

Annual Flash Report (unaudited)

Year ended March 31, 2004

ONO PHARMACEUTICAL CO., LTD.

May 18, 2004

Ono Pharmaceutical Co., Ltd. has announced its consolidated financial results for the year ended March 31, 2004.

This Annual Flash Report 2004 (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\$
	2004	2003	2004
Net sales	¥ 139,383	¥ 134,993	\$ 1,314,933
Net income	30,931	25,713	291,801
Shareholders' equity	357,418	314,093	3,371,867
Total assets	413,049	362,656	3,896,688
	Yen		US\$
Net income per common stock	¥ 261.84	¥ 215.57	\$ 2.47

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. As a complement to our traditional expertise with physiologically active lipids cultivated through prostaglandin research, we now also employ genomic drug discovery to generate intellectual property covering genes and proteins that represent therapeutic targets, such as enzymes and receptors involved in certain diseases. Seeking to develop new drugs, we will continue to search for compounds that act specifically on such genes. 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.

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 and implementation of various health care cost containment policies may significantly and adversely 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 efficient 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, as well as for collaboration with bioventure companies and for in-licensing new products to expand our pipeline and balance development risk; 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 has 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

Annual Flash Report (unaudited)

Year ended March 31, 2004

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\$
	2004	2003	2004
Current assets			
Cash and bank deposits	¥ 14,867	¥ 16,434	\$ 140,254
Notes and accounts receivable	40,286	39,339	380,056
Marketable securities	100,383	109,451	947,009
Inventories	10,093	9,241	95,216
Deferred taxes	13,344	8,072	125,886
Others	948	654	8,943
Allowance for doubtful receivables	(964)	(1,273)	(9,094)
Total current assets	178,960	181,920	1,688,301
Property, plant and equipment			
Land	22,726	22,670	214,396
Buildings and structures	61,694	53,746	582,018
Machinery and equipment	24,688	23,953	232,905
Construction in progress	2,875	6,260	27,122
Accumulated depreciation	(50,105)	(46,862)	(472,688)
Net property, plant and equipment	61,879	59,769	583,764
Investments and other assets			
Investment securities	161,587	97,771	1,524,405
Deferred taxes	3,178	14,748	29,981
Intangible assets	1,462	1,630	13,792
Others	5,981	6,815	56,424
Total investments and other assets	172,209	120,966	1,624,613
Total assets	¥ 413,049	¥ 362,656	\$ 3,896,688

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of US\$
	2004	2003	2004
Current liabilities			
Current portion of long-term debt	¥ 6	¥ 8	\$ 56
Notes and accounts payable	3,052	6,825	28,792
Income taxes	17,975	8,946	169,575
Others	13,864	13,391	130,792
Total current liabilities	34,898	29,170	329,226
Long-term liabilities			
Long-term debt, less current portion	101	136	952
Accrued retirement benefits	18,576	17,456	175,245
Others	3	-	28
Total long-term liabilities	18,681	17,592	176,235
Minority interests	2,050	1,799	19,339
Shareholders' equity			
Common stocks	17,358	17,358	163,754
Additional paid-in capital	17,002	17,002	160,396
Retained earnings	330,298	304,354	3,116,018
Revaluation surplus of land	(3,685)	(3,685)	(34,764)
Unrealized gain on securities (*)	17,048	(460)	160,830
Translation adjustments	(13)	(8)	(122)
Less, treasury stocks	(20,590)	(20,467)	(194,245)
Total shareholders' equity	357,418	314,093	3,371,867
Total liabilities and shareholders' equity	¥ 413,049	¥ 362,656	\$ 3,896,688

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

Annual Flash Report (unaudited)

Year ended March 31, 2004

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\$
	2004	2003	2004
Net sales	¥ 139,383	¥ 134,993	\$ 1,314,933
Cost of sales	20,165	20,555	190,235
Gross profit	119,218	114,437	1,124,698
Selling, general and administrative expenses	64,706	63,799	610,433
Operating income	54,511	50,638	514,254
Other income (expenses)			
Interest and dividend income	1,360	1,496	12,830
Interest expenses	(5)	(5)	(47)
Other, net	(941)	(3,173)	(8,877)
	413	(1,681)	3,896
Income before income taxes and minority interests	54,925	48,956	518,160
Income taxes			
Current	29,464	21,616	277,962
Deferred	(5,698)	1,389	(53,754)
	23,765	23,005	224,198
Income before minority interests	31,159	25,950	293,952
Minority interests	(228)	(237)	(2,150)
Net income	¥ 30,931	¥ 25,713	\$ 291,801
		Yen	US\$
Amounts per common stock			
Net income	¥ 261.84	¥ 215.57	\$ 2.47
Cash dividends applicable to the period	¥ 45.00	¥ 40.00	\$ 0.42

Annual Flash Report (unaudited)

Year ended March 31, 2004

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\$
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 54,925	¥ 48,956	\$ 518,160
Adjustments:			
Depreciation and amortization	3,942	3,719	37,189
Decrease in allowance for doubtful receivables	(302)	(18)	(2,849)
Increase in provision for bonuses	114	253	1,075
Increase (decrease) in provision for retirement benefits, net	1,060	(5,775)	10,000
Interest and dividend income	(1,360)	(1,496)	(12,830)
Interest expenses	5	5	47
Gain on sales of investment securities	(540)	(309)	(5,094)
Loss from valuation of investment securities	-	7,165	-
Decrease (increase) in notes and accounts receivable	(1,053)	1,271	(9,934)
Decrease (increase) in inventories	(908)	497	(8,566)
Others	(335)	639	(3,160)
Interest and dividend income received	1,501	1,359	14,160
Interest paid	(5)	(5)	(47)
Income taxes paid	(20,415)	(24,165)	(192,594)
Net cash provided by operating activities	36,627	32,097	345,538
Cash flows from investing activities:			
Payments for purchases of marketable securities	(77,093)	(90,519)	(727,292)
Proceeds from sales of marketable securities	98,820	95,586	932,264
Transfer from time deposits	8	142	75
Payments for purchases of property, plant and equipment	(9,440)	(6,389)	(89,057)
Payments for purchases of investment securities	(58,368)	(20,710)	(550,642)
Proceeds from sales of investment securities	4,411	9,695	41,613
Other payments	835	348	7,877
Net cash used in investment activities	(40,826)	(11,847)	(385,151)
Cash flows from financing activities:			
Repayment of current portion of long-term debt	(36)	(8)	(340)
Payments for obtaining treasury stock	(121)	(10,337)	(1,142)
Cash dividends	(4,704)	(4,093)	(44,377)
Cash dividends to minority shareholders	(4)	(4)	(38)
Net cash used in financing activities	(4,865)	(14,442)	(45,896)
Effect of exchange rate changes on cash and cash equivalents	(22)	(15)	(208)
Net increase (decrease) in cash and cash equivalents	(9,087)	5,792	(85,726)
Cash and cash equivalents, beginning	60,177	54,385	567,708
Cash and cash equivalents, ending	¥ 51,090	¥ 60,177	\$ 481,981

Annual Flash Report (unaudited)

Year ended March 31, 2004

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\$
	2004	2003	2004
Balance, beginning of period	¥ 304,354	¥ 282,832	\$ 2,871,264
Net income for the period	30,931	25,713	291,801
Cash dividends paid	(4,711)	(4,090)	(44,443)
Bonuses to directors and statutory auditors	(80)	(100)	(754)
Decrease in exclusion of consolidated subsidiary	(195)	-	(1,839)
Balance, end of period	¥ 330,298	¥ 304,354	\$ 3,116,018

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

- Note 1 This Annual Flash Report 2004 (unaudited) is a summary information extracted from the financial statements announced by the Company on May 18, 2004.
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 2004 (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 106 = US\$ 1, the approximate exchange rate prevailing on March 31, 2004.

Annual Flash Report (unaudited)

Year ended March 31, 2004

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	
		2004	2003
Opalmon	Circulatory system agent	234	184
Onon	Agent for bronchial asthma and allergic rhinitis	231	234
Kinedak	Agent for diabetic peripheral neuropathy	228	238
Foipan	Agent for chronic pancreatitis and postoperative reflux esophagitis	164	172
Cataclot	Agent for (acute phase) cerebral thrombosis and cerebrovascular spasms	93	103
Prostandin	Circulatory system agent	84	89
Onon Dry Syrup	Agent for pediatric bronchial asthma	66	47
FOY 500	Agent for DIC	61	70
Elaspol	Agent for acute lung injury associated with SIRS	35	23
Prostandin 500	Agent for perioperative hypotension	28	30
FOY	Agent for pancreatitis and DIC	24	27
Onoact	Agent for tachyarrhythmia during operation	3	1
	Total	1,256	1,225
	Percentage to total net sales	90%	91%

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, increasing in bone mineral density. 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 as drug for Parkinson's disease

Europe: Phase II clinical study as drug for ALS

North America: Phase II clinical study 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 potent bone formation action and bone mineral density increasing 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-4128/873140* (oral)

ONO-4128, a compound established through Ono's genomic-based drug discovery research, inhibits HIV infection by blocking the CCR5 receptor. The CCR5 receptor is believed to be the predominant co-receptor used by HIV in the early and middle stages of infection. ONO-4128 appears to block the entry of HIV into human cells through a new mechanism of action that is different from marketed HIV drugs, such as reverse transcriptase inhibitors and protease inhibitors. In addition, since the CCR5 receptor exists on the human immune cells, the possibility of viral resistance being developed by mutant HIV might be lower.

US: Phase II clinical study as drug for HIV/AIDS by GlaxoSmithKline

*:GlaxoSmithKline changed the development code from GW873140 to 873140 in December 2003.

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

Annual Flash Report (unaudited)

Year ended March 31, 2004

Ono Pharmaceutical Co., Ltd. and
Consolidated Subsidiaries

Supplemental Information

Status of Development Pipeline

as of May 18, 2004

Developments in Japan

Awaiting manufacturing approval:

● **Onoact® 50 for Injection**

Landiolol 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)
[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)
[neuroprotective effect (astrocyte modulator)]

● **ONO-4128 (873140*, out-licensed to**

GlaxoSmithKline)

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

*:GlaxoSmithKline changed the development code from GW873140 to 873140 in December 2003.

● **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]