

**Settlement for the year
ended March 31, 2004**

<Supplement>

May 17, 2004

 **SHIONOGI & CO., LTD.**

Business Results and Forecast

<Consolidated>

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Net Sales	2,852 (32.1)	2,004 (29.7)	2,030 (1.3)	960 (2.8)
Operating income	192 (19.0)	202 (5.3)	285 (40.4)	87 (12.8)
Ordinary income	180 (15.6)	175 (2.8)	270 (53.5)	80 (21.9)
Net income	59 (30.2)	22 (62.7)	180 (717.1)	65 (-)

() Percentage increase to the same periods of the previous year

<Non-consolidated>

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Net Sales	1,911 (7.4)	1,832 (4.1)	1,855 (1.2)	875 (2.7)
Operating income	140 (14.2)	161 (14.9)	245 (51.5)	67 (20.0)
Ordinary income	150 (15.0)	154 (2.9)	250 (61.7)	70 (27.1)
Net income	34 (67.5)	13 (61.3)	170 (1173.4)	60 (-)

() Percentage increase to the same periods of the previous year

Financial Results of significant consolidated subsidiaries

<Shionogi Qualicaps Co., Ltd.>

(Unit: Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2004	5,902	1,010	1,005	520
Year ended March 31, 2003	6,148	739	739	412
(% increase)	(4.0)	(36.7)	(36.0)	(26.2)
Year ending March 31, 2005	6,000	750	750	400
(% increase)	(1.7)	(25.7)	(25.4)	(23.1)
Six months ending September 30, 2004	2,800	330	330	170
(% increase)	(0.9)	(36.8)	(37.1)	(42.2)

<Overseas 3 capsule companies>

(Unit: Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2004	6,085	240	10	168
Year ended March 31, 2003	6,266	650	365	67
(% increase)	(2.9)	(63.1)	(97.3)	(-)
Year ending March 31, 2005	6,300	420	350	150
(% increase)	(3.5)	(75.0)	(3400.0)	(-)
Six months ending September 30, 2004	3,100	220	200	70
(% increase)	(8.0)	(5.8)	(3.8)	(38.6)

<Bushu Pharmaceuticals Ltd.>

(Unit: Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2004	4,118	481	322	265
Year ended March 31, 2003	3,862	244	8	8
(% increase)	(6.6)	(97.1)	(3925.0)	(3212.5)
Year ending March 31, 2005	4,200	400	320	300
(% increase)	(2.0)	(16.8)	(0.6)	(13.2)
Six months ending September 30, 2004	2,100	190	150	140
(% increase)	(5.9)	(15.2)	(97.4)	(84.2)

Ratio of consolidated financial results against non-consolidated financial results

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)
Net sales	1.49	1.09	1.09
Operating income	1.37	1.26	1.16
Ordinary income	1.21	1.14	1.08
Net income	1.71	1.65	1.06

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	Taiwan Shionogi & Co., Ltd.	Taipei, Taiwan, R.O.C.	TW\$ 92 million	Mfg. and sale of pharmaceuticals	December 26, 1963	December 31	100
10	Shionogi Europe B.V.	Amsterdam, The Netherlands	Euro 35,910 thousand	Holding company	June 17, 1992	December 31	100
11	Shionogi Qualicaps, Inc.	North Carolina, U.S.A.	US\$ 27 million	Mfg. and sale of capsules	June 10, 1992	December 31	* 100
12	Shionogi Qualicaps, S.A.	Madrid, Spain	Euro 15,626 thousand	Mfg. and sale of capsules	September 10, 1992	December 31	* 100
13	Shionogi USA, INC.	Delaware, U.S.A.	US\$ 1 million	Contract research for pharmaceuticals	February 15, 2001	December 31	100
14	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 April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Pharmaceuticals and related businesses	2,683	1,852	1,885	890
Ethical drugs	2,528	1,734	1,740	820
OTC and quasi-drugs	119	67	70	35
Diagnostics	35	37	33	17
Royalty income	-	12	42	18
Capsule business	118	114	115	55
Other businesses	49	37	30	15
Industrial Chemicals	22	9	0	0
Real estate/Logistic service etc.	27	28	30	15
Total	2,852	2,004	2,030	960

<Non-consolidated>

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Pharmaceuticals and related businesses	1,890	1,823	1,855	875
Ethical drugs	1,778	1,705	1,710	805
OTC and quasi-drugs	75	67	70	35
Diagnostics	35	37	33	17
Royalty income	-	12	42	18
Industrial Chemicals	22	9	0	0
Total	1,911	1,832	1,855	875

Main Products <Non-consolidated>

Ethical drugs

(Unit: Yen 100 million)

Product name	Category	Apr. 2002 - Mar. 2003	Apr. 2003 - Mar. 2004	Apr. 2004 - Mar. 2005 (forecast)	Apr. 2004 - Sep. 2004 (forecast)
Total ethical drugs		1,778	1,705	1,710	805
Top 10 products					
1	FLOMOX Oral cephem antibiotic (in-house)	343	345	350	150
2	FLUMARIN Injectable Oxacephem antibiotic (in-house)	215	193	172	88
3	VANCOMYCIN Glycopeptide antibiotic	194	182	163	84
4	RINDERON Synthetic adrenocortical hormone	101	101	100	53
5	IMUNACE Interleukin-2	94	95	105	51
6	MS CONTIN Long-acting analgesic for cancer pain	93	77	65	34
7	LONGES ACE inhibitor	64	57	51	26
8	CLARITIN Antiallergic agent	53	55	80	30
9	KEFRAL Oral cephem antibiotic	62	49	45	22
10	DOBUTREX Agent for treatment of acute circulatory insufficiency	42	39	37	18
Other main products					
	PL GRANULES Cold remedy	34	30	32	11
	BROACT Injectable cephem antibiotic	35	29	32	15
	BERYZYM Digestive enzymes	30	28	26	13
	RHYTHMY Sleep inducer (in-house)	24	25	25	13
	LANDEL Antihypertensive (Calcium antagonist)	23	21	24	11
	ULGUT Gastritis and peptic ulcer therapeutic agent	17	14	13	7
	AQUPLA Anticancer (in-house)	11	12	12	6
	MORPHINE- HYDROCHLORIDE Injectable morphine hydrochloride analgesic	14	12	11	6
	CEFTIBUTEN (Export) Oral cephem antibiotic (in-house)	21	23	16	8
New Products					
	OXYCONTIN Long-acting analgesic for cancer pain	-	9	23	10
	SG GRANULES Analgesic and antipyretic	-	4	6	3
	CRESTOR Antihyperlipidemia	-	-	30	0
	CETRORELIX (Generic name) Luteinizing hormone-releasing hormone antagonist	-	-	3	0

OTC products

(Unit: Yen 100 million)

Product name	Category	Apr. 2002 - Mar. 2003	Apr. 2003 - Mar. 2004	Apr. 2004 - Mar. 2005 (forecast)	Apr. 2004 - Sep. 2004 (forecast)
Total OTC products		75	67	70	35
	SEDES Analgesic and antipyretic	32	30	33	17
	POPON-S Multivitamin with calcium	14	13	13	7

Employees

(Unit: persons)

	End of March 2003	End of March 2004	End of March 2005	End of September 2004 (forecast)
Consolidated	6,149	5,589	5,380	5,580
Non-consolidated	4,744	4,334	4,130	4,330

Investments in equipments/Depreciation cost

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
<Consolidated>				
Investment in equipments	88	58	70	36
Depreciation cost	99	96	92	44
<Non-consolidated>				
Investment in equipments	71	49	60	32
Depreciation cost	78	79	75	36

(Unit: Yen 100 million)

Main constructions	Total budget	Result until March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Concentration of packaging line on solid dosage form	12	5	5	0	0
Mfg. equipment for S-4661	20	0	7	13	9

Main investments on system

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Sales task supporting	3	3	2	1
Production management	3	0	0	0
R&D management	5	1	1	1
Accounting & Purchasing	14	1	0	0

R&D cost

(Unit: Yen 100 million)

	For the period from April 1, 2002 to March 31, 2003	For the period from April 1, 2003 to March 31, 2004	For the period from April 1, 2004 to March 31, 2005 (forecast)	For the period from April 1, 2004 to September 30, 2004 (forecast)
Consolidated	313	298	317	161
(% to Net sales)	(11.0%)	(14.9%)	(15.6%)	(16.8%)
Non-consolidated	312	295	315	160
(% to Net sales)	(16.3%)	(16.1%)	(17.0%)	(18.3%)

Drugs Under Development

May 17, 2004

<In Japan>

Stage/ Code No.	Administration	Indication/Mechanism	Origin	NDA submission
NDA's 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
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
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

NDA in preparation

S-8116	Oral	Analgesic for-cancer pain. Immediate-release oxycodone preparation Generic name: oxycodone.	Licensed from Mundipharma AG (Netherlands)	2004 2Q (planned)
SCH29851	Oral	Antiallergic Histamine H1 receptor antagonist. Additional indication: Pediatric use (allergic rhinitis and itch caused by atopic dermatitis) Generic name: loratadine	Co-developed with Schering-Plough K.K. Licensed from Schering-Plough Corp. (USA)	2004 2Q (planned by Schering-Plough K.K.)

Phase 3

LY248686	Oral	Antidepressant SNRI (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

S-6820	Injection	Recombinant interleukin-2 Additional indication: liver metastasis from colorectal cancer. Generic name: teceleukin	Licensed from Biogen, Inc. (USA)	
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)	

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)	

<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 ₂ receptor antagonist. First candidate as PGD ₂ 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.	Developed in-house Europe, USA: Phase 1	
S-3536	Oral	Drug for osteoarthritis (OA), Disease-modifying anti-OA drug (DMAOD) Selective matrix metalloproteinase (MMP) inhibitor	Developed in-house Europe: Phase 1	

<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	
RSC-1838	Oral	HIV integrase inhibitor	Pre-clinical	

<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 54 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	

<Discontinued>

S-3578	Injection	Cephem antibiotic		
S-1746	Injection	Acute ischemic stroke		

Extraordinary Loss (Consolidated)

(Unit: Yen 100 million)

		April 2001 - March 2002	April 2002 - March 2003	April 2003 - March 2004
Costs related to outplacement support	*1		30	71
Premium retirement benefits	*2	15	53	38
Social insurance contribution for previous period	*3			8
Loss on disposal of property, plant and equipment	*4			3
Business transfer costs	*5			1
Disaster restoration cost	*6			1
Loss on revaluation/sale of investment in securities		2	12	1
Total		17	95	124

*1 Costs for additional retirement benefits and related to outplacement support

Fiscal Year 2002: Plant employees in SHIONOGI & CO., LTD. 208 persons
 Fiscal Year 2003: Employees in SHIONOGI & CO., LTD. 413 persons

*2 Cost for additional retirement benefits for employees transferred to Joint Venture and in affiliated companies

Fiscal Year 2001:

Employees transferred from AGROCHEMICAL DIVISION 73 persons
 to BAYER CROPSCIENCE SHIONOGI K.K. (Ex. AVENTIS CROPSCIENCE SHIONOGI K.K.)

Fiscal Year 2002:

Employees transferred from ANIMAL HEALTH PRODUCTS DIVISION 38 persons
 to BOEHRINGER INGELHEIM SHIONOGI VETMEDICA CO., LTD.

Employees in OHMORI CO., LTD. 223 persons

Employees in SHIONOGI BUTURYUU SERVICE & CO., LTD. and
 SHIONOGI GENERAL SERVICE CO., LTD. 8 persons

Fiscal Year 2003:

Employees transferred from CLINICAL TESTING SERVICE DIVISION 168 persons
 to SHIONOGI BIOMEDICAL LABORATORIES, INC.

Employees transferred from INDUSTRIAL CHEMICALS DIVISION 50 persons
 to DSL. JAPAN, CO., LTD.

Employees in SHIONOGI BUTURYUU SERVICE & CO., LTD. and
 SHIONOGI GENERAL SERVICE CO., LTD. 99 persons

*3 Estimated employers' share of social insurance contribution in previous years on reserve for bonus for this period

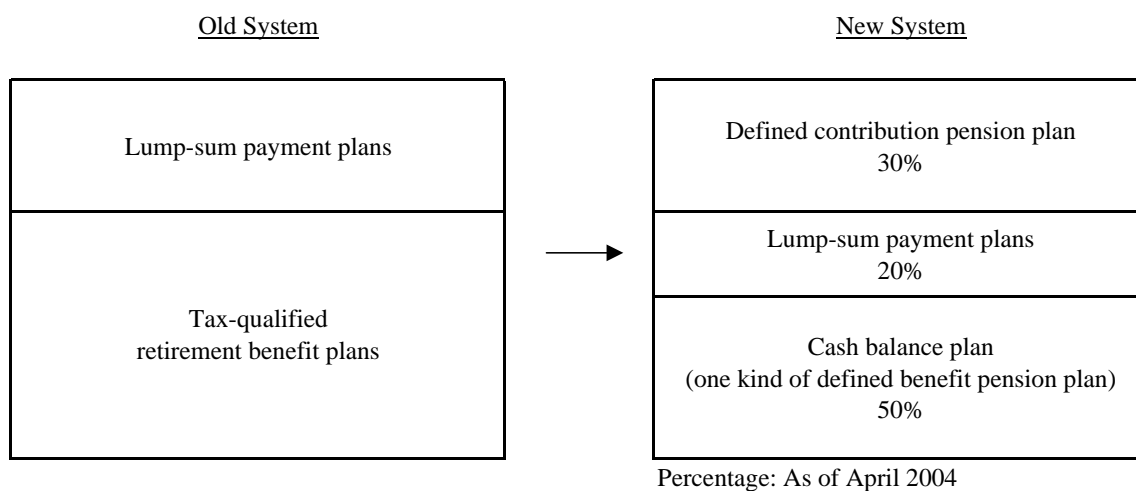
*4 Costs for removing, disposing on disused equipments at Kuise plant

*5 Costs for removing, disposing on disused equipments at Akoh plant

*6 Disaster restoration cost in Kanegasaki plant caused by earthquake in Tohoku district

Introduction of New Retirement Benefit System

1. Retirement Benefit System started from April 2004



2. Impact on financial statements by transition to the new system

An extraordinary gain in the amount of JPY 3.5 billion for the year ending March 31, 2005 is to be generated by transition to defined contribution pension plan

Total amount of retirement benefit expenses including contributions to the defined contribution pension plan for the year ending March 31, 2005 is estimated to JPY 3.6 billion (Decrease JPY 7 billion to the previous period)

Unfunded retirement benefit obligation to be amortized in future substantially disappears as of the transition