provided by operating activities	28,551	15,059
Ⅱ	Investing activities		
	Increase in time deposits	(14,757)	(5,411)
	Decrease in time deposits	11,557	4,944
	Purchases of marketable securities	(19)	(19)
	Proceeds from sales of marketable securities	22,960	2,199
	Purchases of investments in securities	(3,753)	(4,360)
	Proceeds from sales of investments in securities	175	4
	Purchases of property, plant and equipment	(5,424)	(4,404)
	Proceeds from sales of property, plant and equipment	533	157
	Proceeds from collection of loans receivable	2	1
	Payments for purchases of investments in an affiliate	(384)	(206)
	Proceeds from sales of investments in an affiliate	177	23
	Proceeds from sales of business	--	263
	Payments for acquisition of business	(774)	--
	Other	(507)	(1,236)
	Net cash provided by (used in) investing activities	9,784	(8,044)
Ⅲ	Financing activities		
	Short-term loans, net	(125)	(7,086)
	Repayment of long-term debt	(918)	(120)
	Cash dividends	(2,935)	(2,936)
	Payments for purchase of tresury stock	(7,231)	(196)
	Net cash used in financing activities	(11,209)	(10,340)
Ⅳ	Effect of exchange rate changes on cash and cash equivalents	(40)	456
Ⅴ	Increase (decrease) in cash and cash equivalents	27,085	(2,868)
Ⅵ	Cash and cash equivalents at beginning of period	68,623	71,496
Ⅶ	Decrease in cash and cash equivalents resulting from exclusion from consolidation	--	(50)
Ⅷ	Increase in cash and cash equivalents resulting from merger	--	45
Ⅸ	Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	9	--
Ⅹ	Cash and cash equivalents at end of period	95,719	68,623

Notes to Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 15 subsidiaries

Shionogi Qualicaps Co., Ltd., Ohmori Group Honsha Co., Ltd.,
Taiwan Shionogi & Co., Ltd., Shionogi Europe B.V., Shionogi Qualicaps, INC., Shionogi Qualicaps, S.A.,
Bushu Pharmaceuticals Ltd., Nichia Pharmaceutical Industries Ltd.,
Shionogi Engineering Service Co., Ltd., Saishin Igaku Co., Ltd., Shionogi Buturyuu Service Co., Ltd.,
Shionogi General Service Co., Ltd., Aburahi AgroResearch Co., Ltd., Shionogi USA, INC., SG Holding, INC.

(newly consolidation)
Aburahi AgroResearch Co., Ltd., which was founded in the previous fiscal year, has been included in consolidation effective the year ended March 31, 2005 in connection with the start of full-scale operations.

Design echo Co., Ltd. has been excluded from consolidation. Its total assets, net sales and net income (loss) were not Significant with respect to the consolidated financial statements for the year ended march 31,2005.

2. Application of equity method

No unconsolidated subsidiaries were accounted for by the equity method for the Year ended March 31, 2005.

Shionogi-GlaxoSmithKline Holdings L.P. was accounted for by the equity method and its closing date differs from the consolidated closing date, therefore the financial statements in its fiscal year have been used.

That portion of the net profit (loss) of the 1 unconsolidated subsidiary and 6 affiliates not accounted for by the equity method which was attributable to the Company in proportion to its shareholding ratio had no significant effect on the consolidated net income or retained earnings of the Company for the current period.

3. Closing date of consolidated subsidiaries

One domestic consolidated subsidiary closes its accounts on March 15, and 6 overseas consolidated subsidiaries close their accounts on December 31, for financial reporting purpose. The accompanying consolidated financial statements of the Company have been prepared on the basis of the consolidated subsidiaries' financial statements prepared as of their respective closing dates. The necessary adjustments have been made to reflect any significant transactions occurring between the respective closing dates and the date of the consolidated financial statements.

4. Significant accounting policies

(1) Basis and method of valuation of significant assets

① Securities

Held-to-maturity securities ---------------- Amortized cost 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 ------------------------------------- Most items are evaluated at cost determined by the average method.

(2) Method of depreciation of significant depreciable assets

① Property, plant and equipment ------------------------------ Most items are depreciated 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 principally as follows:
Buildings and structures: 2 to 60 years
Machinery and equipment and vehicles: 2 to 17years]

② Intangible fixed assets ------------------------------ Most items are depreciated by the Straight-line method

[Expenditures related 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 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 for employees
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 the 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.

(Additional information)
The Company and a certain consolidated subsidiary transferred a certain portion of their retirement benefit plans to defined contribution pension plans in April 2004 and March 2005. With respect to this transfer, the Company adopted “Accounting for Transfers Among Retirement Benefit Plans” (“Financial Accounting Standard Implementation Guidance No. 1”). The effect of the adoption of this accounting standard generated gain of 3,667 million yen for the year ended March 31, 2005.

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 their retirement benefits is provided for the estimated amounts 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

(4) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the balance sheet date. Gain or loss on translation is credited or charged to income; however, assets, liabilities, income and expenses of certain overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Adjustments resulting from the translation of foreign currency financial statements have been reported as Translation adjustments in Shareholders’ equity.

(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; however, certain overseas consolidated subsidiaries account for such finance leases as ordinary sales transactions.

(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 consolidated financial statements are stated exclusive of consumption tax.

5. Valuation of assets and liabilities in the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are revalued at their current value.

6. Amortization of excess of cost over net assets acquired

Excess of cost over net assets acquired is amortized by the straight-line method over 5 years. If the amount is immaterial, it is fully charged to income as incurred.

7. Appropriation of retained earnings

Consolidated statements of retained earnings are prepared on the appropriations approved at a shareholders' meeting held at the close of each fiscal year.

8. Definition of cash and cash equivalents in the consolidated cash flow statements

Cash and cash equivalents reported in the consolidated cash flow statements include cash on hand, bank deposits and deposits in other financial institutions immediately withdrawable upon request, or liquid short-term investments with only a minor risk of any fluctuation in their value which mature within three months of their acquisition dates.

[Reclassification of accounts]

Through the year ended March 31, 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 consolidated balance sheets. As the change of Article 2.2 of the Securities and Exchange Law, effective the year ended March 31, 2005, the Company has included such securities in 'investments in securities'.
The amount of this portion is 853 million yen as 'investments in securities' for the year ended March 31, 2005 and the amount of this portion was 1,031 million yen as 'other' of 'investments and other assets' for the year ended March 31,2004.

[Notes to consolidated statements of income]

The major items and amounts included in sales, general and administrative expenses are summarized as follows:

	[Year ended March 31, 2005]		[Year ended March 31, 2004]	
Sales promotional activities	10,999	Million yen	--	Million yen
Salaries	21,728		22,246	
Provision for reserve for bonuses	4,208		3,660	
Provision for retirement benefits	1,164		6,124	
Provision for retirement benefits for directors and statutory auditors	--		46	
R & D expenses	29,409	Million yen	29,807	Million yen

(R&D expenses above include the following amounts provided as reserves:)

	[Year ended March 31, 2005]		[Year ended March 31, 2004]	
Provision for reserve for bonuses	1,976	Million yen	1,440	Million yen
Provision for retirement benefits	536		2,275	

[Notes to consolidated balance sheets]

	[As of March 31, 2005]		[As of March 31, 2004]	
1. Accumulated depreciation of property, plant and equipment	169,788	Million yen	164,756	Million yen
2. Guaranteed liabilities	150	Million yen	11	Million yen
3. Stocks etc, of unconsolidated subsidiaries and affiliates				
Investments in securities(stocks etc.)	2,868	Million yen	2,241	Million yen
Investments and other assets(investments)	--		965	

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:

	[As of March 31, 2005]		[As of March 31, 2004]	
Total amount of lines of credit	24,000	Million yen	20,000	Million yen
The amount of borrowing	--		--	
Outstanding balances	24,000		20,000	

5. Pledged assets and secured liabilities

The assets listed below have been pledged as collateral against borrowings and other debts:

	[As of March 31, 2005]		[As of March 31, 2004]	
Book value of pledged assets:				
Cash and deposits	4	Million yen	5	Million yen
Investments in securities	--		437	
Total	4	Million yen	443	Million yen
Liabilities secured by the above assets:				
'Other' of current liabilities	5	Million yen	4	Million yen
Short-term bank loans	--		725	
Total	5	Million yen	729	Million yen

	[As of March 31, 2005]		[As of March 31, 2004]	
6. The number of shares of stocks in issue				
Common stocks	351,136	Thousand shares	The same as at left	
7. The number of shares of treasury stocks held by the Company				
Common stocks	10,411	Thousand shares	5,285	Thousand shares

[Notes to consolidated statements of cash flow]

Reconciliation of balance of cash and cash equivalents as of the period end with the amounts reported in the consolidated balance sheets:

	[As of March 31, 2005]		[As of March 31, 2004]	
Cash and deposits	105,395	Million yen	75,044	Million yen
Time deposits with a maturity exceeding three months	(9,676)		(6,421)	
Cash and cash equivalents	95,719	Million yen	68,623	Million yen

[Notes to lease transactions]

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

	[As of March 31, 2005]		[As of March 31, 2004]	
1. Acquisition cost equivalent, accumulated depreciation equivalent and period end balance equivalent of lease properties				
Acquisition cost equivalent	1,055	Million yen	286	Million yen
Accumulated depreciation equivalent	366		195	
Term-end balance	689	Million yen	91	Million yen

* Machinery, equipmet and vehicles account for most of the above balances.

2. Breakdown of period end balance equivalent of unexpired leases				
Within one year	180	Million yen	49	Million yen
Exceeding one year	509		42	
Total	689	Million yen	91	Million yen
3. Lease payments and depreciation equivalent				
Lease payments	130	Million yen	55	Million yen
Depreciation equivalent	130	Million yen	55	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	

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

[Notes to securities]

1. Bonds to be held until maturity with quoted market prices

(Market value is in excess of the carrying value reported in the consolidated balance sheets)

(Units: millions of yen)

	As of March 31, 2005			As of March 31, 2004		
	Value reported in consolidated balance sheet	Market price	Difference	Value reported in consolidated balance sheet	Market price	Difference
(1) National, local government and other public bonds	16,177	16,526	348	38,412	38,647	235
(2) Corporate bonds	--	--	--	--	--	--
(3) Other bonds	--	--	--	--	--	--
Subtotal	16,177	16,526	348	38,412	38,647	235

(Market value is not in excess of the carrying value reported in the consolidated balance sheets)

(Units: millions of yen)

	As of March 31, 2005			As of March 31, 2004		
	Value reported in consolidated balance sheet	Market price	Difference	Value reported in consolidated balance sheet	Market price	Difference
(1) National, local government and other public bonds	3,994	3,957	(36)	2,019	1,928	(91)
(2) Corporate bonds	--	--	--	--	--	--
(3) Other bonds	19	19	(0)	--	--	--
Subtotal	4,014	3,977	(36)	2,019	1,928	(91)
Total	20,192	20,504	312	40,432	40,576	143

2. Other securities; market value available

(Fair value reported in consolidated balance sheets is in excess of the acquisition cost)

(Units: millions of yen)

	As of March 31, 2005			As of March 31, 2004		
	Acquisition cost	Value reported in consolidated balance sheet	Difference	Acquisition cost	Value reported in consolidated balance sheet	Difference
(1) Stocks	14,685	47,419	32,733	14,200	48,251	34,051
(2) Bonds						
① National, local government and other public bonds	--	--	--	--	--	--
② Corporate bonds	--	--	--	--	--	--
③ Other bonds	1,878	2,629	750	2,646	3,605	959
(3) Other securities	5,000	5,101	101	5,000	5,074	74
Subtotal	21,564	55,149	33,585	21,846	56,931	35,084

(Fair value reported in consolidated balance sheets is not in excess of the acquisition cost)

(Units: millions of yen)

	As of March 31, 2005			As of March 31, 2004		
	Acquisition cost	Value reported in consolidated balance sheet	Difference	Acquisition cost	Value reported in consolidated balance sheet	Difference
(1) Stocks	--	--	--	12	10	(1)
(2) Bonds						
① National, local government and other public bonds	--	--	--	--	--	--
② Corporate bonds	--	--	--	--	--	--
③ Other bonds	--	--	--	--	--	--
(3) Other securities	5	5	(0)	5	5	(0)
Subtotal	5	5	(0)	17	15	(1)
Total	21,569	55,154	33,585	21,864	56,947	35,082

3. Other securities sold in their fiscal year

(Units: millions of yen)

Year ended March 31, 2005			Year ended March 31, 2004		
Sales value	Sales gain	Sales loss	Sales value	Sales gain	Sales loss
175	154	--	3	2	--

4. Major securities (market value not available) and their value reported in consolidated balance s

(Units: millions of yen)

	As of March 31, 2005	As of March 31, 2004
	Value reported in consolidated balance sheet	Value reported in consolidated balance sheet
Other securities		
① Unlisted stocks (excluding OTC stocks)	5,883	4,224
② Certificates of deposits (domestic)	1,000	63,900

(Note) Certificates of deposits (domestic) are reported as cash and bank deposit on the consolidated balance sheets.

5. Future estimated redemption prices of other securities having maturity and bonds to be held until maturity

(Units: millions of yen)

	As of March 31, 2005			
	Within 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years
(1) Bonds				
① National, local government and other public bonds	2,006	8,197	9,968	--
② Corporate bonds	--	--	--	--
③ Other bonds	19	716	620	1,292
(2) Other securities	1,000	--	--	--
Total	3,026	8,913	10,589	1,292

(Note) Certificates of deposits (domestic) reported as Cash and bank deposit on the consolidated balance sheets are included in Other securities.

(Units: millions of yen)

	As of March 31, 2004			
	Within 1 year	From1 year to 5 years	From5 years to 10 years	Over 10 years
(1) Bonds				
① National, local government and other public bonds	22,179	8,202	10,030	--
② Corporate bonds	--	--	--	--
③ Other bonds	854	--	1,423	1,327
(2) Other securities	63,900	--	--	--
Total	86,934	8,202	11,454	1,327

(Note) Certificates of deposits (domestic) reported as Cash and bank deposit on the consolidated balance sheets are included in Other securities.

[Notes to derivative transactions]

Derivative transactions for the year from April 1, 2004 to March 31, 2005 and the year from April 1, 2003 to March 31, 2004.

1. Status of derivatives

The Company enters into forward foreign exchange contracts to hedge against the risk of foreign exchange rate fluctuation for receivables and payables denominated in foreign currencies, but does not use derivative transactions for speculative purposes or for gaining quick profits from sales of financial instruments. As the Company enters into transactions only with reputable banks with high credit ratings, it believes there is little credit risk in dealing with them. The Company utilizes forward foreign exchange contracts within the normal transaction range established for these banks. These forward foreign exchange contracts are entered into and managed by the Accounting and Financial Department which reports the results of settlement of the contracts regularly to the Board of Directors. No consolidated subsidiaries had derivatives positions As of March 31, 2005.

2. Market prices of derivative transactions

The Company did not have any open derivatives positions other than certain hedges against receivables and payables denominated in foreign currency As of March 31, 2005, and March 31, 2004.

[Information on retirement benefits]

1. Outline of retirement benefit programs

The Company have adopted a cash balance plan (a money market pension plan), a lump-sum payment plan and a defined contribution pension plan. Certain domestic consolidated subsidiaries have adopted lump-sum payment plans and defined contribution pension plans. And certain consolidated subsidiaries have adopted defined contribution pension plans.
The Company and a certain domestic consolidated subsidiary transferred a certain portion of their retirement benefit plans to defined contribution pension plans in April 2004 and March 2005.
In certain cases, premium retirement benefits may be paid to retiring employees which are not included in the retirement benefit obligations determined actuarially in accordance with the accounting standard for retirement benefits.

2. Information on retirement benefit obligations

(Units: millions of yen)

		As of March 31, 2005	As of March 31, 2004
a.	Retirement benefit obligations	(94,855)	(121,402)
b.	Pension assets	96,948	101,070
c.	Unfunded retirement benefit obligations (a + b)	2,093	(20,332)
d.	Unrecognized actuarial difference	24,325	28,328
e.	Unrecognized prior service cost	(21,651)	(26,825)
f.	Net accrued retirement benefits reflected in consolidated balance sheet (c + d + e)	4,767	(18,829)
g.	Prepaid pension costs	13,088	--
h.	Accrued retirement benefits (f – g)	(8,321)	(18,829)

Notes: 1. The above amounts do not include temporary additional retirement benefits.
2. Certain consolidated subsidiaries have adopted a simplified method to calculate retirement benefit obligations.

3. Information on retirement benefit expenses

(Units: millions of yen)

		Year ended March 31, 2005	Year ended March 31, 2004
a.	Service cost	2,047	4,237
b.	Interest cost	1,841	3,682
c.	Expected return on plan assets	(2,183)	(1,563)
d.	Amortization of actuarial difference	3,089	5,897
e.	Amortization of prior service cost	(2,673)	(1,724)
f.	Other cost	769	54
g.	Retirement benefit expenses (a + b + c + d + e + f)	2,890	10,583

Notes: 1. Retirement benefit expenses of consolidated subsidiaries which have the simplified computation methods are included in "a. Service cost".
2. The Company and a certain domestic consolidated subsidiary transferred a certain portion of their retirement benefit plans to defined contribution pension plans in April 2004 and March 2005. With respect to this transfer, the Company adopted "Accounting for Transfers Among Retirement Benefit Plans" ("Financial Accounting Standard Implementation Guidance No. 1"). The effect of the adoption of this accounting standard generated gain of 3,667 million yen for the year ended March 31, 2005.
3. 'f. Other cost' presents the contributions to the defined contribution retirement benefit plans.

4. Basis of determining retirement benefit obligations and other expenses

		As of March 31, 2005	As of March 31, 2004
a. Allocation of estimated amount of retirement benefits to be paid to employees	:	Periodic straight-line method	The same as at left
b. Discount rate	:	2.0%	2.0%
c. Expected rate of return on plan assets	:	2.2%	2.0%
d. Years to amortize prior service cost	:	10 years(to be amortized by straight-line method)	The same as at left
e. Years to amortize actuarial difference	:	10 years (to be amortized by straight-line method in the each following year)	The same as at left

[Notes to tax effects]

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

(Units: millions of yen)

	As of March 31, 2005	As of March 31, 2004
(1) Current :		
Deferred tax assets:		
Reserve for bonuses	3,168	2,591
Accrued enterprise tax	849	154
Reserve for sales rebates	274	251
Research and development expenses	171	286
Other	1,178	1,199
Subtotal	5,642	4,483
Valuation allowance	--	(48)
Total deferred tax assets	5,642	4,435
Deferred tax liabilities:		
Allowance for doubtful accounts	(365)	(365)
Other	(37)	(79)
Total deferred tax liabilities	(403)	(444)
Net deferred tax assets	5,238	3,990
(2) Non-current:		
Deferred tax assets:		
Research and development expenses	1,218	772
Retirement benefits	1,104	5,009
Loss on revaluation of investments in securities	548	510
Provision for retirement benefits for directors and statutory auditors	103	187
Loss carry forward of consolidated subsidiaries	--	88
Depreciation of computer software	--	49
Other	383	383
Subtotal	3,358	7,001
Valuation allowance	--	(88)
Total deferred tax assets	3,358	6,912
Deferred tax liabilities:		
Unrealized gain on other securities	(13,558)	(13,950)
The differences between book value and current value of consolidated subsidiaries	(532)	(532)
Special depreciation	(420)	(311)
Other	(202)	(72)
Total deferred tax liabilities	(14,714)	(14,867)
Net deferred tax liabilities	(11,356)	(7,954)

(Note) Net deferred tax assets in the years ended March 31, 2005 and 2004 are included in consolidated balance sheets as follows:

		As of March 31, 2005	As of March 31, 2004
Current assets	--deferred tax assets	5,238	3,990
Fixed assets	--deferred tax assets	247	384
Current liabilities	--‘other’ of current liabilities	(0)	--
Fixed liabilities	--deferred tax liabilities	(11,603)	(8,339)

2. The effective tax rates for the years ended March 31, 2005 and 2004 differ from the statutory tax rate above for the following reasons:

	As of March 31, 2005	As of March 31, 2004
Statutory tax rate	40.6%	42.0%
Expenses not deductible for income tax purposes	3.6	26.7
Dividends not taxable for income tax purpose	(0.1)	(0.5)
Amortization of excess of cost over net assets acquired	0.1	0.7
Tax credit	(4.5)	(14.9)
Decrease in deferred tax assets at end of year due to change in statutory tax rate	--	4.8
Loss carry forward taken over upon the merger	--	(3.0)
Inhabitants' per capita taxes	0.5	2.5
Loss carry forward of consolidated subsidiaries	--	1.4
Differences between statutory tax rate in Japan and income tax rate applied for overseas consolidated subsidiaries	--	(1.3)
Other	(0.1)	(1.5)
Effective tax rates	40.1%	56.9%

[Segment Information]

1. Business Segment Information

Year ended March 31, 2005 (Units: millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations and general corporate assets	Consolidated
Ⅰ Net sales and operating income:						
Net sales						
(1) Sales to third parties	184,074	11,895	3,394	199,364	--	199,364
(2) Inter-group sales and transfers	--	236	4,726	4,963	(4,963)	--
Total	184,074	12,132	8,121	204,328	(4,963)	199,364
Operating expenses	158,187	10,671	6,759	175,619	(4,983)	170,635
Operating income	25,886	1,460	1,361	28,709	20	28,729
Ⅱ Assets, depreciation and capital expenditures:						
Total assets	221,289	21,236	13,878	256,405	140,593	396,998
Depreciation	8,329	997	560	9,887	--	9,887
Capital expenditures	10,602	405	89	11,097	--	11,097

Year ended March 31, 2004 (Units: millions of yen)

Account \ Segment	Pharmaceuticals and related businesses	Capsule business	Other businesses	Total	Eliminations and general corporate assets	Consolidated
Ⅰ Net sales and operating income:						
Net sales						
(1) Sales to third parties	185,255	11,431	3,798	200,485	--	200,485
(2) Inter-group sales and transfers	--	220	5,791	6,011	(6,011)	--
Total	185,255	11,651	9,589	206,497	(6,011)	200,485
Operating expenses	167,546	10,344	8,351	186,242	(6,049)	180,193
Operating income	17,709	1,307	1,238	20,254	37	20,292
Ⅱ Assets, depreciation and capital expenditures:						
Total assets	206,208	19,975	16,944	243,128	133,032	376,160
Depreciation	8,559	1,048	617	10,225	--	10,225
Capital expenditures	7,569	465	186	8,221	--	8,221

(Notes)

1. Businesses of the Group are segmented into Pharmaceuticals and Related Businesses, Capsule Business and Other Businesses, considering the types of products/merchandise handled and the similarities in their markets.

2. Major products/merchandise and services provided by each segment

(Year ended March 31, 2005)

Business Segment	Major products/merchandise and services
Pharmaceuticals and related businesses	Ethical drugs, OTC drugs and Diagnostics
Capsule business	Capsules
Other businesses	Real estate leases, Physical distribution and other services

3. Depreciation and capital expenditures include long-term prepaid expenses and their amortized amounts.

4. The amounts of general corporate assets in Eliminations and general corporate assets are 141,577 million yen in the Year ended March 31, 2005, and 133,949 million yen in the Year ended March 31, 2004, respectively. The significant items are enough operating funds (cash and deposits and marketable securities) and long-term investment funds (investments in securities) in the Company.

2. Segment Information by Geographic Area

Segment information by geographic area for the year from April 1, 2004 to March 31, 2005 and the year from April 1, 2003 to March 31, 2004.

Because more than 90% of the total sales in all business segments were conducted in Japan, the disclosure of segment information by geographic area has been omitted.

3. Overseas Sales

Overseas sales for the year from April 1, 2004 to March 31, 2005 and the year from April 1, 2003 to March 31, 2004.

Because overseas sales accounted for less than 10% of the total consolidated sales, the disclosure of overseas sales has been omitted.

[Transactions with related party]

Transactions with related party for the year from April 1, 2004 to March 31, 2005, and for the year from April 1, 2003 to March 31, 2004

There were no significant transactions.

[Amounts per share]

(Units: yen)

	Year ended March 31, 2005	Year ended March 31, 2004
Shareholders' equity per share	879.79	844.53
Earnings per share	54.64	6.06

(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.

	Year ended March 31, 2005	Year ended March 31, 2004
Net income (millions of yen)	18,941	2,203
The amount which is not attributable to ordinary shareholders (millions of yen)	82	105
(Bonus to directors and statutory auditors to pay as appropriations of retained earnings)	(82)	(105)
Net income related to common stocks (millions of yen)	18,859	2,097
Average number of shares outstanding during the period (thousands of stocks)	345,175	345,902

Status of Production, Orders and Sales

1. Production
   The consolidated production results for each business segment for the Year ended March 31, 2005 was as follows:

(Units: millions of yen)

Business Segment		[Amounts]	[Increase (decrease) (%)]
Pharmaceuticals and related businesses		141,303	5.2
	Ethical drugs	132,695	4.4
	OTC drugs	5,799	34.8
	Diagnostics	2,809	(2.1)
Capsule business		12,280	4.2
Other businesses		--	(100.0)
	Industrial chemicals	--	(100.0)
Total		153,583	4.7

(Notes)
1. Amounts are calculated based on net sales prices.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. Amounts are stated exclusive of consumption tax.

2. Purchases
   The consolidated purchases for each business segment for the Year ended March 31, 2005 was as follows:

(Units: millions of yen)

Business Segment		[Amounts]	[Increase (decrease) (%)]
Pharmaceuticals and related businesses		20,424	(7.8)
	Ethical drugs	19,064	(9.3)
	OTC drugs	627	23.7
	Diagnostics	733	17.3
Capsule business		--	--
Other businesses		--	(100.0)
	Industrial chemicals	--	(100.0)
Total		20,424	(8.9)

(Notes)
1. Amounts are based on actual purchases.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. Amounts are stated exclusive of consumption tax.

3. Orders
   The Shionogi Group companies manufacture products in accordance with their production plan which, in turn, is based on the sales plan. Certain subsidiaries manufacture products upon receipt of orders from customers, but these order amounts and balances do not significantly affect the Group's overall results.

4. Sales
   The consolidated sales results for each business segment for the Year ended March 31, 2005 was as follows:

(Units: millions of yen)

Business Segment		[Amounts]	[Increase (decrease) (%)]
Pharmaceuticals and related businesses		184,074	(0.6)
	Ethical drugs	168,040	(3.1)
	OTC drugs	6,351	(5.9)
	Diagnostics	3,579	(5.7)
	License fee as royalty income	6,104	393.5
Capsule business		11,895	4.1
Other businesses		3,394	(10.6)
	Industrial chemicals	--	(100.0)
	Real estate lease/Physical distributing and other services	3,394	19.8
Total		199,364	(0.6)

(Notes)
1. Amounts are sales to customers outside the Shionogi Group.
2. The Company's industrial chemicals business was transferred to a joint venture in October 2003.
3. Amounts are stated exclusive of consumption tax.