

# Financial Section

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## ■ Financial Review

The following is a summary of the consolidated business results for this fiscal year ended March 31, 2009.

### Area of Business

Ono Pharmaceutical Co., Ltd. and its subsidiaries are engaged primarily in pharmaceutical-related businesses.

(See Notes 2 and 17 of the Notes to Consolidated Financial Statements.)

### Results for Fiscal Year Ended March 31, 2009

The credit crunch triggered by the US sub-prime mortgage crisis hit the world stock markets hard, plummeting share prices and dealing a hard blow to the workings of world economies. The Japanese economy being no exception has been impacted by the global economic recession which was compounded by the skyrocketing in the value of the yen. Corporate margins have dwindled dramatically. Employment has become more insecure, leading to the slowing down of personal spending. The economic outlook is increasingly uncertain.

Against this backdrop of deepening economic gloom, the climate surrounding the Japanese pharmaceutical industry in this fiscal year remained very challenging as with last year, due to the further pressures of various medical cost-containment measures by the government and intensified competition both in Japan and abroad. The Ono Pharmaceutical Group responded to this difficult business environment by focusing on our own unique approach to new drug development and enhancement of product value, strengthening R&D capabilities, energetically promoting dissemination of scientific information relating to our main strategic products, and working to improve operating efficiency throughout. However, negative factors affecting performance were the cutting of NHI drug price in April 2008 (mid-5% range for Ono), greater promotion of generic product use, and the posting of valuation losses of investment securities that arose from poor stock market performances.

A summary of the business results for the consolidated fiscal year ended March 2009 is given below:

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 136,557	\$ 1,393,439
Operating income	43,472	443,592
Net income	23,767	242,520

## Sales

Looking at net sales for some key individual products, *Opalmon*<sup>®</sup> Tablets for peripheral circulation improving agent, which saw further increase in use in its area of approved indication pertaining to the treatment of lumbar spinal canal stenosis, registered sales of ¥38,141 million (US\$389,194 thousand), an increase of ¥746 million (US\$7,612 thousand) or 2.0% compared to the previous fiscal year. *Onoact*<sup>®</sup> for Injection for the intraoperative and postoperative treatment of tachyarrhythmia received greater appraisal for use especially in postoperative indication: sales increased to ¥2,777 million (US\$28,337 thousand), up by ¥801 million (US\$8,173 thousand) or 40.5%. The product launched in June 2007, *Staybla*<sup>®</sup> Tablets for the treatment of overactive bladder, has been undergoing successful market development and sold ¥2,252 million (US\$22,980 thousand).

*Onon*<sup>®</sup> Capsules, a bronchial asthma and allergic rhinitis drug, together with *Onon*<sup>®</sup> Dry Syrup for the treatment of bronchial asthma, mainly used by pediatric patients, were affected by intensifying competition from competitor products, resulting in Capsules selling ¥24,466 million (US\$249,653 thousand), decreasing ¥2,657 million (US\$27,112 thousand) or 9.8% year on year, and Dry Syrup selling ¥8,920 million (US\$91,020 thousand), decreasing ¥2,086 million (US\$21,286 thousand) or 19.0% year on year. Despite continuing aggressive efforts to develop its potential market, *Kinedak*<sup>®</sup> Tablets for the treatment of diabetic peripheral neuropathy suffered from the impact of generic competition and fell in sales, down to ¥15,822 million (US\$161,449 thousand), a decrease of ¥1,596 million (US\$16,286 thousand) or 9.2% over the previous fiscal year.

## Operating Income

Sales for the fiscal year ended March 31, 2009 totaled ¥136,557 million (US\$1,393,439 thousand), which was a year-on-year decrease of ¥9,341 million (US\$95,316

thousand) or 6.4%. Cost of sales rose to ¥21,319 million (US\$217,541 thousand), a year-on-year increase of ¥458 million (US\$4,673 thousand), up by 2.2%. Selling, general and administrative expenses were ¥71,766 million (US\$732,306 thousand), a year-on-year decrease of ¥984 million (US\$10,041 thousand) or 1.4%. Overall, these resulted in a decline of the operating income to ¥43,472 million (US\$443,592 thousand), a year-on-year decrease of ¥8,815 million (US\$89,949 thousand), down by 16.9%.

Among, SG&A expenses, R&D expenses fell to ¥38,383 million (US\$391,663 thousand), a decrease of ¥591 million (US\$6,031 thousand), down by 1.5% over the previous fiscal year. Other SG&A expenses also decreased, down to ¥33,383 million (US\$340,643 thousand), a fall of ¥393 million (US\$4,010 thousand) or 1.2% over the previous fiscal year.

(See Note 9 of the Notes to Consolidated Financial Statements.)

## Net Income

Other income and expenses include: ¥3,319 million (US\$33,867 thousand) in interests and dividends income and ¥1,327 million (US\$13,541 thousand) of gain on sales of investment securities; a loss of ¥7,808 million (US\$79,673 thousand) was incurred in valuation of investment securities resulting in a loss of ¥3,201 million (US\$32,663 thousand), in contrast to a gain of ¥7,226 million (US\$73,734 thousand) of the previous fiscal year. As a result net income for this fiscal year was, falling ¥11,280 million (US\$115,102 thousand) or 32.2% down year on year to be ¥23,767 million (US\$242,520 thousand).

(See Notes 8 and 12 of the Notes to Consolidated Financial Statements.)

## R&D Policies

The Ono Pharmaceutical Group is “Dedicated to Man’s Fight against Disease and Pain.” Under this management philosophy, we are committed in our endeavor to become an R&D-oriented, international pharmaceutical company specializing in defined areas, and to develop innovative and world-class new drugs. In new drug research, we aim to focus the technologies and know-how we have nurtured into areas where our strengths can be fully exploited, namely in bioactive lipid agonists and enzyme inhibitors such as proteases

and kinases. We have also designated new areas of challenge, in promising areas where our know-how from neuroscience research and our assets in genomic research can be effectively deployed (i.e. modulators of membrane transport system and biotechnology based medicines). In these research areas, while harnessing cutting-edge drug discovery technologies that bio-pharmaceutical companies have to offer, we stand committed to the discovery of globally viable original breakthrough drugs. To this end, a new section named Product Planning and Discovery Research was set up within Research Headquarters in July 2008, with a view to discovery of pharmaceutical compounds with high added value, aimed at fulfilling the unmet medical needs at the frontline of healthcare. Thanks to such relentless pursuit of research and development, we are proud to see many new compounds in the final stages of research, to treat diseases involving respiratory, gastrointestinal, urological, ophthalmologic, immunological and oncological disorders.

Global Discovery Research Alliance Headquarters was set up in May 2008 in Ono Pharma USA, Inc. (OPUS) to expedite strategic drug discovery partnering. It is forging drug discovery alliance with European and the US bio-pharmaceutical companies and research alliances with academic and other research institutions, engaging in the import into our laboratories of breakthrough drug discovery seeds and cutting edge technologies. Drug discovery activities are thus being propelled in research areas where our strengths lie as well as in the newly designated areas of challenge. In drug discovery targeting the enzyme called kinase, which is involved in various diseases, Ono has already signed partnership agreements with Array BioPharma Inc. and Locus Pharmaceuticals, Inc. of the US. In drug discovery targeting the enzyme called protease, Ono is in alliance with Evotec AG of Germany. The aim of these alliances is to discover drugs for the treatment of inflammatory, immunological, and cardiovascular diseases as well as cancer. Research effort is progressing successfully in all these areas. In addition, in March 2009, a partnership agreement was signed with Xention Ltd. of UK on research into modulators of membrane transport system (e.g. ion channel modulating drug). The ion channel is involved in cardiac disease, CNS disorders and pain, and our

research aims to discover breakthrough drugs that modulate its functions.

Ono is keen to form alliances with research organizations for the exploration of drug discovery seeds: for this purpose, new links have been created with several European and American academic institutions.

On the development side, our first priority is in gaining marketing approval of a world-class new drug in Europe and the US. Thus overseas-driven clinical development is a key area of our endeavor. To back up our effort, Global Development Headquarters was set up within OPUS in May 2008, reinforcing the US-led clinical development infrastructure overseas.

Meanwhile in Japan, work is underway to obtain early approval of new drugs to follow *Recalbon*<sup>®</sup> Tablets, the osteoporosis drug launched in April 2009. These are *Emend*<sup>®</sup> Capsules (ONO-7436) for the treatment of chemotherapy-induced nausea and vomiting, *Glactiv*<sup>®</sup> Tablets (ONO-5435) for the treatment of Type II diabetes, and *Rivastach*<sup>®</sup> (ONO-2540) for the treatment of Alzheimer's Disease. Ono intends to expedite the development of drugs in the early stages of development by utilizing the results from the multinational clinical trials and other international studies conducted ahead of Japan.

In licensing activities, Ono strives to boost the development pipeline through in-licensing of new drug candidate compounds from drug companies and bio-pharmaceutical companies in Europe and the US. So far in-licensed are: a new therapeutic drug for cancer anorexia / cachexia from Sapphire Therapeutics, Inc. of the US (now Helsinn Therapeutics (U.S.), Inc.); short-active general anesthetic from CeNeS Ltd. of the UK (now PAION AG, Germany); and a new therapeutic drug for thrombocytopenia from Nissan Chemical Industries Ltd. Ono's steady efforts are bearing fruit in such forms as the acquisition from Progenics Pharmaceuticals, Inc. in October 2008 of the sole development and commercialization rights in Japan of methyl naltrexone bromide for the treatment of intractable opioid-induced constipation.

Because European and American bio-pharmaceutical companies are the target for our licensing activities, Global Business Development & Licensing was established within OPUS on July 1, 2009. The fulcrum of activity has thus been shifted from Japan to the US.

With Global Business Development & Licensing at the helm, coordinated effort will continue together with the business development units in Japan and in OPUK to actively in-license new candidate compounds not only in early development stages (pre-clinical or Phase I) but in late development stages as well.

The total expenditure on R&D was ¥38,400 million (US\$391,837 thousand).

### Consolidated Cash Flow

In the consolidated financial year ended March 31, 2009, the balance of cash and cash equivalents increased to a total of ¥53,461 million (US\$545,520 thousand) despite outgoings such as dividend payments and acquisition of the company's own shares, thanks to the positive balances of cash flow from operating activities of ¥24,525 million (US\$250,255 thousand) and from investment activities of ¥30,727 million (US\$313,541 thousand), which resulted in a year-on-year increase of ¥6,028 million (US\$61,510 thousand) or 12.7% up from ¥47,433 million (US\$484,010 thousand) of the previous fiscal year.

#### •Cash Flow from Operating Activities

Cash flow from operating activities for this fiscal year showed a decrease of ¥11,997 million (US\$122,418 thousand) from the previous fiscal year, resulting in a positive cash flow balance of ¥24,525 million (US\$250,255 thousand). This is due to downward factors such as our corporate tax obligations being ¥20,890 million (US\$213,163 thousand) for this fiscal year while being ¥22,989 million (US\$234,582 thousand) for the previous fiscal year on one hand but upward factors chiefly comprised pre-tax net profits of ¥40,271 million (US\$410,929 thousand) in this year while being ¥59,513 million (US\$607,276 thousand) in the previous fiscal year on the other hand.

#### •Cash Flow from Investing Activities

Cash flow from investing activities for this fiscal year ended in an increase over the previous fiscal year of ¥23,293 million (US\$237,684 thousand), leaving a positive balance of ¥30,727 million (US\$313,541 thousand). The reasons for this are that although there was expenditure on the purchase of marketable and investment securities, there was also income from their disposal and redemption, creating an income

balance of ¥32,544 million (US\$332,081 thousand), compared to the income of ¥9,576 million (US\$97,714 thousand) in the previous fiscal year and that spending for the acquisition of tangible fixed assets amounted to ¥1,509 million (US\$15,398 thousand), compared to ¥1,592 million (US\$16,245 thousand) of the previous fiscal year.

#### •Cash Flow from Financing Activities

The cash flow from financing activities for this fiscal year showed an increase of ¥19,847 million (US\$202,520 thousand) over the previous fiscal year, leaving a positive balance of ¥49,018 million (US\$500,184 thousand). Dividend payments accounted for ¥22,449 million (US\$229,072 thousand), compared to the previous fiscal year's ¥17,119 million (US\$174,684 thousand), and the cost of acquisition of the company's own shares was ¥26,563 million (US\$271,051 thousand) compared to the previous fiscal year's ¥12,165 million (US\$124,133 thousand).

### Investment in Plant and Equipment

Plant and equipment investment during this fiscal year totaled ¥2,297 million (US\$23,439 thousand), including investment into the enhancement and maintenance of manufacturing facilities amounting to ¥1,250 million (US\$12,755 thousand) and into manufacturing facilities of clinical trial drugs amounting to ¥680 million (US\$6,939 thousand).

### Outlook for the Coming Year

It is expected that Japanese government policies for containing healthcare costs, which have risen steadily over the years, will affect our operations more strongly during the coming year. At the same time, competition in the increasingly globalized pharmaceutical market continues to intensify, with the result that our business environment is likely to become even more challenging. The Ono Pharmaceutical Group is facing this challenge with stronger commitment to the research and development of world-class and innovative new pharmaceutical products, building an even more solid business base by actively forging alliances with research institutions and by enhancing the speed and efficiency of marketing and other business activities throughout the company to reap the rewards of improved business performance.

## ■ Consolidated Balance Sheets

Ono Pharmaceutical Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current assets:</b>			
Cash and cash equivalents (Note 2.b) .....	¥ 53,461	¥ 47,433	\$ 545,520
Time deposits .....	750	820	7,653
Marketable securities (Note 3) .....	62,800	96,602	640,816
Trade notes and accounts receivable .....	39,480	41,107	402,857
Allowance for doubtful receivables .....	(9)	(10)	(91)
Inventories (Note 4) .....	10,059	9,972	102,643
Deferred tax assets (Note 8) .....	13,061	14,775	133,276
Prepaid expenses and other current assets .....	955	1,358	9,745
<b>Total current assets</b> .....	<b>180,557</b>	<b>212,057</b>	<b>1,842,419</b>
<b>Property, plant and equipment:</b>			
Land .....	22,539	22,546	229,990
Buildings and structures .....	63,748	63,005	650,490
Machinery, equipment and others .....	24,796	24,844	253,020
Construction in progress .....	746	296	7,612
Total .....	111,829	110,691	1,141,112
Accumulated depreciation .....	(61,289)	(59,429)	(625,398)
<b>Net property, plant and equipment</b> .....	<b>50,540</b>	<b>51,262</b>	<b>515,714</b>
<b>Investments and other assets:</b>			
Investment securities (Note 3) .....	177,627	206,810	1,812,520
Investments in affiliated companies .....	707	706	7,214
Long-term loans to employees .....	18	20	184
Intangible assets .....	1,033	1,042	10,541
Deferred tax assets (Note 8) .....	5,147	48	52,520
Other assets .....	5,651	5,396	57,664
<b>Total investments and other assets</b> .....	<b>190,183</b>	<b>214,022</b>	<b>1,940,643</b>
<b>Total</b> .....	<b>¥ 421,280</b>	<b>¥ 477,341</b>	<b>\$ 4,298,776</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current liabilities:</b>			
Current portion of long-term debt (Note 5).....	¥ 2	¥ 1	\$ 20
Notes and accounts payable:			
Trade notes and accounts payable.....	2,919	2,857	29,786
Construction.....	487	152	4,969
Affiliated companies.....	17	36	173
Income taxes payable (Note 8).....	9,130	13,837	93,163
Accrued expenses.....	11,562	10,676	117,980
Other current liabilities.....	1,343	1,851	13,705
<b>Total current liabilities</b> .....	<b>25,460</b>	<b>29,410</b>	<b>259,796</b>
<b>Long-term liabilities:</b>			
Long-term debt, less current portion (Note 5).....	16	18	163
Long-term accounts payable.....	553	713	5,643
Liability for retirement benefits (Note 6).....	2,240	8,668	22,857
Deferred tax liabilities (Note 8).....	2,961	8,269	30,215
Other non-current liabilities.....	9	–	92
<b>Total long-term liabilities</b> .....	<b>5,779</b>	<b>17,668</b>	<b>58,970</b>
<b>Commitments and contingent liabilities</b> (Notes 10 & 14)			
<b>Equity</b> (Notes 7 & 16)			
Common stock, authorized, 300,000,000 shares; issued, 120,847,500 shares in 2009 and 2008.....	17,358	17,358	177,122
Capital surplus.....	17,080	17,080	174,286
Retained earnings.....	422,565	421,279	4,311,888
Unrealized gain on available-for-sale securities.....	2,171	17,112	22,153
Land revaluation difference (Note 13).....	(8,923)	(8,919)	(91,051)
Foreign currency translation adjustments.....	(204)	(21)	(2,082)
Treasury stock-at cost 12,109,665 shares in 2009 and 7,474,235 shares in 2008.....	(63,425)	(36,861)	(647,194)
<b>Total</b> .....	<b>386,622</b>	<b>427,028</b>	<b>3,945,122</b>
Minority interests.....	3,419	3,235	34,888
<b>Total equity</b> .....	<b>390,041</b>	<b>430,263</b>	<b>3,980,010</b>
<b>Total</b> .....	<b>¥ 421,280</b>	<b>¥ 477,341</b>	<b>\$ 4,298,776</b>

## ■ Consolidated Statements of Income

Ono Pharmaceutical Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Net sales</b> .....	<b>¥ 136,557</b>	<b>¥ 145,898</b>	<b>\$ 1,393,439</b>
<b>Cost of sales</b> (Note 9) .....	<b>21,319</b>	<b>20,861</b>	<b>217,541</b>
Gross profit .....	<b>115,238</b>	<b>125,037</b>	<b>1,175,898</b>
<b>Selling, general and administrative expenses</b> (Note 9) .....	<b>71,766</b>	<b>72,750</b>	<b>732,306</b>
Operating income .....	<b>43,472</b>	<b>52,287</b>	<b>443,592</b>
<b>Other income (expenses)</b>			
Interest and dividend income .....	<b>3,319</b>	<b>3,060</b>	<b>33,867</b>
Interest expense .....	<b>(1)</b>	<b>(1)</b>	<b>(10)</b>
Loss on devaluation of investment securities .....	<b>(7,808)</b>	<b>(1,625)</b>	<b>(79,673)</b>
Other-net (Note 12) .....	<b>1,289</b>	<b>5,792</b>	<b>13,153</b>
Other income (expenses)-net .....	<b>(3,201)</b>	<b>7,226</b>	<b>(32,663)</b>
<b>Income before income taxes and minority interests</b> .....	<b>40,271</b>	<b>59,513</b>	<b>410,929</b>
<b>Income taxes</b> (Note 8):			
Current .....	<b>16,217</b>	<b>24,738</b>	<b>165,480</b>
Deferred .....	<b>52</b>	<b>(697)</b>	<b>531</b>
Total income taxes .....	<b>16,269</b>	<b>24,041</b>	<b>166,011</b>
Income before minority interests .....	<b>24,002</b>	<b>35,472</b>	<b>244,918</b>
<b>Minority interests in income</b> .....	<b>(235)</b>	<b>(425)</b>	<b>(2,398)</b>
<b>Net income</b> .....	<b>¥ 23,767</b>	<b>¥ 35,047</b>	<b>\$ 242,520</b>
<b>Per share of common stock</b> (Notes 2.o & 15):			
Basic net income .....	<b>¥ 216.07</b>	<b>¥ 306.80</b>	<b>\$ 2.20</b>
Cash dividends applicable to the year .....	<b>180.00</b>	<b>202.00</b>	<b>1.84</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

Ono Pharmaceutical Co., Ltd. and Subsidiaries

Years ended March 31, 2009 and 2008

	Thousands			Millions of yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007 .....	115,355	¥ 17,358	¥ 17,002	¥ 404,062	¥ 39,161	¥ (8,919)	¥ 50	¥ (24,709)	¥ 444,005	¥ 2,800	¥ 446,805
Net income .....				35,047					35,047		35,047
Cash dividends, ¥ 150 per share .....				(17,157)					(17,157)		(17,157)
Changes in the scope of equity method .....				(673)					(673)		(673)
Purchase of treasury stock .....	(2,008)							(12,167)	(12,167)		(12,167)
Disposal of treasury stock .....	26		78					15	93		93
Net change in the year .....					(22,049)		(71)		(22,120)	435	(21,685)
BALANCE, MARCH 31, 2008 .....	113,373	17,358	17,080	421,279	17,112	(8,919)	(21)	(36,861)	427,028	3,235	430,263
Net income .....				23,767					23,767		23,767
Cash dividends, ¥202 per share .....				(22,485)					(22,485)		(22,485)
Purchase of treasury stock .....	(4,635)							(26,564)	(26,564)		(26,564)
Reversal of revaluation reserve for land .....				4					4		4
Net change in the year .....					(14,941)	(4)	(183)		(15,128)	184	(14,944)
BALANCE, MARCH 31, 2009 .....	108,738	¥ 17,358	¥ 17,080	¥ 422,565	¥ 2,171	¥ (8,923)	¥ (204)	¥ (63,425)	¥ 386,622	¥ 3,419	¥ 390,041

	Thousands of U.S. dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
BALANCE, APRIL 1, 2008 .....	\$177,122	\$174,286	\$4,298,766	\$174,612	\$(91,010)	\$(214)	\$(376,133)	\$4,357,429	\$33,010	\$4,390,439	
Net income .....			242,520					242,520		242,520	
Cash dividends, \$2.06 per share .....			(229,439)					(229,439)		(229,439)	
Purchase of treasury stock .....							(271,061)	(271,061)		(271,061)	
Reversal of revaluation reserve for land .....			41					41		41	
Net change in the year .....				(152,459)	(41)	(1,868)		(154,368)	1,878	(152,490)	
BALANCE, MARCH 31, 2009 .....	\$177,122	\$174,286	\$4,311,888	\$22,153	\$(91,051)	\$(2,082)	\$(647,194)	\$3,945,122	\$34,888	\$3,980,010	

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Ono Pharmaceutical Co., Ltd. and Subsidiaries

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Operating activities:</b>			
Income before income taxes and minority interests .....	¥ 40,271	¥ 59,513	\$ 410,929
Adjustments for:			
Income taxes paid .....	(20,890)	(22,989)	(213,163)
Depreciation and amortization.....	3,005	3,384	30,663
Decrease in allowance for doubtful receivable.....	(1)	(12)	(10)
Decrease in liability for retirement benefits.....	(6,428)	(480)	(65,592)
Gain on sales of investment securities.....	(1,327)	(5,393)	(13,541)
Loss on devaluation of investment securities.....	7,808	1,625	79,673
Changes in assets and liabilities, net of effects			
Increase in interest and dividend receivable.....	241	242	2,459
Decrease in trade notes and accounts receivable .....	1,649	925	16,827
Increase in inventories.....	(88)	(595)	(898)
Increase (decrease) in trade notes and accounts payable .....	44	(26)	449
Others-net .....	241	328	2,459
<b>Net cash provided by operating activities .....</b>	<b>24,525</b>	<b>36,522</b>	<b>250,255</b>
<b>Investing activities:</b>			
Payments for purchases of marketable securities .....	(93,655)	(109,282)	(955,663)
Proceeds from sales of marketable securities.....	158,963	147,991	1,622,071
Payments for purchases of property, plant and equipment .....	(1,509)	(1,592)	(15,398)
Payments for purchases of investment securities .....	(34,969)	(42,441)	(356,827)
Proceeds from sales of investment securities .....	2,205	13,308	22,500
Others-net .....	(308)	(550)	(3,142)
<b>Net cash provided by investment activities .....</b>	<b>30,727</b>	<b>7,434</b>	<b>313,541</b>
<b>Financing activities:</b>			
Repayment of current portion of long-term debt .....	(1)	(2)	(10)
Payments for purchases of treasury stock.....	(26,563)	(12,165)	(271,051)
Proceeds from sales of treasury stock .....	-	120	-
Cash dividends.....	(22,449)	(17,119)	(229,072)
Cash dividends to minority shareholders .....	(5)	(5)	(51)
<b>Net cash used in financing activities .....</b>	<b>(49,018)</b>	<b>(29,171)</b>	<b>(500,184)</b>
<b>Foreign currency translation adjustments</b>			
<b>on cash and cash equivalents .....</b>	<b>(206)</b>	<b>(21)</b>	<b>(2,102)</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>6,028</b>	<b>14,764</b>	<b>61,510</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>47,433</b>	<b>32,669</b>	<b>484,010</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥ 53,461</b>	<b>¥ 47,433</b>	<b>\$ 545,520</b>

See accompanying notes to consolidated financial statements.

# ■ Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Subsidiaries  
Years ended March 31, 2009 and 2008

## Note 1

### Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Ono Pharmaceutical Co., Ltd. (the “Company”) and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## Note 2

### Summary of Significant Accounting Policies

#### *a. Consolidation and investments in affiliates*

The consolidated financial statements include the accounts of the Company and its four subsidiaries, consisting of two companies in Japan and two foreign subsidiaries at March 31, 2009 (together, the “Group”). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in two affiliated companies are accounted for by the equity method.

All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated in consolidation.

The difference between the cost and underlying net assets of investments in subsidiaries at the time of acquisition is charged to income because it is immaterial.

The Company’s two foreign subsidiaries are consolidated using a fiscal year ending December 31. Any material effects occurring during January 1 to March 31 periods are adjusted in the consolidated financial statements.

#### *b. Cash Equivalents*

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

#### **c. Marketable and investment securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

#### **d. Inventories**

Inventories are stated principally at cost determined by the first-in, first-out method.

In July 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was not material.

#### **e. Property, Plant and Equipment and Intangible assets**

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is principally computed using the declining balance method at rates based on the estimated useful lives of the assets, which are principally as stated below.

Buildings and structures: 15 - 50 years

Machinery and equipment: 4 - 8 years

Those buildings, excluding structures, which were acquired on or after April 1, 1998, are depreciated using the straight-line method.

Maintenance and repairs including minor renewals and improvements are charged to income as incurred.

Intangible assets are amortized using the straight-line method.

#### **f. Long-lived assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

#### **g. Retirement benefits and pension plans**

The employees whose service with the Company and its domestic subsidiaries is terminated are, under most circumstances, entitled to a combination of lump-sum severance indemnities and pension payments, determined by reference to current basic rate of pay, length of service and conditions under which the termination occurs. Certain subsidiaries provide a reserve for retirement allowances for directors, executive officers and corporate auditors in required amounts calculated based on the bylaw.

#### **h. Research and development costs**

Expenses and costs relating to research and development activities are charged to income as incurred.

**i. Leases**

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007. Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions. The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. This change had no impact on profits. All other leases are accounted for as operating leases.

**j. Bonuses to directors and corporate auditors**

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

**k. Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement basis and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**l. Foreign Currency Transactions**

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

**m. Foreign Currency Financial Statements**

The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

**n. Derivatives and Hedging Activities**

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

If the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

**o. Per share information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

***p. New Accounting Pronouncements***

***Asset Retirement Obligations***

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No.21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

**Note 3****Marketable securities, Investment securities**

Marketable and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current:			
Government and corporate bonds .....	¥ 62,800	¥ 96,602	\$ 640,816
Non-current:			
Marketable and other equity securities .....	65,146	93,706	664,755
Government and corporate bonds .....	110,757	110,049	1,130,173
Trust fund investments and other .....	1,724	3,055	17,592
Total .....	¥ 177,627	¥ 206,810	\$ 1,812,520

The costs and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

March 31, 2009	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	¥ 59,389	¥ 7,109	¥ (2,226)	¥ 64,272
Debt securities .....	34,780	9	(212)	34,577
Trust fund investments and other .....	1,610	–	(132)	1,478
Held-to-maturity .....	138,980	1,317	(29)	140,268

**March 31, 2008**

March 31, 2008	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	¥ 64,895	¥ 29,220	¥ (1,233)	¥ 92,882
Debt securities .....	66,426	11	(238)	66,199
Trust fund investments and other .....	2,281	576	(63)	2,794
Held-to-maturity .....	140,452	957	(52)	141,357

March 31, 2009	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	\$ 606,010	\$ 72,541	\$ (22,714)	\$ 655,837
Debt securities .....	354,898	92	(2,163)	352,827
Trust fund investments and other .....	16,429	–	(1,347)	15,082
Held-to-maturity .....	1,418,163	13,439	(296)	1,431,306

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Available-for-sale:			
Equity securities .....	¥ 874	¥ 824	\$ 8,918
Trust fund investments and other .....	246	261	2,511
Total .....	¥ 1,120	¥ 1,085	\$ 11,429

Proceeds from sales of available-for-sale securities and gross realized gains and losses on these sales, computed on the moving average cost basis for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	Proceeds from sales .....	¥ 14,191	¥ 29,891
Gross realized gains .....	1,330	5,397	13,571
Gross realized losses .....	-	0	-

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less .....	¥ 31,000	¥ 31,720	\$ 316,327	\$ 323,673
Due after one year through five years .....	682	106,720	6,959	1,088,980
Due after five years through ten years .....	3,000	-	30,612	-
Total .....	¥ 34,682	¥ 138,440	\$ 353,898	\$ 1,412,653

**Note 4****Inventories**

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise .....	¥ 320	¥ 286	\$ 3,265
Finished products .....	4,165	4,489	42,500
Semi-finished products.....	954	788	9,735
Work in process .....	1,195	1,329	12,194
Raw materials and supplies .....	3,425	3,080	34,949
Total .....	¥ 10,059	¥ 9,972	\$ 102,643

**Note 5****Long-term debt**

Long-term loans payable at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unsecured loans for employees <sup>(*)</sup> .....	¥ 18	¥ 19	\$ 183
Less, current portion .....	(2)	(1)	(20)
Long-term debt, less current portion .....	¥ 16	¥ 18	\$ 163

<sup>(\*)</sup>At March 31, 2009 and 2008: Interest rate ranging from 3.25% to 3.40% maturing serially to March, 2026

At March 31, 2009, the annual maturities of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010 .....	¥ 2	\$ 20
2011 .....	2	20
2012 .....	2	20
2013 .....	1	11
2014 .....	2	20
2015 and thereafter .....	9	92
Total .....	¥ 18	\$ 183

## Note 6

### Retirement benefits and pension

The liability for retirement benefits at March 31, 2009 and 2008 consisted of the followings:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation .....	¥ 37,711	¥ 36,718	\$ 384,806
Fair value of plan assets (including a pension trust) .....	(32,294)	(25,296)	(329,531)
Unrecognized actuarial gain .....	(3,259)	(2,828)	(33,255)
Net liability for retirement benefits, employees .....	2,158	8,594	22,020
Liability for retirement benefits, officers .....	82	74	837
Liability for retirement benefits, total .....	¥ 2,240	¥ 8,668	\$ 22,857

In March 2009, the Company contributed ¥10,000 million (\$102,041 thousand) by cash to the employee retirement benefit trust for the Company's contributory pension plans.

Net periodic benefit cost for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost .....	¥ 1,552	¥ 1,518	\$ 15,837
Interest cost .....	516	502	5,265
Expected return on plan assets .....	(505)	(552)	(5,153)
Recognized actuarial gain or loss .....	3,070	(9)	31,327
Net periodic benefit cost .....	4,633	1,459	47,276
Others .....	213	204	2,173
Total .....	¥ 4,846	¥ 1,663	\$ 49,449

Actuarial assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

- 1) Method of attribution of retirement benefits to the period: Straight-line method for the years of service
- 2) Discount rate: 1.4%
- 3) Expected rate of return on plan assets: 2.0%
- 4) Prior service cost is expensed in the year in which the cost is recognized.
- 5) Actuarial gain or loss is expensed in the year following the year in which the gain or loss is recognized.

**Note 7****Equity**

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

**(a) Dividends**

Under the Companies Act, companies can pay semiannual interim dividends once a year in addition to the year-end dividend upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**(b) Increases / decreases and transfer of common stock, reserve and surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**(c) Treasury stock and treasury stock acquisition rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

## Note 8

### Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Current assets:			
Prepaid R&D expenditures .....	¥ 9,092	¥ 10,303	\$ 92,776
Accrued for bonuses .....	1,560	1,598	15,918
Accrued enterprise tax .....	799	1,142	8,153
Depreciation and amortization .....	721	744	7,357
Others .....	889	989	9,072
Non-current assets:			
Provision for retirement benefits .....	4,930	3,481	50,306
Loss on valuation of investment securities .....	4,319	2,422	44,071
Depreciation and amortization .....	796	1,016	8,122
Others .....	2,230	1,975	22,755
Less valuation allowance .....	(4,572)	(2,844)	(46,653)
Total .....	20,764	20,826	211,877
Deferred tax liabilities:			
Long-term liabilities			
Unrealized gain on available-for-sale securities .....	(2,295)	(11,047)	(23,418)
Revaluation on land .....	(2,941)	(2,944)	(30,010)
Others .....	(281)	(281)	(2,868)
Total .....	(5,517)	(14,272)	(56,296)
Net deferred tax assets .....	¥ 15,247	¥ 6,554	\$ 155,581

For the years ended March 31, 2009 and 2008, because the differences between the normal effective statutory tax rates and the actual effective tax rates were not material, the tax reconciliations are not disclosed.

**Note 9****R&D expenditures**

Research and development expenditures for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Selling, general and administrative expenses.....	¥ 38,383	¥ 38,974	\$ 391,663
Cost of sales.....	17	13	174
Total .....	¥ 38,400	¥ 38,987	\$ 391,837

**Note 10****Leases**

The Group leases certain equipment, computers, office space and other assets.

As discussed in Note 2-i, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on a "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

## 1. Acquisition cost, accumulated depreciation and net leased property

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
	Machinery, equipment and others	Machinery, equipment and others	Machinery, equipment and others
Acquisition cost.....	¥ 13	¥ 18	\$ 133
Accumulated depreciation.....	10	11	102
Net leased property.....	¥ 3	¥ 7	\$ 31

## 2. Obligations under finance leases

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year .....	¥ 2	¥ 4	\$ 21
Due after one year.....	1	3	10
Total .....	¥ 3	¥ 7	\$ 31

## 3. Actual lease payments, depreciation expense of leased property

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Depreciation expense .....	¥ 3	¥ 4	\$ 31
Actual lease payments.....	3	4	31

Depreciation expense for leased properties, which is not reflected in the accompanying statements of income, is computed using the straight-line method over the estimated useful lives of the leased properties.

The minimum rental commitments under noncancelable operating leases at March 31, 2009 were as follows:

(lessee)

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Due within one year .....	¥ 82	\$ 837
Due after one year .....	212	2,163
Total .....	¥ 294	\$ 3,000

(lessor)

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Due within one year .....	¥ 16	\$ 163
Due after one year .....	65	664
Total .....	¥ 81	\$ 827

## Note 11

### Derivatives

The Company enters into forward foreign exchange contracts to hedge against the risk of foreign exchange rate fluctuation for payables denominated in foreign currencies, but does not use derivative transactions for speculative purposes or for gaining quick profits from sales of financial instruments.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company believes there is little credit risk in dealing with them.

The Company utilizes forward foreign exchange contracts within the normal transaction range established for these banks.

These forward foreign exchange contracts are entered into by the Accounting Department and the results of settlement of the contracts are regularly monitored by the Board of Directors.

The Company did not have any open derivatives positions as of March 31, 2009 and 2008.

## Note 12

### Other income and expenses

'Other, net' of other income (expenses) for the years ended March 31, 2009 and 2008 in the consolidated statements of income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Gain on sales of investment securities .....	¥ 1,327	¥ 5,393	\$ 13,541
Gain on exchange from business combination .....	–	642	–
Reversal of allowance for doubtful receivables .....	0	3	0
Others, net .....	(38)	(246)	(388)
Total .....	¥ 1,289	¥ 5,792	\$ 13,153

**Note 13****Land revaluation difference**

In accordance with the Act concerning Revaluation of Land, land used for businesses owned by the Company was revalued. The unrealized gain or loss, net of deferred tax, was excluded from earnings and reported as "Land revaluation difference" in changes in equity, and the relevant deferred tax was included as "Deferred tax liabilities" in liabilities.

Related information is shown as follows:

Date of revaluation: March 31, 2002

	Millions of yen	Thousands of U.S. dollars
Difference between book value of land after revaluation and fair value at March 31, 2009 .....	¥ (1,731)	\$ (17,663)

**Note 14****Commitments and contingent liabilities**

There were no material commitments and contingent liabilities at March 31, 2009 and 2008.

**Note 15****Net income per share**

Net income after giving effect to the diluted potential of common stock has not been presented since there are no such potential shares to be issued.

Information for the computation of net income per share ("EPS") is as follows:

	Millions of yen	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
<b>For the year ended March 31, 2009:</b>				
Basic EPS				
Net income available to common shareholders ....	¥ 23,767	109,995	¥ 216.07	\$ 2.20
<b>For the year ended March 31, 2008:</b>				
Basic EPS				
Net income available to common shareholders ....	¥ 35,047	114,235	¥ 306.80	

## Note 16

### Subsequent events

#### Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's shareholders meeting held on June 26, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥90 (\$0.92) per share .....	¥ 9,786	\$ 99,857

## Note 17

### Segment information

#### (1) Business segment information

Information relating to business segments is omitted, as the Group operated solely in the 'pharmaceutical related business' for the years ended March 31, 2009 and 2008.

#### (2) Geographic area information

Information relating to geographic area is omitted, as 'Japan' accounted for more than 90% of net sales and assets of the Group for the years ended March 31, 2009 and 2008.

#### (3) Overseas sales information

Overseas sales of the Group to unrelated entities, which consisted of export sales from Japan including license royalty revenue, classified by geographic area for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Percentage in total net sales		Thousands of U.S. dollars
	2009	2008	2009	2008	2009
Europe .....	¥ 480	¥ 450	0.3%	0.3%	\$ 4,898
Asia .....	2,416	1,988	1.8	1.4	24,653
Other .....	1,529	1,838	1.1	1.2	15,602
Total .....	¥ 4,425	¥ 4,276	3.2%	2.9%	\$ 45,153

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ono Pharmaceutical Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Ono Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ono Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 26, 2009