

Annual Flash Report (unaudited)

Year ended March 31, 2006

ONO PHARMACEUTICAL CO., LTD.

May 15, 2006

Ono Pharmaceutical Co., Ltd. has announced its consolidated financial results for the year ended March 31, 2006.

This Annual Flash Report 2006 (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\$
	2006	2005	2006
Net sales	¥ 148,671	¥ 145,302	\$ 1,270,692
Net income	36,146	39,322	308,940
Shareholders' equity	443,631	391,430	3,791,717
Total assets	504,446	439,274	4,311,504
	Yen		US\$
Net income per common stock	¥ 307.32	¥ 334.04	\$ 2.63

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,” 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 emphasis on R&D, aiming to meet the diverse medical needs of an aging society by creating innovative medicines for previously incurable diseases.

We are highly aware of our responsibility as a pharmaceutical company dealing in medicinal drugs upon which human lives depend, and we are working to further strengthen our level of compliance to ensure that all our actions not only fully comply with all legal regulations but also are based on higher ethical standards.

The research 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 areas, 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 low-molecular-weight compounds and antibodies that act specifically on such genes.

The Discovery Research Alliance, a new section created in April last year, is aggressively seeking and promoting alliances with bioventure companies and research organizations within and outside Japan, gaining access to cutting-edge technologies and discovery seeds owned by those organizations in order to further strengthen discovery research capability and expand our development pipeline.

In responding to the global trend toward the harmonization of pharmaceutical registration standards, the development division seeks to develop new pharmaceuticals simultaneously in Japan, the US and Europe, based on clinical trials performed in the latter regions.

We have engaged in in-licensing activities focusing on late-stage development compounds so far, but in days ahead we will strive to identify not only late-stage opportunities but those in pre-clinical and Phase I stages as well in order to further expand our development pipeline.

The marketing division is actively working to enhance the reputation of Ono's innovative pharmaceuticals through presenting its scientific data mainly at workshop and lecture meetings and through the dissemination of high-quality information backed up by state-of-art medicine in order to meet diversified needs of healthcare professionals. We envision that the NHI price revision and implementation of various healthcare cost containment policies may continue to affect our business significantly and adversely. However, we will strive to attain stable growth by launching new products and by enhancing the competitiveness of existing

With top priority given to the pursuit of quality assurance of our products, the manufacturing division is placing stronger emphasis on improving both its hardware and software, and establishing an efficient production management system.

(2) Basic policy concerning dividends

Distribution of profits to the 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 alliance 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.

(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 increase the number of individual investors. Therefore, effective August 1, 2003, the number of shares comprising one unit of investment has changed from 1,000 to 100.

*Toshiharu Korekane
President, Representative
Director 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\$
	2006	2005	2006
Current assets			
Cash and bank deposits	¥ 14,904	¥ 15,296	\$ 127,384
Notes and accounts receivable	43,395	44,602	370,897
Marketable securities	101,023	96,304	863,444
Inventories	9,346	9,027	79,880
Deferred taxes	13,432	14,179	114,803
Others	1,279	1,185	10,931
Allowance for doubtful receivables	(1,276)	(1,025)	(10,905)
Total current assets	182,105	179,570	1,556,452
Property, plant and equipment			
Land	22,545	22,726	192,692
Buildings and structures	62,050	61,885	530,341
Machinery and equipment	27,248	27,612	232,888
Construction in progress	237	521	2,025
Accumulated depreciation	(56,307)	(53,530)	(481,256)
Net property, plant and equipment	55,774	59,216	476,700
Investments and other assets			
Investment securities	257,268	190,810	2,198,871
Deferred taxes	2,458	2,554	21,008
Intangible assets	1,169	1,297	9,991
Others	5,670	5,825	48,461
Total investments and other assets	266,566	200,488	2,278,341
Total assets	¥ 504,446	¥ 439,274	\$ 4,311,504

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of US\$
	2006	2005	2006
Current liabilities			
Current portion of long-term debt	¥ 1	¥ 5	\$ 8
Notes and accounts payable	3,126	2,662	26,717
Income taxes	8,874	11,722	75,846
Others	13,869	13,014	118,538
Total current liabilities	25,872	27,404	221,128
Long-term liabilities			
Long-term debt, less current portion	20	84	170
Long-term payable	289	584	2,470
Accrued retirement benefits	13,412	15,871	114,632
Deferred taxes	18,745	1,729	160,213
Others	1	2	8
Total long-term liabilities	32,469	18,271	277,512
Minority interests	2,472	2,167	21,128
Shareholders' equity			
Common stocks	17,358	17,358	148,358
Additional paid-in capital	17,002	17,002	145,316
Retained earnings	392,290	364,238	3,352,905
Revaluation surplus of land	(3,549)	(3,685)	(30,333)
Unrealized gain on securities (*)	42,824	18,800	366,017
Translation adjustments	16	(10)	136
Less, treasury stocks	(22,311)	(22,273)	(190,692)
Total shareholders' equity	443,631	391,430	3,791,717
Total liabilities and shareholders' equity	¥ 504,446	¥ 439,274	\$ 4,311,504

(*) 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\$
	2006	2005	2006
Net sales	¥ 148,671	¥ 145,302	\$ 1,270,692
Cost of sales	21,815	21,014	186,452
Gross profit	126,856	124,287	1,084,239
Selling, general and administrative expenses	69,920	64,243	597,606
Operating income	56,936	60,043	486,632
Other income (expenses)			
Interest and dividend income	2,035	1,474	17,393
Interest expenses	(1)	(3)	(8)
Other, net	778	4,279	6,649
	2,812	5,751	24,034
Income before income taxes and minority interests	59,748	65,794	510,666
Income taxes			
Current	21,886	25,930	187,059
Deferred	1,427	321	12,196
	23,314	26,252	199,264
Income before minority interests	36,434	39,542	311,401
Minority interests	(287)	(219)	(2,452)
Net income	¥ 36,146	¥ 39,322	\$ 308,940
		Yen	US\$
Amounts per common stock			
Net income	¥ 307.32	¥ 334.04	\$ 2.63
Cash dividends applicable to the period	¥ 80.00	¥ 65.00	\$ 0.68

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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\$
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 59,748	¥ 65,794	\$ 510,667
Adjustments:			
Depreciation and amortization	4,025	4,223	34,402
Increase in allowance for doubtful receivables	249	49	2,128
Increase (decrease) in provision for bonuses	383	(101)	3,274
Decrease in provision for retirement benefits, net	(2,520)	(2,760)	(21,538)
Interest and dividend income	(2,035)	(1,474)	(17,393)
Interest expenses	1	3	9
Gain on sales of investment securities	(61)	(3,752)	(521)
Decrease (increase) in notes and accounts receivable	1,207	(4,318)	10,316
Decrease (increase) in inventories	(319)	1,089	(2,726)
Others	1,696	938	14,496
Interest and dividend income received	2,749	1,842	23,496
Interest paid	(1)	(3)	(9)
Income taxes paid	(25,194)	(32,680)	(215,333)
Net cash provided by operating activities	39,928	28,850	341,265
Cash flows from investing activities:			
Payments for purchases of marketable securities	(67,972)	(68,416)	(580,957)
Proceeds from sales of marketable securities	81,214	80,109	694,137
Transfer from time deposits	8	8	68
Payments for purchases of property, plant and equipment	(1,174)	(2,769)	(10,034)
Payments for purchases of investment securities	(59,258)	(49,563)	(506,479)
Proceeds from sales of investment securities	3,093	5,851	26,436
Other payments	(74)	106	(632)
Net cash used in investment activities	44,163	(34,674)	377,462
Cash flows from financing activities:			
Repayment of current portion of long-term debt	(5)	(6)	(43)
Repayment of long-term debt	(62)	(12)	(530)
Payments for obtaining treasury stock	(37)	(1,682)	(316)
Cash dividends	(7,620)	(5,289)	(65,128)
Cash dividends to minority shareholders	(4)	(4)	(34)
Net cash used in financing activities	(7,729)	(6,995)	(66,060)
Effect of exchange rate changes on cash and cash equivalents	31	(17)	265
Net decrease in cash and cash equivalents	(11,932)	(12,836)	(101,983)
Cash and cash equivalents, beginning	38,254	51,090	326,957
Cash and cash equivalents, ending	¥ 26,321	¥ 38,254	\$ 224,966

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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\$
	2006	2005	2006
Balance, beginning of period	¥ 364,238	¥ 330,298	\$ 3,113,145
Net income for the period	36,146	39,322	308,940
Cash dividends paid	(7,630)	(5,298)	(65,213)
Bonuses to directors and statutory auditors	(85)	(83)	(726)
Reversal of revaluation surplus of land	(136)	-	(1,162)
Decrease in exclusion of consolidated subsidiary	(242)	-	(2,068)
Balance, end of period	¥ 392,290	¥ 364,238	\$ 3,352,905

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Consolidated Subsidiaries

- Note 1 This Annual Flash Report 2006 (unaudited) is a summary information extracted from the financial statements announced by the Company on May 15, 2006.
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 2006 (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 117 = US\$ 1, the approximate exchange rate prevailing on March 31, 2006.

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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	
		2006	2005
Opalmon	Circulatory system agent	326	283
Onon	Agent for bronchial asthma and allergic rhinitis	265	252
Kinedak	Agent for diabetic peripheral neuropathy	212	229
Foipan	Agent for chronic pancreatitis and postoperative reflux esophagitis	156	163
Onon Dry Syrup	Agent for pediatric bronchial asthma	94	83
Cataclot	Agent for (acute phase) cerebral thrombosis and cerebrovascular spasms	73	79
Prostandin	Circulatory system agent	71	77
Elaspol	Agent for acute lung injury associated with SIRS	55	48
FOY 500	Agent for DIC	52	57
Prostandin 500	Agent for perioperative hypotension	23	25
FOY	Agent for pancreatitis and DIC	19	22
Onoact	Agent for tachyarrhythmia during operation	4	4
	Total	1,358	1,326
	Percentage to total net sales	91%	91%

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Ono Pharmaceutical Co., Ltd. and
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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® Tablets (ONO-8025)/ KRP-197

Staybla®, an antagonist selectively binding to muscarinic receptors, is for the treatment of overactive bladder (pollakiuria and urinary incontinence). The drug remarkably improves burdens on patient daily life, such as frequent urination, urinary incontinence, 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: Awaiting manufacturing approval
/ Hyperactive bladder (pollakiuria and urinary incontinence) (co-development with Kyorin Pharmaceutical Co., Ltd.)

Onobis® Tablets (ONO-5920)/ YM529

Onobis®, 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 reaction on the digestive tract.

Japan: Phase III / Osteoporosis (co-development with Astellas Pharma Inc.)

Proglia® for Injection (ONO-2506)

Proglia® is a drug to prevent expansion of cerebral infarction by improving astrocyte function. In the late phase II study in Japan, safety and efficacy of Proglia® in patients with acute ischemic stroke has been confirmed.

Japan: Phase II/III / Acute ischemic stroke
North America: Phase II / Acute ischemic stroke
(Merck & Co., Inc.)

ONO-5435/ MK-0431 (tablet)

ONO-5435, a DP-IV (dipeptidyl-peptidase IV) inhibitor, is a new type of anti-diabetic drug and is expected to be useful for control of postprandial hyperglycemia with low liability for hypoglycemia and/or weight gain in diabetes patients.

Japan: Phase II / Diabetes mellitus (co-development with Banyu Pharmaceutical Co., Ltd.)
Overseas: Under application/ Diabetes mellitus
(Merck & Co., Inc.)

Emend®/ MK-0869 (Capsule)

Emend® is the first NK1 (neurokinin 1) antagonist in the world. The drug is effective not only for acute phase of chemotherapy-induced nausea and vomiting, but also for delayed phase (24 hours or later after start of chemotherapy) of nausea and vomiting caused by chemotherapy for which there was no effective drug.

Japan: Phase II / Chemotherapy-induced nausea and vomiting
Overseas: Marketed (Merck & Co., Inc.)

ONO-2540/ ENA713D (patch)

ONO-2540 or rivastigmine patch is a drug for the treatment of Alzheimer's disease with an inhibitory action on both acetylcholinesterase and butylcholinesterase. The Exelon® capsule, an oral formulation of rivastigmine, is widely used in more than 70 countries outside Japan. The drug inhibits not only acetylcholinesterase which is known as an enzyme deeply involved in Alzheimer's disease, but also butylcholinesterase which reportedly increases as the disease progresses. Therefore, the drug is expected to have an effect in patients who do not respond to existing drugs. The rivastigmine patch is the first transdermal system developed for the disease and is expected to provide greater convenience, e.g. caregivers can easily confirm the administration of the drug.

Japan: Phase II / Alzheimer's disease (co-development with Novartis Pharma K.K.)

Europe & US: Phase II/III / Alzheimer's disease (Novartis)

Cereact[®] Capsules (ONO-2506PO)

Abnormal activation of astrocyte has been blamed for neurodegenerative diseases such as Alzheimer's/ Parkinson's diseases and amyotrophic lateral sclerosis (ALS), one of the intractable diseases.

Cereact[®] has a new mechanism of action to prevent the occurrence and progression of various neurodegenerative diseases, by improving astrocyte function.

Japan: Phase II / Parkinson's disease

Europe: Phase II / ALS

North America: Phase II / Alzheimer's disease

ONO-5129 (tablet)

ONO-5129, a dual agonist of PPAR α and PPAR γ , has both the hypoglycemic effect exerted by PPAR γ action and the hypolipidemic effect exerted 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 an anti-diabetic drug with advantages which fatty liver and weight increase are rarely induced.

Japan: Phase I / Diabetes mellitus

US: Phase II / Diabetes mellitus

ONO-2333Ms (tablet)

ONO-2333Ms, a corticotropin-releasing factor (CRF) receptor antagonist, is developed primarily for the treatment of depression and/or anxiety disorder. The drug is characterized by exhibiting more potent and more rapid action, compared with existing drugs. In addition, based on the mechanism of drug action, it is expected that ONO-2333Ms has less adverse reaction, such as dry mouth, gastrointestinal disorders, sexual dysfunction, and others, caused by existing drugs.

Japan: Phase I / Depression and anxiety disorder

US: Phase I / Depression and anxiety disorder

ONO-2231 (for injection)

ONO-2231, an ADP-ribose polymerase inhibitor, is being developed for acute stroke. Since an ADP-ribose polymerase is an enzyme involved in cellular death, the drug is expected to be an effective drug for diseases such as acute stroke.

Europe: Phase I / Acute ischemic stroke

ONO-5334 (tablet)

ONO-5334, a cathepsin K inhibitor, is being developed for osteoporosis with a novel mechanism of action. Unlike bisphosphonates, the drug only inhibits bone resorption without having impact on bone formation.

Europe: Phase I / Osteoporosis

Onoact[®] for Injection

Japan: Under application/ Postoperative tachyarrhythmias (additional indication)
Phase II/ Improvement of multislice CT coronary imaging ability (additional indication)

Onon[®] Dry Syrup

Japan: Phase II/III / Pediatric allergic rhinitis (additional indication)

Onon[®] Capsules

Japan: Phase II / Chronic sinusitis and chronic obstructive pulmonary disease (COPD) (additional indications)

Opalmon[®] Tablets

Japan: Phase II / Cervical Spondylosis (additional indication)

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Consolidated Subsidiaries

Supplemental Information

Status of Development Pipeline

as of May 15, 2006

Developments in Japan

Awaiting manufacturing approval:

- **Onoact[®] for Injection**
Postoperative tachyarrhythmias [short-acting β_1 blocker]
- **Staybla[®] Tablets (ONO-8025)/ KRP-197 (co-development with Kyorin Pharmaceutical Co., Ltd.)**
Overactive bladder (pollakiuria and urinary incontinence) [M₃ muscarinic receptor blocker]

Ongoing clinical studies:

New chemical entities:

- **Onobis[®] Tablets (ONO-5920)/ YM529 (co-development with Astellas Pharma Inc.)**
Osteoporosis (tablet, Phase III)
[bone resorption inhibitor (bisphosphonate)]
- **Proglia[®] for Injection (ONO-2506)**
Acute ischemic stroke (injection, Phase II/III)
[neuroprotective effect (astrocyte modulator)]
- **ONO-5435/MK-0431 (co-development with Banyu Pharmaceutical Co., Ltd.)**
Diabetes mellitus (tablet, Phase II) [DP-IV inhibitor]
- **Emend[®] Capsules (ONO-7436/MK-0869) (in-licensed from Merck & Co., Inc.)**
Cancer chemotherapy-induced nausea and vomiting (capsules, Phase II) [NK₁ antagonist]
- **ONO-2540/ ENA713D (co-development with Novartis Pharma K.K.)**
Alzheimer's disease (transdermal patch, Phase II)
[acetylcholinesterase inhibitor]
- **Cereact[®] Capsules (ONO-2506PO)**
Parkinson's disease (capsule, Phase II) [neuroprotective effect]
- **ONO-5129**
Diabetes mellitus (tablet, Phase I) [dual agonist of PPAR α and PPAR γ]
- **ONO-2333Ms**
Depression and anxiety disorder (tablet, Phase I) [CRF receptor antagonist]

Ongoing clinical studies:

Additional indications:

- **Onon[®] Dry Syrup**
Pediatric allergic rhinitis (Phase II/III) [LTC₄ and LTD₄ antagonist]
- **Onon[®] Capsules**
Chronic sinusitis (Phase II) [LTC₄ and D₄ antagonist]

- **Opalmon[®] Tablets (OP-1206• α -CD) (co-development with Dainippon Sumitomo Pharma Co., Ltd.)**
Cervical Spondylosis (Phase II) [increase of blood flow in nerve tissue]
- **Onoact[®] for Injection^{*1}**
Improvement of multislice CT coronary imaging ability (Phase II) [short-acting β_1 blocker]

Developments abroad

Ongoing clinical studies:

- **Proglia[®] for Injection (ONO-2506) (out-licensed to Merck & Co., Inc.)**
Acute ischemic stroke (injection, Phase II)
[neuroprotective effect (astrocyte modulator)]
- **Cereact[®] Capsules (ONO-2506PO)**
Amyotrophic lateral sclerosis (ALS) (capsule, Phase II)
Alzheimer's disease (capsule, Phase II)
[neuroprotective effect (astrocyte modulator)]
- **ONO-5129**
Diabetes mellitus (tablet, Phase II) [dual agonist of PPAR α and PPAR γ]
- **ONO-2333Ms**
Depression and anxiety disorder (tablet, Phase I) [CRF receptor antagonist]
- **ONO-2231**
Acute stroke (injection, Phase I) [PARP inhibitor]
- **ONO-5334**
Osteoporosis (tablet, Phase I) [Cathepsin K inhibitor]

Changes from the third-quarter Flash Report for the fiscal year ending March, 2006 (announced on February 6, 2006).

*1: In March 2006, the Phase II study of Onoact[®] for Injection commenced for additional indication (improvement of multislice CT coronary imaging ability).

*: In March 2006, ONO decided to discontinue the development of ONO-4819•CD for vertebral fracture because the Phase II study results revealed no evidence of efficacy.

*: In March 2006, ONO decided to discontinue the development of Onon[®] Capsule for chronic obstructive pulmonary disease (COPD) because the Phase II study results revealed no evidence of efficacy.
*: In April 2006, ONO decided to discontinue the development of ONO-6126 (PDE IV inhibitor) for chronic obstructive pulmonary disease (COPD) because the Phase II study results revealed no evidence of efficacy.

*: In April 2006, ONO decided to discontinue the development of ONO-4127Na (DP antagonist) for allergic rhinitis because the Phase I study results revealed poor absorption through oral exposure.