

Annual Flash Report (unaudited)

Year ended March 31, 2003

ONO PHARMACEUTICAL CO., LTD.

May 16, 2003

Ono Pharmaceutical Co., Ltd. has announced its consolidated financial results for the year ended March 31, 2003.

This Annual Flash Report 2003 (unaudited) is a 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.

	Millions of yen		Thousands of US\$
	2003	2002	2003
Net sales	¥ 134,993	¥ 133,353	\$ 1,124,941
Net income	25,713	22,754	214,275
Shareholders' equity	314,093	305,058	2,617,441
Total assets	362,656	356,478	3,022,133
	Yen		US\$
Net income per common stock	¥ 215.57	¥ 186.66	\$ 1.80

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. Therefore, effective August 1, 2003, the number of shares that comprise one unit of investment will be changed from 1,000 to 100.

(4) Implementation of policy concerning development of corporate governance

An auditor system is employed.

Regarding corporate governance, attention has been focused primarily on strengthening the functions of both the board of directors and the board of auditors.

Efforts have been made to increase the mobility of the board of directors, to set targets for achieving prompter decision making, and to set the composition at the appropriate number of members. Moreover, during the decision-making process, the opinions and advice of the company's attorneys and other experts are sought.

By attending meetings of the board of directors and other important discussion forums, receiving management reports from the directors and other sources, and through various other activities, the board of auditors closely monitors the performance of the company's directors. Of the company's four auditors, two are independent outside auditors. In order to enable auditing functions to be performed from various expert viewpoints, the independent outside auditors appointed included a legal attorney in 1993 and a certified public accountant in 2000. These independent outside auditors have no business dealings with the company nor any other vested interests in the company.

This is the sound and effective corporate governance system that has been established, and although no major changes are considered necessary at the present time, the company is fully aware that the structure of the management organization is a matter that requires constant review and appropriate adjustments from time to time as needed.

Toshio Ueno
Chairman and CEO

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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\$
	2003	2002	2003
Current assets			
Cash and bank deposits	¥ 16,434	¥ 15,880	\$ 136,950
Notes and accounts receivable	39,339	40,612	327,825
Marketable securities	109,451	94,221	912,091
Inventories	9,241	9,747	77,008
Deferred taxes	8,072	7,199	67,266
Others	654	673	5,450
Allowance for doubtful receivables	(1,273)	(1,291)	(10,608)
Total current assets	181,920	167,043	1,516,000
Property, plant and equipment			
Land	22,670	18,222	188,916
Buildings and structures	53,746	48,534	447,883
Machinery and equipment	23,953	24,334	199,608
Construction in progress	6,260	6,277	52,166
Accumulated depreciation	(46,862)	(44,356)	(390,516)
Net property, plant and equipment	59,769	53,012	498,075
Investments and other assets			
Investment securities	97,771	112,073	814,758
Deferred taxes	14,748	15,643	122,900
Intangible assets	1,630	1,656	13,583
Others	6,815	7,049	56,791
Total investments and other assets	120,966	136,422	1,008,050
Total assets	¥ 362,656	¥ 356,478	\$ 3,022,133

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of US\$
	2003	2002	2003
Current liabilities			
Current portion of long-term debt	¥ 8	¥ 8	\$ 66
Notes and accounts payable	6,825	2,747	56,875
Income taxes	8,946	11,495	74,550
Others	13,391	12,151	111,591
Total current liabilities	29,170	26,402	243,083
Long-term liabilities			
Long-term debt, less current portion	136	144	1,133
Accrued retirement benefits	17,456	23,295	145,466
Total long-term liabilities	17,592	23,439	146,600
Minority interests	1,799	1,578	14,991
Shareholders' equity			
Common stocks	17,358	17,358	144,650
Additional paid-in capital	17,002	17,002	141,683
Retained earnings	304,354	282,832	2,536,283
Revaluation surplus of land	(3,685)	(3,598)	(30,708)
Unrealized gain on securities (*)	(460)	1,596	(3,833)
Translation adjustments	(8)	15	(66)
Less, treasury stocks	(20,467)	(10,147)	(170,558)
Total shareholders' equity	314,093	305,058	2,617,441
Total liabilities and shareholders' equity	¥ 362,656	¥ 356,478	\$ 3,022,133

(*) 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\$
	2003	2002	2003
Net sales	¥ 134,993	¥ 133,353	\$ 1,124,941
Cost of sales	20,555	21,841	171,291
Gross profit	114,437	111,511	953,641
Selling, general and administrative expenses	63,799	61,179	531,658
Operating income	50,638	50,332	421,983
Other income (expenses)			
Interest and dividend income	1,496	2,224	12,466
Interest expenses	(5)	(14)	(41)
Other, net	(3,173)	(8,844)	(26,441)
	(1,681)	(6,634)	(14,008)
Income before income taxes and minority interests	48,956	43,697	407,966
Income taxes			
Current	21,616	25,321	180,133
Deferred	1,389	(4,600)	11,575
	23,005	20,721	191,708
Income before minority interests	25,950	22,975	216,250
Minority interests	(237)	(220)	(1,975)
Net income	¥ 25,713	¥ 22,754	\$ 214,275
		Yen	US\$
Amounts per common stock			
Net income	¥ 215.57	¥ 186.66	\$ 1.80
Cash dividends applicable to the period	¥ 40.00	¥ 34.00	\$ 0.33

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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\$
	2003	2002	2003
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48,956	¥ 43,697	\$ 407,967
Adjustments:			
Depreciation and amortization	3,719	4,108	30,992
Increase (decrease) in allowance for doubtful receivables	(18)	63	(150)
Increase in provision for bonuses	253	51	2,108
Increase (decrease) in provision for retirement benefits, net	(5,775)	2,579	(48,125)
Interest and dividend income	(1,496)	(2,224)	(12,467)
Interest expenses	5	14	42
Loss from valuation of investment securities	7,165	5,941	59,708
Increase (decrease) in notes and accounts receivable	1,271	(2,308)	10,592
Others	828	(1,445)	6,900
Interest and dividend income received	1,359	1,744	11,325
Interest paid	(5)	(14)	(42)
Income taxes paid	(24,165)	(29,390)	(201,375)
Net cash provided by operating activities	32,097	22,819	267,475
Cash flows from investing activities:			
Payments for purchases of marketable securities	(90,519)	(52,355)	(754,325)
Proceeds from sales of marketable securities	95,586	29,469	796,550
Transfer from time deposits	142	7,026	1,183
Payments for purchases of property, plant and equipment	(6,389)	(8,240)	(53,242)
Payments for purchases of investment securities	(20,710)	(39,156)	(172,583)
Proceeds from sales of investment securities	9,695	27,868	80,792
Other payments	348	427	2,900
Net cash used in investment activities	(11,847)	(34,960)	(98,725)
Cash flows from financing activities:			
Repayment of current portion of long-term debt	(8)	(45)	(67)
Increase in long-term debt	-	7	-
Repayment of long-term debt	-	(99)	-
Payments for obtaining treasury stock	(10,337)	(10,201)	(86,142)
Proceeds from sales of treasury stock	-	116	-
Cash dividends	(4,093)	(4,167)	(34,108)
Cash dividends to minority shareholders	(4)	(3)	(33)
Net cash used in financing activities	(14,442)	(14,394)	(120,350)
Effect of exchange rate changes on cash and cash equivalents	(15)	11	(125)
Net increase (decrease) in cash and cash equivalents	5,792	(26,523)	48,267
Cash and cash equivalents, beginning	54,385	80,908	453,208
Cash and cash equivalents, ending	¥ 60,177	¥ 54,385	\$ 501,475

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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\$
	2003	2002	2003
Balance, beginning of period	¥ 282,832	¥ 264,350	\$ 2,356,933
Net income for the period	25,713	22,754	214,275
Cash dividends paid	(4,090)	(4,176)	(34,083)
Bonuses to directors and statutory auditors	(100)	(96)	(833)
Balance, end of period	¥ 304,354	¥ 282,832	\$ 2,536,283

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

- Note 1 This Annual Flash Report 2003 (unaudited) is a summary information extracted from the financial statements announced by the Company on May 16, 2003.
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 Annual Flash Report 2003 (unaudited) are prepared for reference only for the convenience of readers outside Japan with certain modifications and reclassifications made to the original financial statements, which are 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 120 = US\$ 1, the approximate exchange rate prevailing on March 31, 2003.

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Ono Pharmaceutical Co., Ltd. and
Consolidated Subsidiaries

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	
		2003	2002
Onon	Agent for bronchial asthma and allergic rhinitis	234	235
Onon dry syrup	Agent for pediatric bronchial asthma	47	31
Kinedak	Agent for diabetic peripheral neuropathy	238	249
Foipan	Agent for chronic pancreatitis and postoperative reflux esophagitis	172	179
Cataclot	Agent for (acute phase) cerebral thrombosis and cerebrovascular spasms	103	116
Prostandin 500	Agent for perioperative hypotension	30	34
Prostandin	Circulatory system agent	89	101
FOY	Agent for pancreatitis and DIC	27	32
FOY 500	Agent for DIC	70	76
Opalmon	Circulatory system agent	184	131
Elaspol	Acute lung injury associated with systemic inflammatory response syndrome	23	—
Total		1,223	1,188
Percentage to total net sales		91%	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:

Onobis™ Tablet (ONO-5920)

Onobis™ Tablet, a drug for the treatment of osteoporosis, is one of the most potent bisphosphonates, rapidly preventing bone resorption at low doses. Since it has less adverse effect on the digestive tract, it is convenient for use, enabling a patient to take it with a small amount of water.

Japan: Phase III clinical study as drug for osteoporosis

Staybla® Tablet (ONO-8025) / KRP-197

Staybla® Tablet is for the treatment of hyperactive bladder (pollakiuria and urinary incontinence). As an antagonist selectively binding to muscarinic receptors, the drug remarkably reduces burdens on patient daily life, such as urinary incontinence, frequent urination and urgency of urination. The drug is characterized by having fewer of the adverse effects, such as dry mouth, caused by existing drugs with similar modes of action, and by its action of lessening pollakiuria and urinary incontinence at night, which greatly burden patients in daily life.

Japan: Phase III clinical study under preparation as drug for hyperactive bladder (pollakiuria and urinary incontinence) (co-development with Kyorin Pharmaceutical Co., Ltd.)

Proglia® for Injection (ONO-2506)

Proglia® for Injection is a drug to prevent expansion of cerebral infarction by improving astrocyte function. Since the drug does not act on thrombi or blood vessels, there is no risk of hemorrhage; it even has great potential for effectiveness when several hours have passed since ischemic stroke onset.

Japan: Phase II clinical study as drug for acute ischemic stroke

North America: Phase II clinical study

ONO-6126 (tablet)

ONO-6126, a PDE4 (phosphodiesterase type 4) inhibitor for the treatment of bronchial asthma and chronic obstructive pulmonary disease (COPD), has the dual actions of inhibiting airway inflammation and bronchodilatation. The drug is also characterized by having none of the adverse effects, such as vomiting and headache, caused by other drugs with similar modes of action.

Japan: Phase II clinical study under preparation as drug for bronchial asthma

Europe: Phase II clinical study as drug for bronchial asthma

US: Phase II clinical study as drug for COPD

Cereact® Capsule (ONO-2506PO)

Astrocyte dysfunction has been blamed for neurodegenerative diseases such as Alzheimer's/Parkinson's diseases and amyotrophic lateral sclerosis (ALS), one of the intractable diseases. Cereact® Capsule has a new mechanism of action to prevent the occurrence and progression of various neurodegenerative diseases, by improving astrocyte dysfunction.

Japan: Phase II clinical study under preparation as drug for Parkinson's disease

Europe: Phase II clinical study as drug for ALS

US: Phase II clinical study under preparation as drug for Alzheimer's disease

ONO-4819·CD (for injection)

ONO-4819·CD, an EP4 agonist developed through R&D activities for prostaglandin-related substances, one of our company's priority fields, has profound bone formation action. Unlike conventional drugs, this innovative drug enables earlier healing of bone fractures in patients with osteoporosis.

Japan: Phase II clinical study as drug for vertebral fracture healing

ONO-8130 (tablet)

ONO-8130, a drug with the innovative mechanism of action to improve sensory nerve hyperexcitability, will be developed primarily for the treatment of hyperactive bladder (pollakiuria and urinary incontinence). Existing drugs (especially anticholinergic drugs) cannot be freely used in patients with pollakiuria/urinary incontinence associated with prostatic hypertrophy, because careful administration is required due to the high incidence of urinary retention (patient cannot discharge urine as required). ONO-8130 can be used in such patients, and has no adverse effects, such as dry mouth.

Japan: Phase I clinical study under preparation as drug for hyperactive bladder (pollakuria and urinary incontinence)

US: Phase I clinical study under preparation

ONO-5129 (tablet)

ONO-5129 has both the lipid-lowering action (PPAR α action) of fibrates (lipid-lowering agent) and the insulin-resistance-improving action (PPAR γ action) of glitazones (diabetic agent). With these actions, the drug has a strong chance of being effective in multiple metabolic disorders (metabolic syndrome).

Japan: Phase I clinical study under preparation as drug for diabetes

US: Phase I clinical study under preparation

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Supplemental Information

Status of Major Developments

March 31, 2003

Developments in Japan

Obtained manufacturing approval

(as of April 11, 2002):

● **Elaspol® 100 for Injection (ONO-5046-Na)**

Sivelestat sodium hydrate for the treatment of acute lung injury associated with systemic inflammatory response syndrome

(as of July 5, 2002):

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

Landirolol 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:

● **Onobis™ Tablet (ONO-5920)** Osteoporosis (tablet, Phase III)

● **Staybla® Tablet (ONO-8025) / KRP-197** Hyperactive bladder (pollakiuria and urinary incontinence) (tablet, Phase III under preparation)

● **Proglia® for Injection (ONO-2506)** Acute ischemic stroke (injection, Phase II)

● **ONO-4819-CD** Vertebral fracture (injection, Phase II)

● **ONO-6126** Bronchial asthma (tablet, Phase II under preparation)

● **Cereact® Capsule (ONO-2506PO)** Parkinson's disease (capsule, Phase II under preparation)

● **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 under preparation)

● **ONO-5129** Diabetes (tablet, Phase I under preparation)

Ongoing clinical studies:

Additional indications:

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

Landirolol hydrochloride for post-operative tachyarrhythmia (Phase II/III)

● **Onon® Dry Syrup**

Pranlukast hydrate for pediatric allergic rhinitis (Phase II/III)

● **Onon® Capsule**

Pranlukast hydrate for chronic sinusitis and chronic obstructive pulmonary disease (Phase II)

Developments abroad

Ongoing clinical studies:

● **Proglia® for Injection (ONO-2506)** Acute ischemic stroke (injection, Phase II)

● **Cereact® Capsule (ONO-2506PO)** Alzheimer's disease and amyotrophic lateral sclerosis (ALS) (capsule, Phase II)

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

● **ONO-8815Ly** Imminent premature labor (injection, Clinical pharmacology study completed)

● **ONO-4817** Inflammatory bowel disease and osteoarthritis (tablet, Phase I completed)

● **ONO-4127Na** Allergic rhinitis (tablet, Phase I)

● **ONO-8130** Hyperactive bladder (pollakiuria and urinary incontinence) (tablet, Phase I under preparation)

● **ONO-5129** Diabetes (tablet, Phase I under preparation)