

Semi-annual Flash Report (unaudited)

Six months ended September 30, 2003

ONO PHARMACEUTICAL CO., LTD.

November 10, 2003

Ono Pharmaceutical Co., Ltd. has announced its consolidated financial results for six months ended September 30, 2003.

This Semi-annual Flash Report 2004 (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 2003	Semi-annual 6 months ended Sep 30 2002	Annual 12 months ended Mar 31 2003	Semi-annual 6 months ended Sep 30 2003
Net sales	¥ 68,986	¥ 67,090	¥ 134,993	\$ 621,495
Net income	16,336	15,728	25,713	147,171
Shareholders' equity	334,040	305,053	314,093	3,009,369
Total assets	385,823	358,543	362,656	3,475,882
		Yen		US\$
Net income per common share	¥ 138.65	¥ 131.15	¥ 215.57	\$ 1.25

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Ono Pharmaceutical Co., Ltd.
and Consolidated Subsidiaries

MESSAGE FROM THE MANAGEMENT

(1) Basic management policy

The Ono Pharmaceutical Group, in keeping with its philosophy of “Dedicated to Man’s Fight against Disease and Pain,” continues to work to achieve its medium-term goal of serving as an R&D-oriented, international pharmaceutical company specializing in specific areas. We strongly emphasize R&D, aiming to meet the diverse medical needs of an aging society, and 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 these fields and forging cooperative links with research organizations with leading-edge technologies both within Japan and abroad, we hope to rapidly bring to 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-base drug discovery, 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 implemented along with reforms of the health insurance system will continue to impact 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, for alliance with the venture companies and for expansion and renovation of our production facilities; this serves to maintain and enhance our profitability and to strengthen our financial position.

(3) 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 was changed from 1,000 to 100.

(4) 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\$
	Semi-annual September 30 2003	Semi-annual September 30 2002	Annual March 31 2003	Semi-annual September 30 2003
Current assets				
Cash and bank deposits	¥ 15,969	¥ 16,053	¥ 16,434	\$ 143,864
Notes and accounts receivable	40,227	38,034	39,339	362,405
Marketable securities	86,991	92,204	109,451	783,702
Inventories	9,767	9,631	9,241	87,990
Deferred taxes	10,316	7,964	8,072	92,936
Others	1,130	979	654	10,180
Allowance for doubtful receivables	(968)	(1,203)	(1,273)	(8,720)
Total current assets	163,433	163,665	181,920	1,472,369
Property, plant and equipment				
Land	22,734	22,670	22,670	204,810
Buildings and structures	60,524	48,580	53,746	545,261
Machinery and equipment	24,279	24,514	23,953	218,729
Construction in progress	2,861	7,348	6,260	25,774
Accumulated depreciation	(48,264)	(45,893)	(46,862)	(434,810)
Net property, plant and equipment	62,135	57,221	59,769	559,774
Investments and other assets				
Investment securities	143,105	112,763	97,771	1,289,234
Deferred taxes	9,022	16,101	14,748	81,279
Intangible assets	1,532	1,779	1,630	13,801
Others	6,594	7,012	6,815	59,405
Total investments and other assets	160,254	137,657	120,966	1,443,729
Total assets	¥ 385,823	¥ 358,543	¥ 362,656	\$ 3,475,882

(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 2003	Semi-annual September 30 2002	Annual March 31 2003	Semi-annual September 30 2003
Current liabilities				
Current portion of long-term debt	¥ 6	¥ 8	¥ 8	\$ 54
Notes and accounts payable	4,875	5,359	6,825	43,918
Income taxes	13,679	13,121	8,946	123,234
Others	13,143	12,265	13,391	118,405
Total current liabilities	31,704	30,754	29,170	285,621
Long-term liabilities				
Long-term debt, less current portion	104	140	136	936
Accrued retirement benefits	18,082	20,922	17,456	162,900
Total long-term liabilities	18,187	21,063	17,592	163,846
Minority interests	1,891	1,672	1,799	17,036
Shareholders' equity				
Common stock	17,358	17,358	17,358	156,378
Additional paid-in capital	17,002	17,002	17,002	153,171
Retained earnings	315,703	294,369	304,354	2,844,171
Revaluation surplus of land	(3,685)	(3,598)	(3,685)	(33,198)
Unrealized gain on securities (*)	8,252	(57)	(460)	74,342
Translation adjustments	(18)	(71)	(8)	(162)
Less, treasury stock	(20,571)	(19,949)	(20,467)	(185,324)
Total shareholders' equity	334,040	305,053	314,093	3,009,369
Total liabilities and shareholders' equity	¥ 385,823	¥ 358,543	¥ 362,656	\$ 3,475,882

(*) 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 2003	Semi-annual 6 months ended Sep 30 2002	Annual 12 months ended Mar 31 2003	Semi-annual 6 months ended Sep 30 2003
Net sales	¥ 68,986	¥ 67,090	¥ 134,993	\$ 621,495
Cost of sales	9,932	10,339	20,555	89,477
Gross profit	59,053	56,750	114,437	532,009
Selling, general and administrative expenses	31,563	29,970	63,799	284,351
Operating income	27,490	26,780	50,638	247,657
Other income (expenses)				
Interest and dividend income	809	879	1,496	7,288
Interest expenses	(2)	(2)	(5)	(18)
Other, net	(220)	1,450	(3,173)	(1,981)
	585	2,327	(1,681)	5,270
Income before income taxes and minority interests	28,076	29,108	48,956	252,936
Income taxes				
Current	14,133	13,304	21,616	127,324
Deferred	(2,486)	(39)	1,389	(22,396)
	11,647	13,265	23,005	104,927
Income before minority interests	16,429	15,843	25,950	148,009
Minority interests	(93)	(114)	(237)	(837)
Net income	¥ 16,336	¥ 15,728	¥ 25,713	\$ 147,171
Amounts per common share				
Net income	¥ 138.65	¥ 131.15	¥ 215.57	\$ 1.25
Cash dividends applicable to the period	¥ 0.00	¥ 0.00	¥ 40.00	\$ 0.00

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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\$
	Semi-annual 6 months ended Sep 30 2003	Semi-annual 6 months ended Sep 30 2002	Annual 12 months ended Mar 31 2003	Semi-annual 6 months ended Sep 30 2003
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 28,076	¥ 29,108	¥ 48,956	\$ 252,936
Adjustments:				
Depreciation and amortization	1,825	1,746	3,719	16,441
Decrease in allowance for doubtful receivables	(298)	(88)	(18)	(2,684)
Increase (decrease) in provision for bonuses	(12)	204	253	(108)
Increase (decrease) in provision for retirement benefits, net	597	(2,281)	(5,775)	5,378
Interest and dividend income	(809)	(879)	(1,496)	(7,288)
Interest expenses	2	2	5	18
Loss from valuation of investment securities	—	724	7,165	—
Increase (decrease) in notes and accounts receivable	(994)	2,577	1,271	(8,954)
Others	(3,142)	(1,720)	828	(28,306)
Interest and dividend income received	838	785	1,359	7,549
Interest paid	(2)	(2)	(5)	(18)
Income taxes paid	(9,357)	(11,677)	(24,165)	(84,297)
Net cash provided by operating activities	16,725	18,500	32,097	150,675
Cash flows from investing activities:				
Payments for purchases of marketable securities	(45,996)	(39,217)	(90,519)	(414,378)
Proceeds from sales of marketable securities	57,758	53,353	95,586	520,342
Transfer from time deposits	—	133	142	—
Payments for purchases of property, plant and equipment	(4,824)	(2,281)	(6,389)	(43,459)
Payments for purchases of investment securities	(36,573)	(12,007)	(20,710)	(329,486)
Proceeds from sales of investment securities	2,975	1,096	9,695	26,801
Other payments	235	(248)	348	2,117
Net cash generated from (used in) investment activities	(26,425)	827	(11,847)	(238,063)
Cash flows from financing activities:				
Repayment of current portion of long-term debt	(4)	(4)	(8)	(36)
Repayment of long-term debt	(28)	—	—	(252)
Payments for obtaining treasury stock	(103)	(9,819)	(10,337)	(927)
Cash dividends	(4,712)	(4,089)	(4,093)	(42,450)
Cash dividends to minority shareholders	(4)	(4)	(4)	(36)
Net cash used in financing activities	(4,853)	(13,917)	(14,442)	(43,720)
Effect of exchange rate changes on cash and cash equivalents	(11)	(13)	(15)	(99)
Net increase (decrease) in cash and cash equivalents	(14,564)	5,397	5,792	(131,207)
Cash and cash equivalents, beginning	60,177	54,385	54,385	542,135
Cash and cash equivalents, ending	¥ 45,612	¥ 59,782	¥ 60,177	\$ 410,918

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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 2003	Semi-annual 6 months ended Sep 30 2002	Annual 12 months ended Mar 31 2003	Semi-annual 6 months ended Sep 30 2003
Balance, beginning of period	¥ 304,354	¥ 282,832	¥ 282,832	\$ 2,741,927
Net income for the period	16,336	15,728	25,713	147,171
Cash dividends paid	(4,711)	(4,090)	(4,090)	(42,441)
Bonuses to directors and statutory auditors	(80)	(100)	(100)	(720)
Decrease in exclusion of consolidated subsidiary	(195)	—	—	(1,756)
Balance, end of period	¥ 315,703	¥ 294,369	¥ 304,354	\$ 2,844,171

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

- Note 1 This Semi-annual Flash Report 2004 (unaudited) is summary information extracted from the financial statements announced by the Company on November 10, 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 Semi-annual Flash Report 2004 (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 111 = US\$ 1, the approximate exchange rate prevailing on September 30, 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					
		Semi-annual 6 months ended Sep 30 2003		Semi-annual 6 months ended Sep 30 2002		Annual 12 months ended Mar 31 2003	
Onon	Agent for bronchial asthma and allergic rhinitis	¥	111	¥	114	¥	234
Onon dry syrup	Agent for pediatric bronchial asthma		27		19		47
Kinedak	Agent for diabetic peripheral neuropathy		116		124		238
Opalmon	Circulatory system agent		112		88		184
Foipan	Agent for chronic pancreatitis and postoperative reflux esophagitis		83		88		172
Cataclot	Agent for (acute phase) cerebral thrombosis and cerebrovascular spasms		50		54		103
Prostandin	Circulatory system agent		41		43		89
FOY 500	Agent for DIC		30		35		70
Elaspol	Acute lung injury associated with systemic inflammatory response syndrome		15		8		23
Prostandin 500	Agent for perioperative hypotension		14		16		30
FOY	Agent for pancreatitis and DIC		13		14		27
Total		¥	619	¥	608	¥	1,225
Percentage to total net sales			90%		91%		90%

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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:

Staybla® Tablet (ONO-8025) / KRP-197

Staybla® Tablet, an antagonist selectively binding to muscarinic receptors, is for the treatment of overactive bladder (pollakiuria and urinary incontinence). 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 the high efficacy, and by having less adverse effect, such as dry mouth, caused by existing drugs with similar modes of action.

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

Onobis™ Tablet (ONO-5920) / YM529

Onobis™ Tablet, a drug for the treatment of osteoporosis, is one of the most potent bisphosphonates, rapidly preventing bone resorption at low doses. The drug is characterized by having the high efficacy, and by having less adverse effect on the digestive tract than existing drugs.

Japan: Phase III clinical study as drug for osteoporosis (co-development with Yamanouchi 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 the blood coagulation system, there is no risk of hemorrhage; it is expected to be highly effective.

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, is for the treatment of bronchial asthma and chronic obstructive pulmonary disease (COPD). The drug 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 as drug for bronchial asthma

Europe: Phase II clinical study as drug for bronchial asthma

North America: 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

North America: 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-5129 (tablet)

ONO-5129, a dual agonist of PPAR α and PPAR γ , has both the hypoglycemic effect induced by PPAR γ action and the hypolipidemic effect induced by PPAR α action. The drug is being developed primarily for the treatment of diabetes mellitus. Existing PPAR γ agonists increase insulin sensitivity, leading to accumulation of visceral lipid and weight increase, in addition to lowered blood glucose level. However, dual agonists of PPAR α and PPAR γ do not contribute to triglyceride accumulation due to their hypolipidemic effect. Therefore, it is expected that ONO-5129 will be developed into a drug with advantages which fatty liver and weight increase are difficult to be observed in patients with diabetes mellitus.

Japan: Phase I clinical study as drug for diabetes mellitus

US: Phase I clinical study

ONO-8130 (tablet)

ONO-8130, an EP1 antagonist to improve sensory nerve hyperexcitability, will be developed primarily for the treatment of overactive 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). The drug can be used in such patients, and has no adverse effects, such as dry mouth, caused by existing drugs.

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

US: Phase I clinical study under preparation

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Supplemental Information

Status of Development Pipeline

as of November 10, 2003

Developments in Japan

Obtained manufacturing approval (October 17, 2003)

● **Prostandin® for Injection**

Alprostadil alfadex for patent ductus arteriosus associated with ductus arteriosus-dependent congenital heart diseases [vasodilating effect]

Awaiting manufacturing approval:

● **Onoact® 50 for Injection**

Landirolol hydrochloride for post-operative tachyarrhythmia [short-acting β_1 blocker]

Ongoing clinical studies:

New chemical entities:

● **Staybla® Tablet (ONO-8025) / KRP-197**

Overactive bladder (pollakiuria and urinary incontinence) (tablet, Phase III)
[M3 muscarinic receptor blocker]

● **Onobis™ Tablet (ONO-5920) / YM529**

Osteoporosis (tablet, Phase III)
[bone resorption inhibitor (bisphosphonate)]

● **Proglia® for Injection (ONO-2506)**

Acute ischemic stroke (injection, Phase II)
[neuroprotective effect (astrocyte modulator)]

● **ONO-4819-CD**

Vertebral fracture (injection, Phase II) [EP4 agonist]

● **ONO-6126**

Bronchial asthma (tablet, Phase II) [PDE4 inhibitor]

● **Cereact® Capsule (ONO-2506PO)**

Parkinson's disease (capsule, Phase II under preparation) [neuroprotective effect (astrocyte modulator)]

● **ONO-8815Ly**

Imminent premature labor (injection, Phase I completed) [EP2 agonist]

● **ONO-4817**

Inflammatory bowel disease and osteoarthritis (tablet, Phase I) [MMP inhibitor]

● **ONO-5129**

Diabetes mellitus (tablet, Phase I) [dual agonist of PPAR α and PPAR γ]

● **ONO-8130**

Overactive bladder (pollakiuria and urinary incontinence) (tablet, Phase I under preparation) [EP1 antagonist]

Ongoing clinical studies:

Additional indications:

● **Onon® Dry Syrup**

Pranlukast hydrate for pediatric allergic rhinitis (Phase II/III) [LTC₄ and LTD₄ antagonist]

● **Onon® Capsule**

Pranlukast hydrate for chronic sinusitis (Phase II)
Pranlukast hydrate for chronic obstructive pulmonary disease (Phase II)
[LTC₄ and LTD₄ antagonist]

Developments abroad

Ongoing clinical studies:

● **Proglia® for Injection (ONO-2506)**

Acute ischemic stroke (injection, Phase II)
[neuroprotective effect (astrocyte modulator)]

● **ONO-6126**

Bronchial asthma (tablet, Phase II)
Chronic obstructive pulmonary disease (tablet, Phase II)
[PDE4 inhibitor]

● **Cereact® Capsule (ONO-2506PO)**

Amyotrophic lateral sclerosis (ALS) (capsule, Phase II)
Alzheimer's disease (capsule, Phase II under preparation)
[neuroprotective effect (astrocyte modulator)]

● **ONO-4128 (GW873140, out-licensed to GlaxoSmithKline)**

HIV/AIDS (oral, Phase II under preparation)
[CCR5 receptor antagonist]

● **ONO-8815Ly**

Imminent premature labor (injection, Clinical pharmacology study completed)
[EP2 agonist]

● **ONO-4817**

Inflammatory bowel disease and osteoarthritis (tablet, Phase I completed) [MMP inhibitor]

● **ONO-4127Na**

Allergic rhinitis (tablet, Phase I) [DP antagonist]

● **ONO-5129**

Diabetes mellitus (tablet, Phase I) [dual agonist of PPAR α and PPAR γ]

● **ONO-8130**

Overactive bladder (pollakiuria and urinary incontinence) (tablet, Phase I under preparation) [EP1 antagonist]