

Semi-annual Flash Report (unaudited)

Six months ended September 30, 2002

ONO PHARMACEUTICAL CO., LTD.

November 8, 2002

Ono Pharmaceutical Co., Ltd. has announced its consolidated financial results for six months ended September 30, 2002.

This Semi-annual Flash Report 2003 (unaudited) is summary information extracted from the financial statements announced, and the financial statements contained herein are prepared for reference only for the convenience of readers outside Japan with certain modifications and reclassifications made from the original financial statements presented in Japanese language.

Financial Highlights

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

	(Note) All yen amounts are rounded down to the nearest million yen.			Thousands of US\$
	Millions of yen			
	Semi-annual 6 months ended Sep 30 2002	Semi-annual 6 months ended Sep 30 2001	Annual 12 months ended Mar 31 2002	Semi-annual 6 months ended Sep 30 2002
Net sales	¥ 67,090	¥ 66,663	¥ 133,353	\$ 545,447
Net income	15,728	12,127	22,754	127,869
Shareholders' equity	305,053	308,560	305,058	2,480,105
Total assets	358,543	362,204	356,478	2,914,983
		Yen		US\$
Net income per common stock	¥ 131.15	¥ 98.73	¥ 186.66	\$ 1.07

MESSAGE FROM THE MANAGEMENT

(1) Basic management policy

The Ono Pharmaceutical Group, in keeping with its philosophy of “Dedication to Man’s Fight against Disease and Pain,” has always striven to achieve its medium-term goal of serving as an R&D-oriented, international pharmaceutical company specializing in defined areas. In this endeavor, we have placed our emphasis on R&D, aiming to meet the diverse medical needs of an aging society, to create innovative medicines for previously incurable diseases.

Our R&D division focuses its resources on the company’s four priority fields: prostaglandins, enzyme inhibitors, neuroscience and intracellular signaling. Optimizing the technologies we have accumulated in such fields and forging cooperative links with research organizations with leading-edge technologies both within Japan and abroad, we hope to expeditiously market innovative medicines that conform to global standards. In responding to the global trend toward harmonization of pharmaceutical registration standards, we seek to develop new pharmaceuticals simultaneously in Japan, the US and Europe, based on clinical trials performed in the latter areas. With regard to genomic drug design, we have succeeded in identifying the relationship between certain diseases and ten genes, covered by patents owned by ourselves. Seeking to develop new drugs, we will continue to search for compounds that act specifically on such genes.

The marketing division is actively working to enhance the reputation of Ono’s innovative pharmaceuticals, through the presentation of scientific data, mainly at study and lecture meetings, and through the rapid dissemination of accurate information by optimal use of information technology. We envision that the NHI price revision to be implemented along with reforms of the health insurance system will greatly affect our business. However, we will strive to attain stable growth by launching new products and by enhancing the competitiveness of existing products.

With top priority given to the pursuit of global-level quality assurance of our products, the manufacturing division is placing stronger emphasis on improving both hardware and software, and establishing a computerized production management system.

(2) Basic policy concerning dividends

With regard to dividends, distribution of profits to shareholders is one of our key management policies, and we place great importance on the maintenance of stable dividends based on achievement. With regard to reserves, we allocate sufficient funds to meet the demand for research and development of new drugs, and for expansion and renovation of our production facilities; this serves to maintain and enhance our profitability and to strengthen our financial position.

(3) Ideas and policy concerning reduction in the minimum trading unit

Reduction of the minimum trading unit is an effective measure to enhance liquidity in the stock market and to increase the number of individual investors. Taking into consideration cost effectiveness, number of shareholders, and the balance of supply and demand in the stock market, thoughtful discussions will be made on a reduction of the minimum trading unit. At present, a detailed plan and schedule have not been determined.

(4) Policy concerning development of corporate governance

To improve our corporate governance, we have appointed external auditors (a lawyer in 1993 and an accountant in 2000) to reinforce our auditing system, for more effective management. During Board meetings, an appropriate number of Directors frankly discuss management strategies, resulting in prompt decision making. Therefore, we consider that there is no need to largely change the management system at present. As for the development of corporate governance, we should examine the need for this, after confirming the nature of future, significant revisions of commercial law.

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Consolidated Balance Sheets

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

(Note) All amounts are rounded down to the nearest million yen.

ASSETS	Millions of yen			Thousands of US\$
	Semi-annual September 30 2002	Semi-annual September 30 2001	Annual March 31 2002	Semi-annual September 30 2002
Current assets				
Cash and bank deposits	¥ 16,053	¥ 18,805	¥ 15,880	\$ 130,512
Notes and accounts receivable	38,034	42,217	40,612	309,219
Marketable securities	92,204	86,736	94,221	749,626
Inventories	9,631	8,789	9,747	78,300
Deferred taxes	7,964	6,277	7,199	64,747
Others	979	988	673	7,959
Allowance for doubtful receivables	(1,203)	(1,340)	(1,291)	(9,780)
Total current assets	163,665	162,473	167,043	1,330,609
Property, plant and equipment				
Land	22,670	24,417	18,222	184,308
Buildings and structures	48,580	48,081	48,534	394,959
Machinery and equipment	24,514	24,166	24,334	199,300
Construction in progress	7,348	3,929	6,277	59,739
Accumulated depreciation	(45,893)	(42,478)	(44,356)	(373,113)
Net property, plant and equipment	57,221	58,116	53,012	465,211
Investments and other assets				
Investment securities	112,763	121,115	112,073	916,772
Deferred taxes	16,101	11,743	15,643	130,902
Intangible assets	1,779	1,748	1,656	14,463
Others	7,012	7,006	7,049	57,008
Total investments and other assets	137,657	141,614	136,422	1,119,162
Total assets	¥ 358,543	¥ 362,204	¥ 356,478	\$ 2,914,983

(Note) All amounts are rounded down to the nearest million yen.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen			Thousands of US\$
	Semi-annual September 30 2002	Semi-annual September 30 2001	Annual March 31 2002	Semi-annual September 30 2002
Current liabilities				
Current portion of long-term debt	¥ 8	¥ 8	¥ 8	\$ 65
Notes and accounts payable	5,359	4,688	2,747	43,569
Income taxes	13,121	13,383	11,495	106,674
Others	12,265	11,984	12,151	99,715
Total current liabilities	30,754	30,064	26,402	250,032
Long-term liabilities				
Long-term debt, less current portion	140	148	144	1,138
Accrued retirement benefits	20,922	21,986	23,295	170,097
Total long-term liabilities	21,063	22,134	23,439	171,243
Minority interests	1,672	1,445	1,578	13,593
Shareholders' equity				
Common stocks	17,358	17,358	17,358	141,121
Additional paid-in capital	17,002	17,002	17,002	138,227
Retained earnings	294,369	272,204	282,832	2,393,243
Revaluation surplus of land	(3,598)	—	(3,598)	(29,252)
Unrealized gain on securities ⁽¹⁾	(57)	2,048	1,596	(463)
Translation adjustments	(71)	0	15	(577)
Less, treasury stocks	(19,949)	(54)	(10,147)	(162,186)
Total shareholders' equity	305,053	308,560	305,058	2,480,105
Total liabilities and shareholders' equity	¥ 358,543	¥ 362,204	¥ 356,478	\$ 2,914,983

(1) Unrealized gain on securities classified as available for sale, net of tax

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Consolidated Statements of Income

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

(Note) All amounts are rounded down to the nearest million yen.

	Millions of yen			Thousands of US\$
	Semi-annual 6 months ended Sep 30 2002	Semi-annual 6 months ended Sep 30 2001	Annual 12 months ended Mar 31 2002	Semi-annual 6 months ended Sep 30 2002
Net sales	¥ 67,090	¥ 66,663	¥ 133,353	\$ 545,447
Cost of sales	10,339	11,320	21,841	84,056
Gross profit	56,750	55,342	111,511	461,382
Selling, general and administrative expenses	29,970	29,116	61,179	243,658
Operating income	26,780	26,225	50,332	217,723
Other income (expenses)				
Interest and dividend income	879	1,315	2,224	7,146
Interest expenses	(2)	(11)	(14)	(16)
Other, net	1,450	(4,426)	(8,844)	11,788
	2,327	(3,123)	(6,634)	18,918
Income before income taxes and minority interests	29,108	23,102	43,697	236,650
Income taxes				
Current	13,304	13,609	25,321	108,162
Deferred	(39)	(2,714)	(4,600)	(317)
	13,265	10,895	20,721	107,845
Income before minority interests	15,843	12,207	22,975	128,804
Minority interests	(114)	(80)	(220)	(926)
Net income	¥ 15,728	¥ 12,127	¥ 22,754	\$ 127,869
				US\$
Amounts per common stock				
Net income	¥ 131.15	¥ 98.73	¥ 186.66	\$ 1.07
Cash dividends applicable to the period	¥ 0.00	¥ 0.00	¥ 34.00	\$ 0.00

Consolidated Statements of Cash Flows

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

(Note) All amounts are rounded down to the nearest million yen

	Millions of yen			Thousands of US\$
	Semi-annual 6 months ended Sep 30 2002	Semi-annual 6 months ended Sep 30 2001	Annual 12 months ended Mar 31 2002	Semi-annual 6 months ended Sep 30 2002
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 29,108	¥ 23,102	¥ 43,697	\$ 236,650
Adjustments:				
Depreciation and amortization	1,746	1,974	4,108	14,195
Increase(decrease) in allowance for doubtful receivables	(88)	107	63	(715)
Increase in provision for bonuses	204	253	51	1,658
Increase (decrease) in provision for retirement benefits, net	(2,281)	1,294	2,579	(18,544)
Interest and dividend income	(879)	(1,315)	(2,224)	(7,146)
Interest expenses	2	11	14	16
Loss from valuation of investment securities	724	2,836	5,941	5,886
Increase (decrease) in notes and accounts receivable	2,577	(3,925)	(2,308)	20,951
Others	(1,720)	(816)	(1,445)	(13,983)
Interest and dividend income received	785	1,022	1,744	6,382
Interest paid	(2)	(11)	(14)	(16)
Income taxes paid	(11,677)	(15,805)	(29,390)	(94,934)
Net cash provided by operating activities	18,500	8,729	22,819	150,406
Cash flows from investing activities:				
Payments for purchases of marketable securities	(39,217)	(1,000)	(52,355)	(318,837)
Proceeds from sales of marketable securities	53,353	14,619	29,469	433,764
Transfer from time deposits	133	1,000	7,026	1,081
Payments for purchases of property, plant and equipment	(2,281)	(3,126)	(8,240)	(18,544)
Payments for purchases of investment securities	(12,007)	(14,014)	(39,156)	(97,617)
Proceeds from sales of investment securities	1,096	2,199	27,868	8,910
Other payments	(248)	445	427	(2,016)
Net cash generated from (used in) investment activities	827	122	(34,960)	6,723
Cash flows from financing activities:				
Repayment of current portion of long-term debt	(4)	(40)	(45)	(32)
Increase in long-term debt	—	7	7	—
Repayment of long-term debt	—	(99)	(99)	—
Payments for obtaining treasury stock	(9,819)	(107)	(10,201)	(79,829)
Proceeds from sales of treasury stock	—	116	116	—
Cash dividends	(4,089)	(4,156)	(4,167)	(33,243)
Cash dividends to minority shareholders	(4)	(3)	(3)	(32)
Net cash used in financing activities	(13,917)	(4,284)	(14,394)	(113,146)
Effect of exchange rate changes on cash and cash equivalents	(13)	(1)	11	(105)
Net increase (decrease) in cash and cash equivalents	5,397	4,566	(26,523)	43,878
Cash and cash equivalents, beginning	54,385	80,908	80,908	442,154
Cash and cash equivalents, ending	59,782	85,474	54,385	486,032

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Consolidated Statements of Retained Earnings

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

(Note) All amounts are rounded down to the nearest million yen.

	Millions of yen			Thousands of US\$
	Semi-annual 6 months ended Sep 30 2002	Semi-annual 6 months ended Sep 30 2001	Annual 12 months ended Mar 31 2002	Semi-annual 6 months ended Sep 30 2002
Balance, beginning of period	¥ 282,832	¥ 264,350	¥ 264,350	\$ 2,299,447
Net income for the period	15,728	12,127	22,754	127,869
Cash dividends paid	(4,090)	(4,176)	(4,176)	(33,252)
Bonuses to directors and statutory auditors	(100)	(96)	(96)	(813)
Balance, end of period	¥ 294,369	¥ 272,204	¥ 282,832	\$ 2,393,243

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

Note 1 This Semi-annual Flash Report 2003 (unaudited) is summary information extracted from the financial statements announced by the Company on November 8, 2002.

The financial statements announced have been prepared and stated in accordance with accounting principles generally accepted in Japan.

The financial statements and figures contained in this Semi-annual Flash Report 2002 (unaudited) are prepared for reference only for the convenience of readers outside Japan with certain modifications and reclassifications made from the original financial statements presented in Japanese language.

Note 2 All amounts expressed herein in millions of Japanese yen are rounded down to the nearest million yen, which are to follow the basis of presentation in the above original announcement.

Note 3 U.S. Dollar amounts herein are given solely for the convenience of readers outside Japan and are stated, as a matter of arithmetical computation only, at the rate of Japanese yen 123 = US\$ 1, the approximate exchange rate prevailing on September 30, 2002.

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Ono Pharmaceutical Co., Ltd. and
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Sales of Major Products

Supplemental Data

For information purpose only

(Note) All amounts are rounded down to the nearest hundred million yen.

		Hundred Millions of yen					
		Semi-annual 6 months ended Sep 30 2002		Semi-annual 6 months ended Sep 30 2001		Annual 12 months ended Mar 31 2002	
Onon	Agent for bronchial asthma	¥	114	¥	115	¥	235
Onon drysyrup	Agent for pediatric bronchial asthma		19		11		31
Kinedak	Agent for diabetic peripheral neuropathy		124		128		249
Foipan	Agent for chronic pancreatitis and postoperative reflux esophagitis		88		92		179
Cataclot	Agent for (acute phase) cerebral thrombosis and cerebrovascular spasms		54		61		116
Prostandin 500	Agent for perioperative hypotension		16		18		34
Prostandin	Circulatory system agent		43		47		101
FOY	Agent for pancreatitis and DIC		14		16		32
FOY 500	Agent for DIC		35		38		76
Opalmon	Circulatory system agent		88		57		131
Elaspol	Acute lung injury associated with systemic inflammatory response syndrome		8		—		—
Total			608		587		1,188
Percentage to total net sales			91%		88%		89%

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Supplemental Information

New Drugs in Development

In our ongoing effort to create products that will promote the health of more people worldwide, Ono has many new drug formulations under development, including the following major drugs:

Onoact® 50 for Injection (ONO-1101)

Onoact® for Injection is for the treatment of tachyarrhythmia occurring during operation in patients mainly with hypertension or ischemic heart disease. It is very safe and easy to adjust due to its ultra-short duration

Japan: Phase II/III clinical studies as a medication for post-operative

The drug holds promise for very convenient administration in medical practice, because it does not act on thrombi or blood vessels; therefore, there is no risk of hemorrhage.

Japan: Phase II clinical study as a medication for acute ischemic stroke.

North America: Phase II clinical study.

ONO-5920 (tablet)

ONO-5920 is under development for the treatment of osteoporosis. This drug, a bisphosphonate of the third generation, inhibits activation of osteoclasts and effectively prevents bone resorption. With the ability to rapidly increase bone mass, it will be safe and effective at low doses.

Japan: Phase III clinical study as a medication for osteoporosis.

ONO-8025/KRP-197 (tablet)

ONO-8025/KRP-197 is under development for the treatment of hyperactive bladder (pollakiuria and urinary incontinence). This drug is unlikely to cause adverse effects such as dry mouth, which is caused by other drugs with similar mode of action, as tests on animals have revealed that it acts as an antagonist by selectively binding to the muscarinic receptors in the bladder.

Japan: Phase II clinical study as a medication for hyperactive bladder (pollakiuria and urinary incontinence) (co-development with Kyorin Pharmaceutical Co., Ltd.).

Proglia for Injection (ONO-2506)

Proglia for Injection is under development for the treatment of ischemic stroke, to be effective both for cerebral thrombosis and cerebral embolism. The drug inhibits the spread of post-infarction necrosis with a novel mechanism of action, suppressing abnormal activation of astrocytes, a kind of brain cell.

ONO-5816 (tablet)

ONO-5816 is under development for the treatment of diabetes. This drug acts by increasing sensitivity to insulin, to lower the blood glucose levels. It is believed to be more effective than other drugs for non-obese type-2 diabetes patients, who are numerous in Japan. Moreover, as no liver damage was found in tests in animals, it is expected to be very safe.

Japan: Phase II clinical study.

U. S. : Phase II clinical study by Merck S.A.S., France.

Cereact Capsule (ONO-2506PO)

It has been elucidated that astrocyte dysfunction is greatly involved in the occurrence and progression of neurodegenerative diseases such as Alzheimer's/Parkinson's diseases and amyotrophic lateral sclerosis (ALS). Working through a novel mechanism of action, suppressing abnormal activation of astrocytes, Cereact capsule is expected to inhibit the occurrence and progression of various neurodegenerative diseases.

Japan: Phase I clinical study as a medication for neurodegenerative diseases.

Europe : Phase II clinical study as a medication for ALS.

ONO-4819-CD (for injection)

ONO-4819-CD is being developed for the treatment of bone fractures, as a selective EP4 agonist to strongly promote osteogenesis. This will be an innovative drug that hastens healing of bone fractures, with a totally different mechanism from conventional drugs.

Japan: Phase II clinical study as a medication for vertebral fracture.

ONO-6126 (tablet)

ONO-6126 is a selective inhibitor of phosphodiesterase type 4, and is under development for the treatment of bronchial asthma and chronic obstructive pulmonary disease. The drug has shown both suppressive effects on bronchoconstriction and anti-inflammatory effects. Since the drug shows less penetration to CNS system, it is expected to be useful in the treatment of chronic respiratory diseases without any adverse effects such as vomiting and headache.

Japan: Phase II clinical study as a medication for bronchial asthma and chronic obstructive pulmonary disease.

Europe : Phase II clinical study under preparation.

North America: Phase II clinical study under preparation.

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Supplemental Information

Status of Major Developments

September 30, 2002

Developments in Japan

Obtained manufacturing approval

(as of July 5, 2002):

- **Onoact® 50 for Injection (ONO-1101)**

Landiolol hydrochloride for tachyarrhythmia during operation

Awaiting manufacturing approval:

- **Prostandin® for Injection**

Alprostadil alfadex for patent ductus arteriosus associated with ductus arteriosus-dependent congenital heart diseases

Ongoing clinical studies:

New chemical entities:

- **ONO-5920** Osteoporosis (tablet, Phase III)
- **Proglia for Injection (ONO-2506)** Acute ischemic stroke (injection, Phase II)
- **ONO-8025/KRP-197** Hyperactive bladder (pollakiuria and urinary incontinence) (tablet, Phase II)
- **ONO-5816** Diabetes (tablet, Phase II)
- **ONO-4819 CD** Vertebral fracture (injection, Phase II)
- **ONO-8815Ly** Imminent premature labor (injection, Phase I completed)
- **ONO-4817** Inflammatory bowel disease and osteoarthritis (tablet, Phase I)
- **ONO-8130** Hyperactive bladder (pollakiuria and urinary incontinence) (tablet, Phase I preparation)

- **Cereact Capsule (ONO-2506PO)**

Alzheimer's/Parkinson's diseases and amyotrophic lateral sclerosis (ALS) (capsule, Phase I)

- **ONO-6126** Bronchial asthma and chronic obstructive pulmonary disease (tablet, Phase I)

Ongoing clinical studies:

Additional indications:

- **Onon® Dry Syrup** Pranlukast hydrate for pediatric allergic rhinitis (Phase II/III)
- **Onoact® 50 for Injection (ONO-1101)** Landiolol hydrochloride for post-operative tachyarrhythmia (Phase II/III)
- **Onon® Capsule** Pranlukast hydrate for chronic sinusitis (Phase II)

Developments abroad

Ongoing clinical studies:

- **Proglia for Injection (ONO-2506)** Acute ischemic stroke (injection, Phase II)
- **Cereact Capsule (ONO-2506PO)** Alzheimer's/Parkinson's diseases and amyotrophic lateral sclerosis (ALS) (capsule, Phase II)
- **ONO-6126** Bronchial asthma and chronic obstructive pulmonary disease (tablet, Phase II preparation)
- **ONO-8815Ly** Imminent premature labor (injection, Clinical pharmacology study completed)
- **ONO-4817** Inflammatory bowel disease and osteoarthritis (tablet, Phase I completed)
- **ONO-8130** Hyperactive bladder (pollakiuria and urinary incontinence) (tablet, Phase I preparation)
- **ONO-4127Na** Allergic rhinitis (tablet, Phase I)