

Annual

Report
2012

Year ended March 31, 2012

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Dedicated to Man's Fight against Disease and Pain – this is Ono Pharmaceutical's management philosophy and the words that were engraved in 1968 on the commemorative plaque at the Minase Research Institute, the hub of our drug discovery endeavor. It was in 1717 when Ichibei Fushimiya set up his apothecary in Doshomachi, Osaka, which later evolved into Ono Pharmaceutical. Since then, Ono has dedicated itself to the business of developing and selling medicines. Throughout this 295-year history, Ono has never wavered in its effort at grappling with disease and pain. Ono will remain true to our philosophy, clearly engraved in stone and in mind, pursuing our passion for the discovery of original and innovative drugs. Ono will rely on this commitment that has sustained us for nearly three centuries, combined with the technology and know-how we have in our armory against disease. Ours is a relentless quest for the development of pharmaceutical products that bring real benefit to the health of individuals and genuine contribution to the good of society.

Financial Highlights

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Years ended March 31, 2012 and 2011

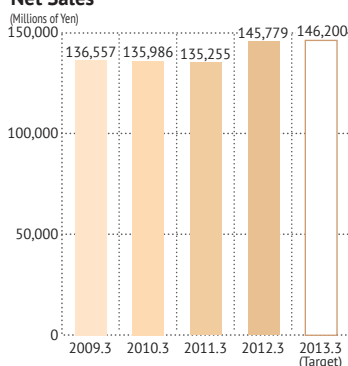
	Millions of Yen		Thousands of U.S. Dollars
	2012.3	2011.3	2012.3
Net sales	¥ 145,779	¥ 135,255	\$ 1,777,793
R&D expenditures	44,383	42,938	541,256
Operating income	37,904	35,201	462,244
Net income	24,361	24,222	297,085
Comprehensive income	26,567	18,820	323,988
Working capital	171,194	165,172	2,087,732
Property, plant and equipment	47,980	48,616	585,122
Total assets	436,414	424,443	5,322,122
Total equity	400,968	394,573	4,889,854

Per share of common stock:

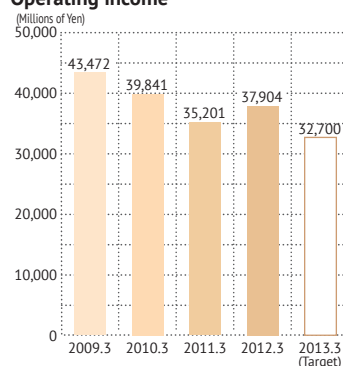
	Yen	U.S. Dollars
Net income	¥ 229.78	¥ 223.88
Cash dividends applicable to the year	180.00	180.00
		\$ 2.80
		2.20

(U.S. Dollar amounts are translated at a rate of U.S.\$1 = ¥82. See Notes to consolidated financial statements.)

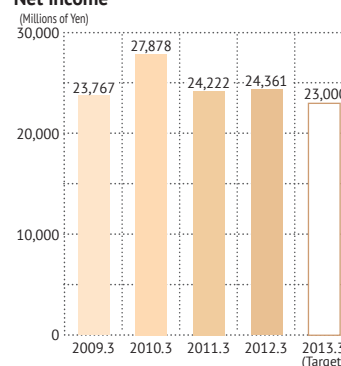
Net Sales



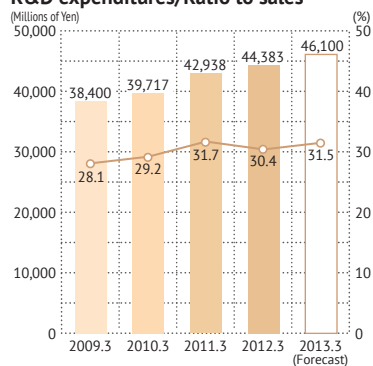
Operating income



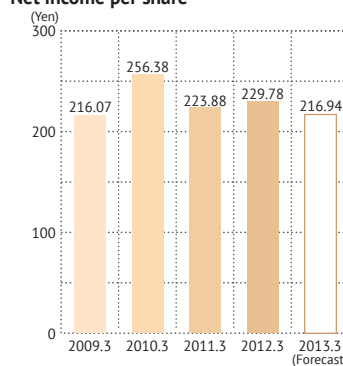
Net income



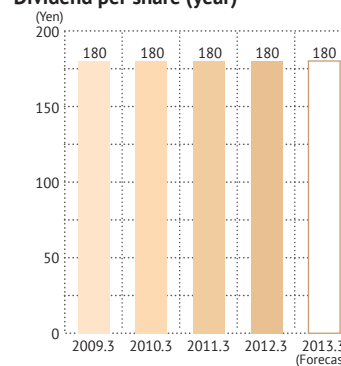
R&D expenditures/Ratio to sales



Net income per share



Dividend per share (year)



Greetings

“Dedicated to Man’s Fight against Disease and Pain” – upholding this philosophy comes uppermost in the priorities of the Ono Pharmaceutical Group. Steadfast in our resolve, we style ourselves as a “Global Specialty Pharma” following the path of an R&D-oriented international pharmaceutical company. Our emphasis is on creating innovative medicines that are globally viable.

Ono focuses on drug discovery leads that are high in certainty and globally competitive. Capitalizing on the technologies and know-how nurtured through our research history, we propel drug development in areas where we can continue to optimize our strengths and in areas where we can effectively utilize the genes we possess as our genetic assets in the field of genomic drug discovery. We are in active pursuit of the discovery and development of drugs that meet the unmet medical needs at the frontline of healthcare.

By strengthening strategic alliances globally, we endeavor to bolster our drug discovery capability, introducing breakthrough drug discovery seeds and leading-edge technologies from biopharmaceutical companies, academic and research establishments in Europe and the US.

We are constantly expanding our development pipeline, directing our efforts toward acquiring commercialization rights to new drug candidates.

Our R&D policy is the basis of our drive to enhance our corporate social value through the continued development and commercialization of “drugs that deliver true benefit to patients.” We are ready and poised to tackle the global market, armed with all our strengths.



A handwritten signature in black ink that reads "Gyo Sagara". The signature is fluid and cursive, with the first letter of "Gyo" being particularly large and stylized.

Gyo Sagara
President, Representative Director and CEO

Management Policy

(1) Basic Management Policy

The Ono Pharmaceutical Group is “Dedicated to Man’s Fight against Disease and Pain.” Under this management philosophy, we are committed to fulfilling unmet medical needs. We aim to develop innovative new drugs that deliver true benefit to patients, and we strive to serve as an R&D-oriented, international pharmaceutical company specializing in defined areas. 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.

(2) Challenges Facing Management

Ono aspires to achieve continuous growth as a pharmaceutical company focusing on new drug development. Drug discovery is the mainspring of our business. Our drug discovery policy is set out below. Management is always full of challenges - challenges that we are tackling energetically.

<Drug Discovery Policy>

In new drug research, our drug discovery activities focus not on specific diseases but on selection of target areas such as bioactive lipids and enzyme inhibitors. We have built up a library of compounds with known action on various targets, which allows us to home in on chemical substances that may lead to the treatment and cure of diseases. This is Ono’s distinctive “Compound-Orient” approach, adopted in our discovery effort for original and innovative drugs. We are putting this library to great effect: we have introduced technology that assists us in pinpointing with greater precision and speed the compounds that are relevant to disease and therapy. The remodeled and improved Compound-Orient will certainly boost our drug discovery endeavor. Ono forms dynamic alliances with leading-edge research and academic institutions as well as biopharmaceutical venture companies to tap into their most advanced knowledge and technologies. The efficiency of drug discovery research is enhanced, together with the success rate of discovering new drugs.

<Key Challenges>

The pharmaceutical industry is faced with a progressive decline in the success rate of drug discovery. R&D costs are mounting for pharmaceutical companies worldwide. Meanwhile, public policies are intent on curtailing medical costs through reforms of the healthcare system. We are certainly facing extremely challenging times. In this context, Ono is addressing the following three areas.

1. Strengthening the marketing base in Japan

We must minimize the impact of NIH drug price revision and of medical cost containment measures. Key to achieving this is to increase the ratio of new products to total sales. To this end, we must quickly establish positive market response to our new products, increase sales and strengthen our marketing base in the Japanese market. Our effort will focus on *Glactive® Tablets* for the treatment of Type II diabetes and *Emend® Capsules* for the treatment of chemotherapy-induced nausea and vomiting both launched in 2009, and *Rivastach® Patch* for the treatment of Alzheimer-type dementia and *Recalbon® Tablets 50mg* for the treatment of osteoporosis that were launched in 2011. Through appropriate information supply and product nurturing efforts, we will boost sales.

2. Expanding the development pipeline

Vital to realizing sustained growth, we must expand our development pipeline and deliver new products to the market in a continuous stream. We must step up our drug discovery effort to develop original, breakthrough drugs using leading-edge technologies. To meet the unmet medical needs at the frontline of healthcare, we will continue to move proactively in licensing activities, introducing attractive compounds for development. Our aim is to expand the development pipeline so as to provide a continuous stream of new market launches.

3. Obtaining approval overseas for Ono’s compounds/Propelling market launch

We have no greater desire than to see the whole world use the new drugs that we created. This is why we conduct business in the global arena. We out-license our compounds to our partners and form alliances with overseas companies so that our original compounds can obtain approval overseas and be launched on markets abroad. In an effort to enhance the value of our compounds, we will take active steps to promote clinical development overseas, in Europe, America and Asia. We are aware of the need for qualified human resources to support our global business operations. We will therefore reinforce personnel development and business operations pivoted around our overseas subsidiaries.

(3) Basic Policy Concerning Dividends

Distribution of profits to all our shareholders is one of our key management policies, and we place great importance on the maintenance of stable dividends based on our business performance for each fiscal year.

Research & Development

Aiming at Developing Original New Drugs for Patients Worldwide

Ono's research and development principle is to "Deliver our contributions to society by developing drugs that truly benefit patients." We put this into practice by tackling diseases that remain unconquered as yet and addressing areas that are high in healthcare needs where patient satisfaction of treatment is still low.

Ono's discovery research aims to identify and develop original and breakthrough pharmaceutical products truly beneficial to patients worldwide through further progress of discovery research in bioactive lipids and enzyme inhibitors, fully exploiting the technologies and know-how accumulated through prostaglandin and enzyme inhibitor research. Ono also actively takes up new challenges, entering new research domains utilizing know-how developed through neuroscience research and gene

assets obtained through genome research. The new compounds that we have discovered and developed through our R&D from our library assets, which are exploited effectively in our new drug discovery process of Compound-Orient, a method of finding what disease a compound is effective against. We believe in Open Innovation, combining our own original drug discovery methods with cutting-edge technologies acquired through alliances with Japanese and foreign biopharmaceutical companies and through collaborations with academic and research institutions. Our key aim is to discover drugs that are original, innovative and truly beneficial to patients worldwide. In clinical development, we are engaged in performing clinical studies in Japan, US and Europe, aiming to gain approval of original, breakthrough drugs. We facilitate clinical development efficiently by taking advantage of the results from multinational clinical trials and other international studies.



With Outstanding Technology and Know-how, Producing Original New Drugs

Ono aims to develop drugs that truly benefit patients. We are focusing on the areas of bioactive lipids and enzyme inhibitors as domains where the technologies and know-how that we have nurtured can be fully exploited. We are also addressing areas of new challenge so as to pioneer new domains that would enable us to make new discoveries of world-class, original, breakthrough drugs. We do not focus on specific diseases; we designate strategic domains, namely bioactive lipids and enzyme inhibitors. We have pursued our original path in drug discovery using Compound-Orient, collecting in our "library" the compounds that act on diverse targets and identifying drugs that are effective against disease or support treatment. As well as maximizing the potential of the well-stocked library, Compound-Orient is being updated with technologies that can pinpoint more accurately and speedily compounds that may be suitable for disease or therapy. Meanwhile, we will raise the efficiency of drug discovery research

and improve the success rate by dynamically forming alliances with biopharmaceuticals and academic/research institutions with cutting-edge know-how and technologies.

Bioactive lipids and enzyme inhibitors are areas of Ono's strengths, where we can use the technologies and know-how accumulated through research into prostaglandins/leukotrienes and into enzyme inhibitors. We are engaged in drug discovery activities involving bioactive lipid signal mediators and protease/kinase inhibitors. In the areas of new challenge, we are utilizing know-how developed through neuroscience research and gene assets obtained through genome research in drug discovery efforts involving modulators of membrane transport system such as ion-channels and transporters as well as biotechnology based medicines.

Across all these domains and areas, we are propelling our R&D by using the cutting-edge drug discovery technologies that biopharmaceutical companies and academic institutions possess.

A Research Structure Converging Knowledge and Technology

The development of original new drugs is driven by the spirit of challenge and motivation of individual scientists and their ability to think along new paths. Ono sets out high but clear targets to enhance such motivation and creative thinking of its researchers. Our research organization is based on project teams where members converge from different departments, bringing cutting-edge expertise from contrasting backgrounds. The interaction within the teams stimulates and mutually enhances research achievement. Drug discovery research is undertaken as a coordinated effort by three laboratories: the Minase Research Institute, the Tsukuba Research Institute and the Fukui Research Institute. State-of-the-art facilities for genomics and metabolomics technologies, X-ray crystallography, high-throughput synthesis and high-throughput screening are fully deployed in Ono's efficient and speedy discovery research effort. Through drug discovery alliances with biopharmaceuticals in Europe and the USA and through research collaborations with academic and research institutions, Ono is driving forward its search for new drugs, building on the technologies and know-how accumulated in the three research institutes while effectively injecting globally leading-edge drug discovery technologies.

The Minase Research Institute

The Minase Research Institute engages in medicinal chemistry research, research investigating the properties and efficacy of compounds and formulations research that can ensure quality assurance as a pharmaceutical product.

The Tsukuba Research Institute

The Tsukuba Research Institute, in alliance with academic and research institutions, undertakes analysis of disease-causing substances and exploratory research for new compounds that can control these substances, as well as state-of-the-art genomics and metabolomic analysis, and pharmacokinetics of discovered compounds.

The Fukui Research Institute

The Fukui Research Institute works with safety of compounds as well as mass production and cost reduction for the clinical and commercial supply of drug substances.



Minase Research Institute (Osaka)

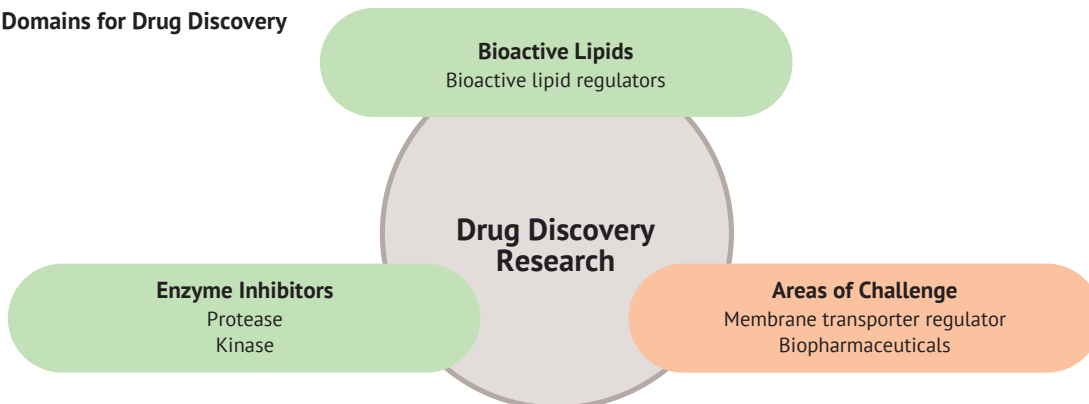


Tsukuba Research Institute (Ibaraki)



Fukui Research Institute (Fukui)

Target Domains for Drug Discovery



Research & Development

Global Clinical Development

Patients suffering from disease are found in all corners of the globe. It is Ono's earnest desire to deliver to patients worldwide new drugs that fulfill the needs found at the frontline of healthcare. This has led to the introduction of many products throughout the world. Ono is actively pursuing clinical development harnessing the three bases in Japan, US and Europe in close coordination. Ono aims to achieve speedy confirmation of the efficacy and safety of original and innovative new drug candidates and to expedite new drug development that is globally viable.

Nerve centers for clinical development have been established within the overseas subsidiaries – Ono Pharma USA, Inc. (OPUS) and Ono Pharma UK Ltd (OPUK). Both subsidiaries are strongly pursuing overseas clinical development of Ono's original and innovative new drug candidates. To propel drug development in Asia, the newly established Asia Development Division is making strong contributions to Ono's global clinical development efforts embracing Asia alongside Europe and America.

Forging Strategic Alliances with Biopharmaceuticals and Research Institutions Worldwide

Ono is actively pursuing drug discovery alliances with Japanese and foreign biopharmaceutical companies and research collaborations with universities and other research institutions with the aim of identifying "seeds" for new breakthrough research and geared towards injecting state-of-the-art technologies into in-house drug discovery activities.

In drug discovery alliances with biopharmaceutical companies, Ono is endeavoring to achieve its aim of discovering original and innovative new drug candidates by combining our Compound-Orient drug discovery method with the state-of-the-art drug discovery technologies that these partners possess, in the domains of our strength such as bioactive lipids and enzyme inhibitors where Ono can use its accumulated technologies and know-how, and in the domains of new challenge such as modulator of membrane transport systems and biotechnology-based medicines where Ono can effectively use its accumulated know-how in neuroscience

research and gene assets acquired through genome research. Ono is in drug discovery collaboration with Array BioPharma Inc., Locus Pharmaceuticals, Inc., and BioSeek of the US, as well as, Xention Limited and BioFocus of the UK and Evotec AG of Germany. All these collaborations are ongoing in aid of drug discovery efforts for new drug candidates in the domains of inflammation, autoimmune disease, cancer, cardiovascular diseases and CNS disorders.

In the drug discovery alliance with Locus researching into kinases, a new compound was discovered in February 2011 that is potentially effective against cancer and auto-immune disease. Phase I clinical studies are currently underway at Ono.

In December 2011, Ono entered into a drug discovery alliance in bioactive lipids with Receptos Inc. of the US. In May 2012, we embarked on another drug discovery alliance, this time with Scil Proteins GmbH of Germany with the aim of discovering protein therapeutics.

Strong Licensing Initiatives to Boost Development Pipeline

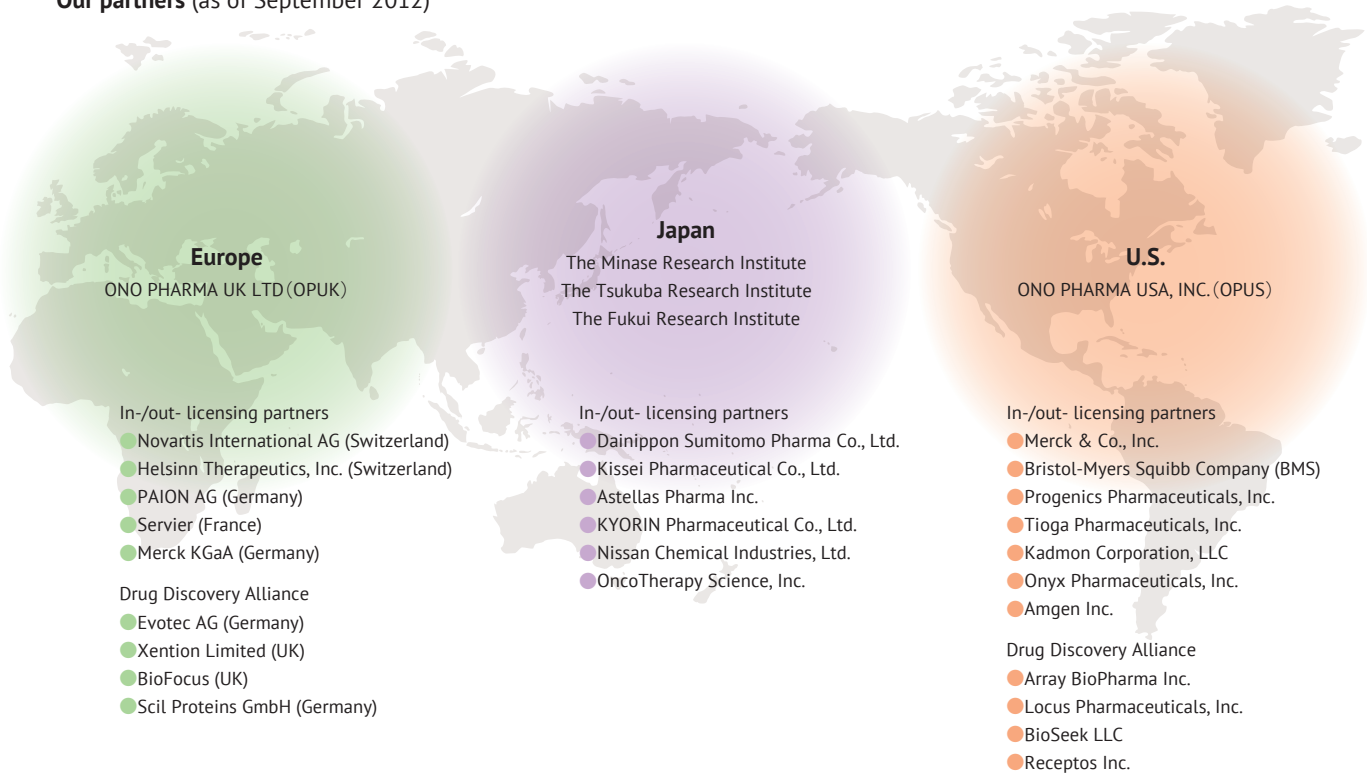
The discovery of new pharmaceuticals is becoming a harder achievement for companies worldwide. Ono has been active in the licensing in and out of new candidate compounds that are under development. By relocating the relevant operational arm to the USA where major pharmaceutical companies and biopharmaceutical venture companies converge, we enhanced opportunities for alliances, which has resulted in a steady expansion of our development pipeline.

In April 2012, we took another initiative to enhance our licensing

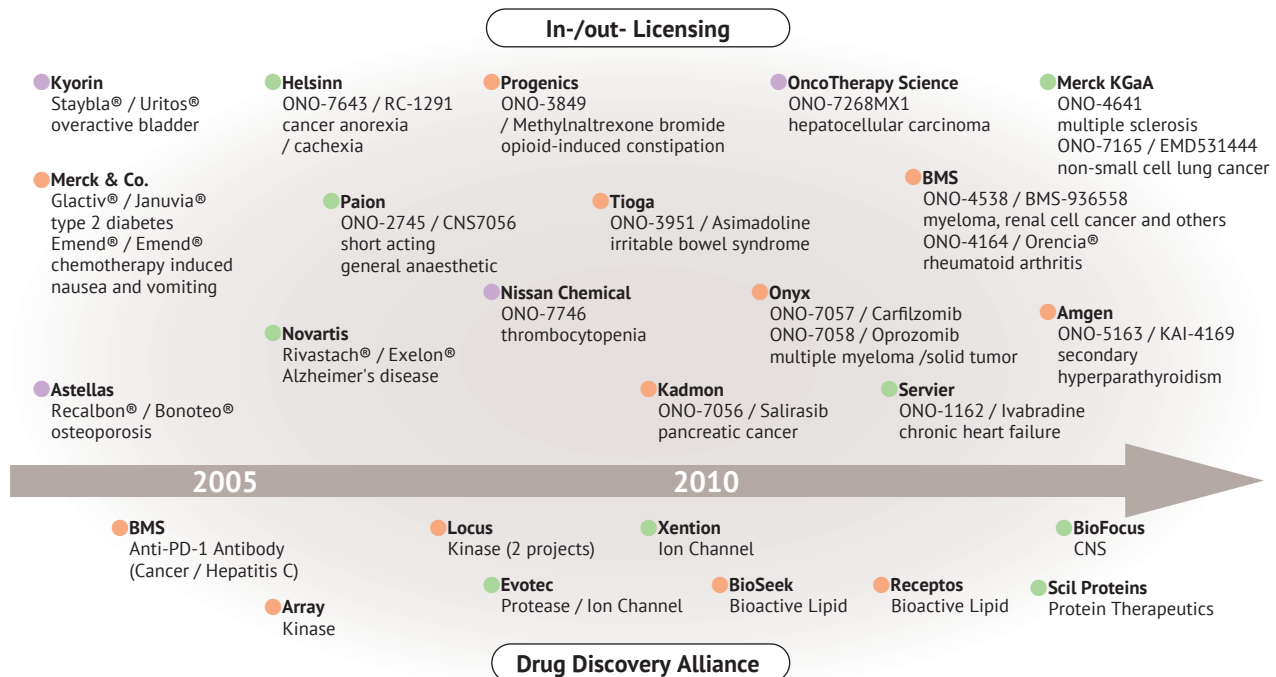
activities, for making speedier and more competitive thrusts in planning and executing global moves. The Global Business Development and Licensing Division located in OPUS, the Business Development and Licensing Division in Japan and the Seoul branch were constructively merged to form the Corporate Development & Strategy Division.

Ono is now poised to undertake even more strategic and powerful activities in the licensing alliances of new compounds in our tireless pursuit of building a bigger and stronger pipeline.

Our partners (as of September 2012)



Major Alliances (as of September 2012)



Research & Development

New Drugs in Development (As of September 2012)

Ono is engaged in the development of globally viable pharmaceutical products for the benefit of patients the world over.

Listed below are key products currently under development.

New Drugs in Development in Japan

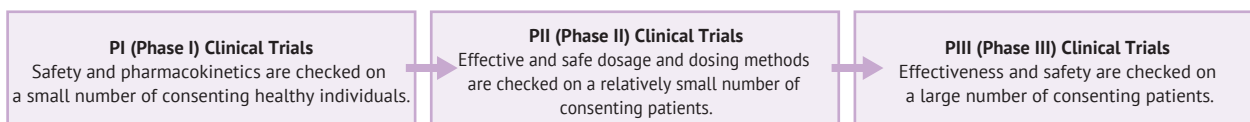
Product (Development Code)	Proposed Indication	Pharmacological Action	Development Stage				Source/Partner
			PI	PII	PIII	Filed	
ORENCIA®SC (ONO-4164SC)/ BMS-188667SC	Rheumatoid arthritis	T-cell activation inhibitor					Co-development with Bristol-Myers Squibb Company
GLACTIV® Tablets (ONO-5435)/ MK-0431	Type II diabetes (co-therapy with rapid- acting insulin secretagogue)	DPP-4 inhibitor					Co-development with Merck & Co., Inc., USA
GLACTIV® and metformin Combination Tablets (ONO-5435A)/ MK-0431A	Type II diabetes	DPP-4 inhibitor and hepatic gluconeogenesis inhibitor, reducing insulin resistance					Co-development with Merck & Co., Inc., USA
PROEMEND® for i.v. infusion (ONO-7847)/MK-0517	Chemotherapy-induced nausea and vomiting	Neurokinin 1 receptor antagonist					In-licensed from Merck & Co., Inc., USA
RIVASTACH® Patch (ONO-2540)/ ENA713D	Alzheimer's disease	Dual inhibitor of AChE and BuChE					Co-development with Novartis International AG
ONOACT® for Injection (ONO-1101)	Tachyarrhythmia in low cardiac function	"β ₁ blocker (short-acting)"					In-house
ONO-7165/ EMD531444	Non-small cell lung cancer	Therapeutic cancer peptide vaccine targeting the tumor antigen MUC-1					Co-development with Merck KGaA, Germany
ONO-4641	Multiple sclerosis	SIP receptor agonist					In-house
ONO-3849/ Methylnaltrexone bromide	Opioid-induced constipation	μ opioid receptor antagonist					In-licensed from Progenics Pharmaceuticals, Inc.
ONO-7643/ RC-1291	Cancer anorexia / cachexia	Ghrelin mimetic					In-licensed from Helsinn Therapeutics, Inc.
ONO-2745/ CNS 7056	Short acting general anaesthetic	GABA _A receptor modulator					In-licensed from PAION AG
OPALMON® Tablets (OP-1206)	Carpal tunnel syndrome	Blood vessel dilation					Co-development with Dainippon Sumitomo Pharma Co., Ltd.
ONO-4538/ BMS-936558	Malignant melanoma	Fully human anti-PD-1 antibody					In-house
ONO-3951/ Asimadoline	Irritable bowel syndrome	kappa opioid receptor agonist					In-licensed from Tioga Pharmaceuticals, Inc.

Product (Development Code)	Proposed Indication	Pharmacological Action	Development Stage				Source/Partner
			PI	PII	PIII	Filed	
ONO-7057/ Carfilzomib	Multiple myeloma	Proteasome inhibitor					In-licensed from Onyx Pharmaceuticals, Inc.
ONO-6950	Bronchial asthma	Leukotriene receptor antagonist					In-house
ONO-7056/ Salirasib	Pancreatic cancer	Ras signal inhibitor					In-licensed from Kadmon Corporation, LLC
ONO-5163/ KAI-4169	Secondary hyperparathyroidism (SHPT)	Calcium sensing receptor agonist					In-licensed from Amgen Inc.
ONO-7268MX1	Hepatocellular carcinoma	Therapeutic cancer peptide vaccine					In-licensed from OncoTherapy Science Inc.

New Drugs in Development Overseas

Product (Development Code)	Proposed Indication	Pharmacological Action	Development Stage				Source/Partner
			PI	PII	PIII	Filed	
ONO-4641	Multiple sclerosis	SIP receptor agonist					Out-licensed to Merck KGaA, Germany
ONO-4538/ BMS-936558	Renal cell cancer	Fully human anti-PD-1 antibody					Out-licensed to Bristol-Myers Squibb Company
ONO-6950	Bronchial asthma	Leukotriene receptor antagonist					In-house
ONO-4538/ BMS-936558	Hepatitis C	Fully human anti-PD-1 antibody					Out-licensed to Bristol-Myers Squibb Company
ONO-7746	Thrombocytopenia	Thrombopoietin receptor agonist					In-licensed from Nissan Chemical Industries, Ltd.
ONO-2952	Irritable bowel syndrome	TSPO (translocator protein) antagonist					In-house
ONO-4053	Allergic rhinitis	Prostaglandin D2 receptor antagonist					In-house
ONO-9054	Glaucoma, ocular hypertension	Prostaglandin receptor (FP/EP3) agonist					In-house
ONO-4059	B-cell lymphoma	Bruton's tyrosine kinase (Btk) inhibitor					In-house
ONO-8539	Gastroesophageal reflux disease	Prostaglandin receptor (EP1) antagonist					In-house

Phases of clinical trials



Key Product Profiles



Glactiv® Tablets for the Treatment of Type II Diabetes

Glactiv®, a dipeptidyl-peptidase (DPP) 4 inhibitor, is a new class of oral drug for type II diabetes. It regulates blood sugar levels in type II diabetes patients with the novel mechanism of action selectively inhibiting DPP-4, an enzyme which metabolites a gastrointestinal hormone, incretins. It thereby enhances the body's own insulin secretion ability in a glucose dependent manner and decreases glucagon release, signaling the liver to reduce its production of glucose.

FY 2011 Sales: 27.9 billion yen



Emend® Capsules / Proemend® Intravenous Injection for the Treatment of Chemotherapy-induced Nausea and Vomiting

Emend® is the first selective neurokinin (NK) 1 receptor antagonist in the world. The drug is effective for chemotherapy-induced nausea and vomiting. In December 2011, the prodrug form of *Emend*® Capsules, *Proemend*® 150mg Intravenous Injection was launched.

FY 2011 Sales: 6.7 billion yen



Staybla® Tablets for the Treatment of Overactive Bladder (OAB)

Staybla® is a new anticholinergic, an antagonist selectively binding to M3 and M1 muscarinic receptors. It is available as standard tablets and as orally disintegrating (OD) tablets. By reducing the excessive contraction of the smooth muscle of the bladder, it is effective in symptoms associated with OAB including frequent urination, urinary incontinence, and urgency of urination.

FY 2011 Sales: 6.1 billion yen



Recalbon® Tablets for the Treatment of Osteoporosis

Recalbon®, a drug for the treatment of osteoporosis, is the first oral bisphosphonate discovered in Japan. It is one of the most potent bisphosphonates, rapidly preventing bone resorption, and is the first bisphosphonate that demonstrated significant effect in bone fracture prevention over placebo in Japanese osteoporosis patients. In September 2011, a Once Per 4 Weeks 50mg formulation was launched in addition to the Once-Daily 1mg formulation.

FY 2011 Sales: 3.5 billion yen



Rivastach® Patch for the Treatment of Alzheimer's Disease

Rivastach® Patch is a transdermal patch for the treatment of Alzheimer's disease. It reduces the progression of deteriorating cognitive functions such as memory loss (forgetfulness) and disorientation (difficulty in recognizing time and place) by inhibiting acetylcholinesterase and thereby increasing the amount of acetylcholine in the brain and enhancing neurotransmission.

FY 2011 Sales: 1.2 billion yen



Opalmon® Tablets for the Treatment of Peripheral Circulatory Disorder

Opalmon® is an orally administered prostaglandin-E1 derivative for the treatment of ischemic symptoms accompanying thromboangiitis obliterans and subjective symptoms and walking disability associated with acquired lumbar spinal canal stenosis. It improves symptoms caused by peripheral circulatory disorder such as numbness, pain or coldness of the hands or feet.

FY 2011 Sales: 39.5 billion yen



Onon® Capsules for the Treatment of Bronchial Asthma and Allergic Rhinitis

Onon® Capsules is a leukotriene receptor antagonist. Leukotriene is closely involved in the basic pathologies of bronchial asthma (airway inflammation, contraction, and hypersensitivity) and of allergic rhinitis. It relieves asthmatic symptoms, namely coughing, wheezing and breathlessness and rhinitis symptoms, namely sneezing, runny or blocked nose.

FY 2011 Sales: 19.1 billion yen



Onon® Dry Syrup for the Treatment of Bronchial Asthma and Allergic Rhinitis

Onon® Dry Syrup is a leukotriene receptor antagonist. Leukotriene is closely involved in the pathology of bronchial asthma (airway inflammation, contraction, and hypersensitivity). It is a dry syrup formulation, suitable for use with children. In December 2011, the additional indication for allergic rhinitis was approved.

FY 2011 Sales: 7.6 billion yen

Key Product Profiles



***Kinedak*[®] Tablets for the Treatment of Diabetic Peripheral Neuropathy**

Kinedak[®] is the first aldose reductase inhibitor marketed in Japan. By blocking aldose reductase which is activated under hyperglycemia, the drug reduces the production of sorbitol, which is involved in the development of neurological disorders associated with diabetes, and thereby alleviates accompanying symptoms such as numbness, pain and cramp in hands and feet and controls progress of the disease.

FY 2011 Sales: 11.2 billion yen



***Foipan*[®] Tablets for the Treatment of Chronic Pancreatitis and Postoperative Reflux Esophagitis**

Foipan[®] Tablets inhibits pancreatic enzymes including trypsin which cause chronic pancreatitis and postoperative reflux esophagitis. It alleviates abdominal pain, nausea, tenderness and back pain due to the inflammation of the pancreas and relieves the symptoms and sensations after gastric operations, such as heartburn, backflow and cold or stinging feeling inside.

FY 2011 Sales: 10.2 billion yen



***Elaspol*[®] for Injection for the Treatment of Acute Lung Injury Associated with Systemic Inflammatory Response Syndrome**

Elaspol[®] is the world's first selective inhibitor of the neutrophil elastase. No medication is yet available for the direct treatment of lung injury. This is a therapeutic drug for acute lung injury associated with systematic inflammatory response syndrome arising from the body's reaction to invasive operation or infection.

FY 2011 Sales: 4.4 billion yen



***Onoact*[®] for Injection for the Treatment of Tachyarrhythmia during and post Operation**

Onoact[®] is a short-acting β_1 blocker that selectively blocks β_1 receptors mainly found in the heart, and thereby slows down the increase of pulse rate that occurs during or after operations.

FY 2011 Sales: 3.3 billion yen

True Value of Drugs Enhanced by Proper Drug Information Supply, Gathering and Feedback

Even if a drug is an excellent product, it is of no value unless it can be used correctly in medical treatment and serves to assist those who are suffering from disease.

Most important of all, drugs could determine life or death. It is of paramount importance that accurate information is supplied appropriately. The Medical Representative (MR) shoulders this all important mission of communicating drug information. The MR visits medical practitioners so that drugs are used correctly, providing and collecting information about the safety and efficacy of drugs, including adverse effects and clinical performance. It is the principal role of the MR to do so and to supply information about the proper use of drugs.

Mobilizing a variety of methods, Ono provides its MR with total support for their activities so that drug information is conveyed speedily and accurately to the point of delivery of medical care.

Company-wide Sharing of Cases Held by Individual MR

The MR not only engages simply in supplying information but also considers it his/her important duty to exchange information with medical practitioners on whether or not Ono's drugs are truly delivering benefit to individual patients through their course of treatment. The information that is gathered at the point of delivery is shared across the company via mobile PC communication. The marketing division uses the information to streamline MR activities; the R&D division uses it to assist in new drug development.



Speedier High-tech Support for MR Information Activities



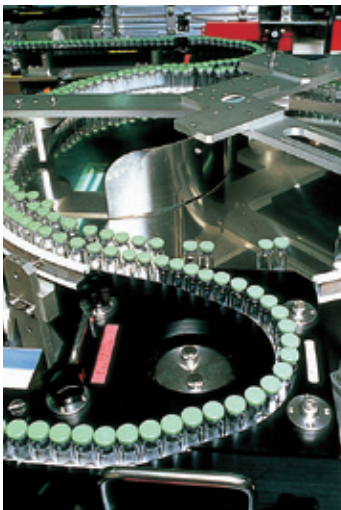
Ono has created an intranet MR support system called KNOWLEDGE NAVI. The site allows MR to access a whole range of information: the Q&A System by Product (comprising consolidated and analyzed data), safety data, promotional materials, information on academic societies, conferences and research papers, and information on sponsored seminars. The system can be accessed by individual MR around the clock using a laptop. Each MR carries a smartphone, which not only ensures timely sharing of information but has an app (Safe Prescription Info Box) that lets you make searches instantly on drug interaction in aid of making drug choice/combination. The system is designed to meet the needs of medical establishments more speedily than ever before.

Symposiums and Workshops Held to Relay Up-to-date Drug Information

Medical technology undergoes daily advance and the same is true of pharmaceutical products. Drugs are being successively developed to help combat diseases that had been extremely difficult to treat. It is one of the missions of drug manufacturers to relay as quickly as possible up-to-date information about such drugs and to provide an opportunity for information exchange. Ono does this by hosting a variety of workshops and lectures for local regions, as well as organizing symposiums and luncheon seminars in conjunction with academic conferences held in Japan.



Manufacturing



Manufacturing High Quality Pharmaceuticals

Drugs are used to protect precious life.

We who are involved in the manufacture of drugs undertake our work with the ever-present awareness and sense of responsibility that we work “for the benefit of patients who are suffering from disease”.

The designed quality must be guaranteed in the manufacture of our products.

To this end, the manufacturing division follows defined protocol with exact precision in the manufacturing process and the testing division conducts analytical testing of the raw materials as well as the finished products.

The quality assurance division checks the operational records of manufacturing and testing records, making certain that only products that meet all the criteria as drugs are shipped out of our factory.

Fujiyama Plant: World Class Software Backed by High Performance Hardware

Fujiyama Plant is Ono's key production center. Together with the Joto Plant, located in Osaka City, it is a GMP compliant manufacturing plant. (GMP is a set of standards relating to the manufacturing control and quality control of pharmaceuticals.) The Fujiyama Plant is situated in Fujinomiya City in Shizuoka Prefecture. Since it was built in 1975, its facilities have been constantly improved and expanded. Today, the plant boasts state-of-the-art computer-controlled manufacturing facilities. In 1999, a large-scale injection manufacturing plant was newly constructed within the grounds of the Fujiyama Plant, equipped with high-performance automation facilities. In 2009, a solid formulation manufacturing plant was added, equipped with state-of-the-art manufacturing facilities.

The injection manufacturing plant was built with advice from American and British consultants. It not only has been awarded GMP status in Japan but also complies with European and American GMP standards. Both in hardware and software terms, it is equipped with world-class cutting-edge facilities. Computers are used for giving all the necessary operational commands in the manufacturing process, checking of such operational maneuvers, and data gathering and recording. Industrial robots are used in all the processes from the receiving of raw materials to the dispatch of finished products.

It is important that injections are bacteria-free. In particular, in

order to ensure that the series of operations from filling to freeze-drying is carried out under sterile conditions, the involvement of operatives are avoided insofar as possible, while an extremely advanced control of air-conditioning is implemented. The work environment and the water used for manufacturing, which are important elements in the manufacture of injections, are monitored and controlled around the clock under full automation. The solid formulation manufacturing plant built in 2009 is a fine example of a plant where high-speed, high-performance machinery has achieved an ideal balance between stable and high quality and productivity with reduced cost.



Corporate Governance

Corporate Value Enhanced by Highly Transparent Management and Strict Upholding of Corporate Ethics

To enhance corporate value, Ono believes that our important management tasks lie not only in achieving strict compliance with laws and regulations, but also in improving transparency in corporate management and in strengthening the functioning of management control. To this end, the organizational framework of Ono's management includes the (Board of) Auditors.

Bolstering corporate governance is a priority, focusing on functional reinforcement of the Board of Directors and the Board of Auditors. The Board of Directors aims to expedite decision-making by boosting corporate dynamic action. For that purpose we endeavor to ensure that the Board is comprised of the appropriate number of directors.

Alongside the Corporate Executive system, the Board of Directors constitutes a system that allows management to respond speedily to changes in the business environment. External directors are not currently on the Board.

Part of the commonly expected roles of external directors is fulfilled by audits by external auditors and comments and advice obtained from legal experts, consultants and other specialists.

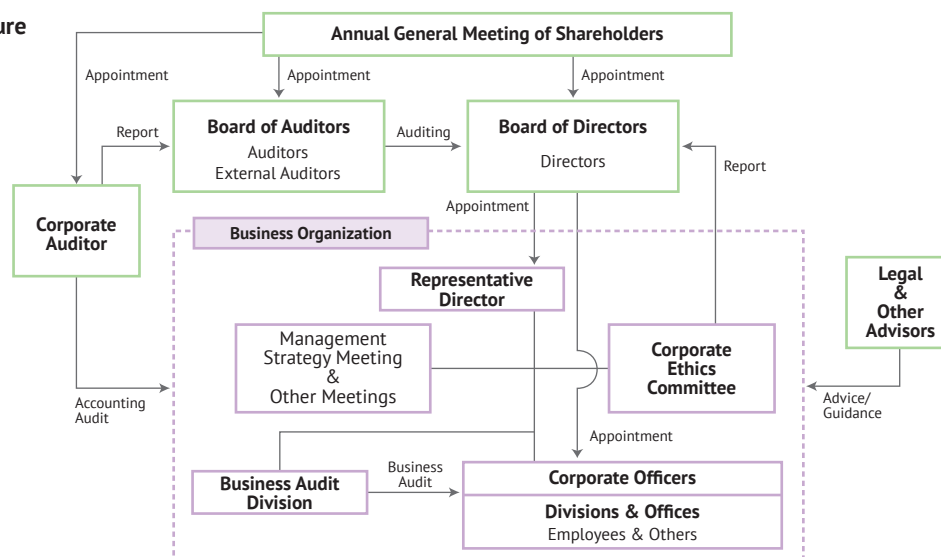
The Board of Auditors fulfils its role through its members attending the Board of Directors meeting and other key meetings, and auditing the execution of duties by directors via reports from directors and discussions thereof. As to external auditors, a lawyer and a certified public accountant are on the Board, providing audit

from objective and expert perspectives. Ever mindful of improving surveillance of corporate management, Ono ensures that audits conducted by auditors are made more efficient through coordination with the in-house audit division and more effective through coordination with accounting auditors.

Important operational management matters are discussed and optimal executive decisions are made in meetings at different levels according to the significance and content of the business agenda. This includes the Management Strategy Meeting attended by the President and Representative Director, members of the Board of Directors and Corporate Executive Officers responsible for each division, and officers responsible for relevant divisions, plus meetings organized by members of the Board and the relevant Corporate Executive Officers. Here again, appropriate operational management should take place, using mutual monitoring serving as an auditing vehicle.

With regard to our system of internal control, the Board of Directors meeting held on May 9, 2006 resolved that "a system for ensuring appropriateness of the company's operations" should be in place. To this end, such a system was created and is constantly under review, so as to strengthen and improve operational compliance as well as overall internal control. Furthermore, we adopt a firm stance against any antisocial force or organization that may threaten social order or security.

Corporate Governance Structure



Environment Management

Protecting the Environment

As awareness of environmental problems grows throughout the world, protection of the environment and limited natural resources has become not only the clear responsibility but also a social mission of every company doing business. As part of our company-wide efforts to make environmental protection a top priority, Ono established an Environmental Management Office in July 1998 and formulated an Environmental Self-regulating Action Plan, which delineates Ono's course of action in environmental protection.

Certification of compliance with ISO 14001 environmental management standards has been obtained for both the Fujiyama Plant (November 2002) and the Joto Plant (February 2004). We remain committed to maintaining our environmental management system and engaging in environmental protection throughout our operations.



Medium- to Long-Term Vision on Environmental Protection

Because we do not conduct any synthesis of pharmaceutical substances at Ono, our discharge volumes of CO₂, wastes and chemical substances have remained lower than the industry average and are within ranges that do not cause concerns to society.

Nevertheless, the Kyoto Protocol adopted by the Third United Nations Framework Convention on Climate Change set the target of reducing the total emission of six greenhouse gases to below 1990 levels, to be achieved during the period between 2008 and 2012. In view of this target, the volumes of CO₂, waste and chemical substances discharged at Ono are all higher than the 1990 levels.

This is attributable to the company's growth resulting in the doubling of sales and tripling of R&D investment compared to those in 1990. Despite our continued efforts to reduce environmental impact, increase of environmental impact associated with company growth has exceeded the volume that has been reduced. We recognize that future reduction of the environmental impact measured by total volume will continue to be an agenda for Ono to tackle.

We will continue our efforts to consider all aspects of environmental action and achieve the new targets for 2020 (see right for target figures).

Environmental Guidelines

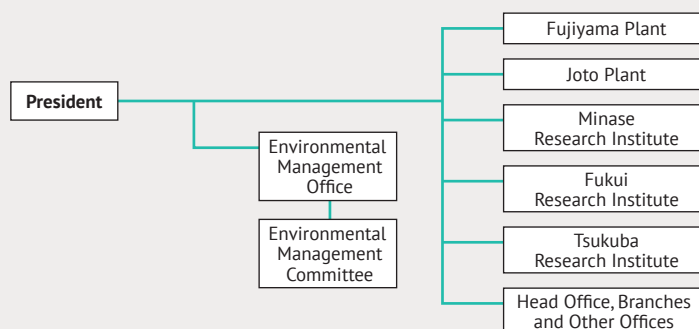
We recognize that our company has a social responsibility regarding the environment, and we will work to protect and preserve the global environment in all of our business operations.

- In addition to fully complying with all environment-related laws and regulations, we will establish targets and action plans in a continuous effort to protect and preserve the environment and natural resources.
- In all of our business operations we will implement environment-focused measures such as saving resource and energy, recycling, reducing waste and preventing pollution.
- We will endeavor to produce eco-friendly products and will cooperate with society.
- With the participation of every employee, we will strive to further understand environmental issues and to promote environment-related activities.

Environmental Management Organization

The Environmental Management Office is responsible for all environment-related issues at Ono. Meanwhile, the Environmental Management Committee consisting of members from sections across the company gages the current situation and promotes environmental management.

In addition, facilities that have greater environmental impact such as a research institute or a manufacturing plant has a subcommittee at each site working on environmental issues.



Environmental Self-regulating Action Plan

In compliance with the Environmental Guidelines, we have set specific action plans and targets in 6 areas and strive to achieve these targets.

Objectives	Targets
Measures to save energy and to counter global warming	The CO ₂ emissions for 2020 shall be 23% less than that of the 2005 level.
Control of chemical substances	Discharge and displacement of first class PRTR chemicals is around 10 tons or less. However, we will not only strengthen compliance with laws and regulations but also tackle as much discharge reduction as possible.
Waste reduction measures	By 2015 final disposal of wastes will be reduced to 40% of the volume disposed in 2010.
Measures against air and water pollution	Emission standards will be thoroughly complied with and our efforts will continue so as to prevent any environmental accident or complaint from local communities.
Environmental accounting	Environmental accounting has been disclosed in accordance with the guidelines of the Ministry of the Environment.
Community relations	In local communities, we participate in cleanup activities. We endeavor to prevent any workplace accidents involving employee injury.

Corporate Social Responsibility

Ono and the Community In Close Communication with the Local Community

Ono takes active part in clean-up campaigns and firefighting activities in an effort to strengthen links and communication with the local community.

Fujiyama Plant

The FY 2011 Environment Target for the Fujiyama Plant was to improve its outdoor environment. In September 2011 and March 2012, employees cleaned areas adjacent to the Fujiyama Plant just outside its perimeter. This is part of the eco-friendly activities conducted for the benefit of the local environment (external communication). These environmental activities continue across the plant in FY 2012.

Joto Plant

The Joto Plant took part in the Osaka Marathon Clean UP Operation organized by the City of Osaka in October 2011. Employees cleaned the outer perimeter areas of the plant and of the local primary school as well as the local park. Keen participation in these community-based activities will continue.

Minase Research Institute

The Minase Research Institute is a member of the Rikyu-no-mizu Protection Society. This is an association that safeguards the pure spring here, which has been listed among the 100 best water springs in Japan. Twice a year, employees take part in major clean-up operations. In addition, to raise fire safety awareness of the local community, employees participate in the Shimamoto-cho Fire Prevention Festival held on November 3. On the second Sunday of January, Ono employees take part as voluntary firemen in fire drills of the Shimamoto-cho Fire Department's New Year event.

Fukui Research Institute

Members of the Fukui Research Institute take part in the Fukui Port Environmental Clean-up Campaign and engage in cleaning activities including gathering litter found outside the perimeter of the Institute. The Institute's firefighting team participates in the annual firefighting skills competition for volunteer firemen as part of activities to raise fire prevention awareness and to improve firefighting skills. As a member of the organizing committee of the Technoport Fukui Summer Festival sponsored by the Technoport Fukui Private Sector Council, the Institute engages in friendly activities with local residents.

Tsukuba Research Institute

The Tsukuba Research Institute aims to keep the local area looking beautiful. Members of the Institute regularly check the area around the premises, gather and dispose of discarded litter.



Ono and Its Employees

A Good Place to Work

Ono's approach to employee relations is to ensure improvement of working conditions such as safety and hygiene and to provide a good welfare and benefits system.

Ono values a society where human rights are fully respected. We believe that no discrimination should be allowed due to race, nationality, ethnicity, sex, age, religion, belief/philosophy, sexual preference, academic background, disability or illness.

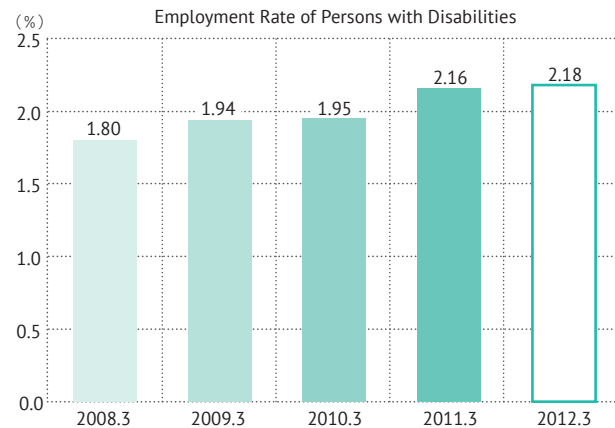
Ono believes that "People make the company." Ono actively supports development of individual abilities and positive action taken without fear of failure, promoting a corporate climate where the company and its members can live in harmony and where individual abilities blossom to their full.

Employment of Persons with Disabilities

Ono respects diversity and aims to create a workplace where everyone can achieve their full potential.

Ono's employment rate of persons with disabilities as of March 31 2012 is 2.18%, which meets the legally designated ratio of 1.80%.

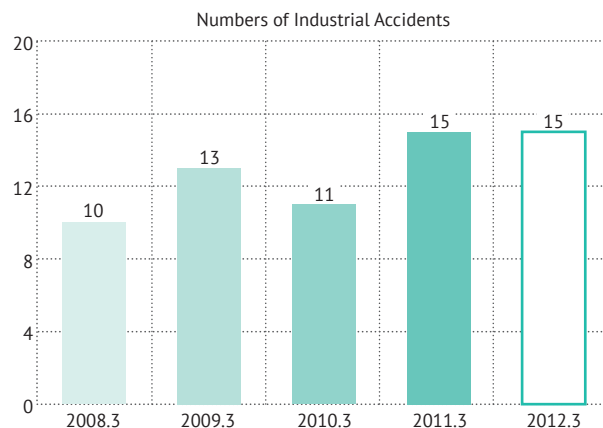
Ono aims to continue in active recruitment.



Industrial Accidents and Workplace Health and Safety Activities

Ono regularly holds health and safety committee meetings particularly in plants and research institutes. The "health and safety patrol" reports on issues and proposes improvements. Ono endeavors to make members fully aware of health and safety procedures and issues arising.

The patrol checks on all establishments in a 12-month period including inspections of: fire and other disaster prevention, fire extinguishing and first aid equipment, safe handling of machinery, implementation of safety procedures, transfer operations, and cleaning and housekeeping.



Financial Section

Financial Review

The following is a summary of the consolidated business results for this fiscal year ended March 31, 2012.

Area of Business

Ono Pharmaceutical Co., Ltd. and its subsidiaries are engaged primarily in the pharmaceuticals business.

(See Notes 2 & 19 of the Notes to Consolidated Financial Statements.)

Results for Fiscal Year Ended March 31, 2012

The Japanese economy during the fiscal year ended March 31, 2012 struggled through uncertain times in the wake of the Great East Japan Earthquake of March 2011 and the subsequent squeeze on power supply, compounded by external factors including the Euro-zone debt crisis, the resultant financial unrest and the record strength of the yen. The Japanese pharmaceutical industry faces an ever declining rate of success in new drug discovery, resulting in increasing R&D costs. The sluggish Japanese economy and the government's financial problems have propelled public policies promoting generics so as to contain drug reimbursement costs. These are very challenging times for pharmaceutical companies that base their business on new drug development.

Against this backdrop, the Ono Pharmaceutical Group attempted to improve operating efficiency throughout, focusing on the development of unique and innovative new drugs and on enhancing product value by strengthening R&D capabilities and by energetically promoting dissemination of scientific information relating to our main strategic products.

A summary of the business results for the consolidated fiscal year ended March 31, 2012 is given below.

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥ 145,779	\$1,777,793
Operating income	37,904	462,244
Net income	24,361	297,085

Sales

Looking at the performance of some key individual products, *Glactiv® Tablets* for the treatment of Type II diabetes and *Emend® Capsules* for the treatment of chemotherapy-induced nausea and vomiting achieved huge growths in sales. New launches for this year were *Rivastach® Patch* for the treatment of Alzheimer's disease in July 2011, and in September 2011, *Recalbon® Tablets* 50mg, the once-per-4-week osteoporosis drug, and *Corebeta® for Injection* for the improvement of image

quality in coronary CT angiography, which were followed in December 2011 by *Proemend® for Intravenous Injection* for the treatment of chemotherapy-induced nausea and vomiting. All these new products contributed to our steady growth in income.

Net Sales totaled ¥145,779 million (US\$1,777,793 thousand), which was an increase of ¥10,524 million (US\$128,341 thousand), up 7.8% over the previous consolidated financial year.

Profit and Loss

Operating income for the year ended March 31, 2012 was ¥37,904 million (US\$462,244 thousand), which was an increase of ¥2,703 million (US\$32,963 thousand), up 7.7% year on year. This was thanks hugely to the rise in income, which more than compensated for the rise in sales-to-cost ratio due to the growth in sales of new products (in-licensed products) and for the rise in selling, general and administrative (SG&A) costs, mainly in marketing and R&D expenditure. Pre-tax net income was ¥40,010 million (US\$487,927 thousand), which was an

increase of ¥3,110 million (US\$37,927 thousand), up 8.4% year on year.

In April 2011, the corporate tax rate in Japan was revised, which led to an increase in tax costs for this financial year. As a result, net income for the fiscal year ended March 31, 2012 was ¥24,361 million (US\$297,085 thousand), which was an increase of ¥139 million (US\$1,695 thousand), up 0.6% year on year. (See Notes 9, 10 & 13 of the Notes to Consolidated Financial Statements.)

Consolidated Cash Flow

In the consolidated financial year ended March 31, 2012, the balance of cash and cash equivalents increased to a total of ¥85,067 million (US\$1,037,402 thousand), which was an increase of ¥2,490 million (US\$30,365 thousand), up 3.0% year on year from the balance of ¥82,577 million (US\$1,007,037 thousand) at the end of March 2011. The main factors were cash flow from financing activities ending in a negative balance of ¥19,073 million (US\$232,598 thousand) due to dividend payouts but cash flow from operating activities ending in a positive cash flow balance of ¥21,635 million (US\$263,841 thousand).

Cash Flow from Operating Activities

Cash flow from operating activities for this fiscal year ended in a positive cash flow balance of ¥21,635 million (US\$263,841 thousand), with a decrease in income compared to the previous year of ¥8,161 million (US\$99,524 thousand). The chief reasons behind this were cash outgoings such as corporate tax obligations of ¥14,103 million (US\$171,988 thousand) and an increase in inventory of ¥5,589 million (US\$68,159 thousand) as well as cash increases on the ledger

such as pre-tax net income of ¥40,010 million (US\$487,927 thousand) and depreciation costs of ¥3,005 million (US\$36,646 thousand).

Cash Flow from Investing Activities

Cash flow from investing activities for this fiscal year ended in a negative balance of ¥133 million (US\$1,622 thousand), with a decrease in income compared to the previous year of ¥11,248 million (US\$137,171 thousand). The acquisition of investment securities and the redemption of marketable securities led to an income balance of ¥2,955 million (US\$36,037 thousand). Meanwhile, expenditures included the acquisition of fixed assets amounting to ¥2,023 million (US\$24,671 thousand) and other expenditures of ¥1,065 million (US\$12,988 thousand).

Cash Flow from Financing Activities

Cash flow from financing activities for this fiscal year ended in a negative balance of ¥19,073 million (US\$232,598 thousand), a decrease in expenditure of ¥11,263 million (US\$137,354 thousand). The principal expenditure was the dividend payout of ¥19,057 million (US\$232,403 thousand).

Investment in Plant and Equipment

Plant and equipment investment during this fiscal year totaled ¥2,456 million (US\$29,951 thousand). This included investment into the enhancement and maintenance of

manufacturing facilities of ¥724 million (US\$8,829 thousand) and investment into the maintenance of research facilities of ¥1,359 million (US\$16,573 thousand).

Consolidated Balance Sheets

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Current assets:			
Cash and cash equivalents (Notes 2.b & 3)	¥ 85,067	¥ 82,577	\$ 1,037,402
Time deposits	1,000	1,000	12,195
Marketable securities (Notes 3 & 4)	39,707	42,392	484,232
Notes and accounts receivable (Note 3):			
Trade	37,853	36,704	461,622
Other	4,507	1,326	54,963
Allowance for doubtful receivables	(6)	(9)	(73)
Inventories (Note 5)	18,638	13,048	227,293
Deferred tax assets (Note 9)	14,809	13,641	180,598
Prepaid expenses and other current assets	661	691	8,061
Total current assets	202,236	191,370	2,466,293
Property, plant and equipment:			
Land	22,550	22,552	275,000
Buildings and structures	66,173	65,246	806,988
Machinery, equipment and others	25,593	25,722	312,110
Construction in progress	262	658	3,195
Total	114,578	114,178	1,397,293
Accumulated depreciation	(66,598)	(65,562)	(812,171)
Net property, plant and equipment	47,980	48,616	585,122
Investments and other assets:			
Investment securities (Notes 3 & 4)	167,758	167,129	2,045,829
Investments in affiliated companies (Note 3)	933	824	11,378
Long-term loans to employees	15	15	183
Intangible assets	995	956	12,134
Deferred tax assets (Note 9)	4,579	5,764	55,841
Prepaid pension costs (Note 7)	5,774	3,790	70,415
Other assets	6,144	5,979	74,927
Total investments and other assets	186,198	184,457	2,270,707
Total	¥ 436,414	¥ 424,443	\$ 5,322,122

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Current liabilities:			
Current portion of long-term debt (Note 6)	¥ 2	¥ 2	\$ 24
Notes and accounts payable (Note 3):			
Trade	5,717	5,270	69,720
Construction	28	36	341
Affiliated companies	22	19	268
Income taxes payable (Notes 3 & 9)	8,876	7,422	108,244
Accrued expenses	14,631	12,409	178,427
Other current liabilities	1,766	1,040	21,537
Total current liabilities	31,042	26,198	378,561
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	11	12	134
Long-term accounts payable	73	84	890
Liability for retirement benefits (Note 7)	1,628	547	19,854
Deferred tax liabilities (Note 9)	2,593	2,933	31,622
Asset retirement obligations	53	52	646
Other non-current liabilities	46	44	561
Total long-term liabilities	4,404	3,672	53,707
Commitments and contingent liabilities (Notes 11, 12 & 15)			
Equity (Notes 8 & 18):			
Common stock, authorized, 300,000,000 shares; issued, 117,847,500 shares in 2012 and 120,847,500 shares in 2011	17,358	17,358	211,683
Capital surplus	17,080	17,080	208,293
Retained earnings	425,787	435,536	5,192,524
Treasury stock-at cost 11,828,952 shares in 2012 and 14,826,407 shares in 2011	(59,204)	(74,219)	(722,000)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,725	4,163	69,817
Land revaluation difference (Note 14)	(8,577)	(8,938)	(104,598)
Foreign currency translation adjustments	(277)	(267)	(3,378)
Total	397,892	390,713	4,852,341
Minority interests	3,076	3,860	37,513
Total equity	400,968	394,573	4,889,854
Total	¥ 436,414	¥ 424,443	\$ 5,322,122

Consolidated Statement of Income

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net sales	¥ 145,779	¥ 135,255	\$ 1,777,793
Cost of sales (Note 10)	28,987	24,759	353,500
Gross profit	116,792	110,496	1,424,293
Selling, general and administrative expenses (Note 10)	78,888	75,295	962,049
Operating income	37,904	35,201	462,244
Other income (expenses)			
Interest and dividend income	2,800	2,947	34,146
Interest expense	(1)	(1)	(12)
Other – net (Note 13)	(693)	(1,247)	(8,451)
Other income – net	2,106	1,699	25,683
Income before income taxes and minority interests	40,010	36,900	487,927
Income taxes (Note 9):			
Current	15,526	12,669	189,341
Deferred	(150)	(249)	(1,829)
Total income taxes	15,376	12,420	187,512
Net income before minority interests	24,634	24,480	300,415
Minority interests in income	(273)	(258)	(3,330)
Net income	¥ 24,361	¥ 24,222	\$ 297,085
Per share of common stock (Notes 2.p & 17):			
	Yen		U.S. Dollars (Note 1)
Basic net income	¥ 229.78	¥ 223.88	\$ 2.80
Cash dividends applicable to the year	180.00	180.00	2.20

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥ 24,634	¥ 24,480	\$ 300,415
Other comprehensive income (Note 16)			
Unrealized gain (loss) on available-for-sale securities	1,578	(5,563)	19,244
Land revaluation difference	361	—	4,402
Foreign currency translation adjustments	(10)	(93)	(122)
Share of other comprehensive income in associates	4	(4)	49
Total other comprehensive income (loss)	1,933	(5,660)	23,573
Comprehensive income	¥ 26,567	¥ 18,820	\$ 323,988
Total comprehensive income attributable to			
Owners of the parent	¥ 26,274	¥ 18,585	\$ 320,415
Minority interests	293	235	3,573

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

	Thousands					Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income			Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2010	108,734	¥ 17,358	¥ 17,080	¥ 430,870	¥ (63,439)	¥ 9,707	¥ (8,923)	¥ (174)	¥ 402,479	¥ 3,630	¥ 406,109
Net income				24,222					24,222		24,222
Cash dividends, ¥ 180 per share				(19,572)					(19,572)		(19,572)
Purchase of treasury stock	(2,713)				(10,780)				(10,780)		(10,780)
Reversal of land revaluation difference				16					16		16
Net change in the year						(5,544)	(15)	(93)	(5,652)	230	(5,422)
BALANCE, MARCH 31, 2011	106,021	17,358	17,080	435,536	(74,219)	4,163	(8,938)	(267)	390,713	3,860	394,573
Net income				24,361					24,361		24,361
Cash dividends, ¥ 180 per share				(19,084)					(19,084)		(19,084)
Purchase of treasury stock	(2)				(11)				(11)		(11)
Retirement of treasury stock				(15,026)	15,026						
Net change in the year						1,562	361	(10)	1,913	(784)	1,129
BALANCE, MARCH 31, 2012	106,019	¥ 17,358	¥ 17,080	¥ 425,787	¥ (59,204)	¥ 5,725	¥ (8,577)	¥ (277)	¥ 397,892	¥ 3,076	¥ 400,968

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated other comprehensive income			Total	Minority Interests	Total Equity	
					Unrealized Gain on Available-for-sale Securities	Land Revaluation Difference	Foreign Currency Translation Adjustments				
BALANCE, MARCH 31, 2011	\$ 211,683	\$ 208,293	\$ 5,311,415	\$ (905,110)	\$ 50,768	\$ (109,000)	\$ (3,256)	\$ 4,764,793	\$ 47,074	\$ 4,811,867	
Net income			297,085					297,085		297,085	
Cash dividends, \$2.20 per share			(232,732)					(232,732)		(232,732)	
Purchase of treasury stock				(134)				(134)		(134)	
Retirement of treasury stock			(183,244)	183,244							
Net change in the year					19,049	4,402	(122)	23,329	(9,561)	13,768	
BALANCE, MARCH 31, 2012	\$ 211,683	\$ 208,293	\$ 5,192,524	\$ (722,000)	\$ 69,817	\$ (104,598)	\$ (3,378)	\$ 4,852,341	\$ 37,513	\$ 4,889,854	

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥ 40,010	¥36,900	\$ 487,927
Adjustments for:			
Income taxes paid	(14,103)	(13,672)	(171,988)
Depreciation and amortization	3,005	3,052	36,646
Decrease in allowance for doubtful receivables	(0)	(4)	(0)
Increase (decrease) in liability for retirement benefits	1,080	(52)	13,171
Increase in prepaid pension costs	(1,983)	(3,790)	(24,183)
Gain on negative goodwill	(273)	–	(3,329)
Loss on sales of investment securities	491	–	5,988
Loss on devaluation of investment securities	226	614	2,756
Changes in assets and liabilities, net of effects			
Decrease in interest and dividends receivable	163	232	1,988
Increase in notes and accounts receivable	(1,147)	(5,082)	(13,988)
Decrease (increase) in inventories	(5,589)	1,580	(68,159)
Increase in notes and accounts payable	450	2,952	5,488
Others – net	(695)	7,066	(8,476)
Net cash provided by operating activities	21,635	29,796	263,841
Investing activities:			
Payments for purchases of marketable securities	(33,002)	(35,548)	(402,463)
Proceeds from sales and redemption of marketable securities	66,370	63,550	809,390
Payments for purchases of property, plant and equipment	(2,023)	(1,294)	(24,671)
Payments for purchases of investment securities	(30,882)	(15,321)	(376,610)
Proceeds from sales and redemption of investment securities	469	14	5,720
Others – net	(1,065)	(286)	(12,988)
Net cash provided by (used in) investment activities	(133)	11,115	(1,622)
Financing activities:			
Repayment of current portion of long-term debt	(2)	(2)	(24)
Payments for purchases of treasury stock	(10)	(10,779)	(122)
Cash dividends	(19,057)	(19,552)	(232,403)
Cash dividends to minority shareholders	(4)	(3)	(49)
Net cash used in financing activities	(19,073)	(30,336)	(232,598)
Foreign currency translation adjustments on cash and cash equivalents	61	(95)	744
Net increase in cash and cash equivalents	2,490	10,480	30,365
Cash and cash equivalents, beginning of year	82,577	72,097	1,007,037
Cash and cash equivalents, end of year	¥ 85,067	¥82,577	\$ 1,037,402

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Ono Pharmaceutical Co., Ltd. and Subsidiaries
Year ended March 31, 2012

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 2011 financial statements to conform to the classifications used in 2012.

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 ¥82 to \$1, the approximate rate of exchange at March 31, 2012. 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, two domestic and two foreign subsidiaries at March 31, 2012 (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.

In the past, the Company's two foreign subsidiaries were consolidated using a fiscal year ending December 31. Any

material effects occurring during the periods from January 1 to March 31 were adjusted in the consolidated financial statements.

From the year ended March 31, 2012, those subsidiaries have changed their fiscal year-end from December 31 to March 31.

As a result, the consolidated financial statements for the period ended March 31, 2012 include the results of those subsidiaries' operations for the 15-month period from January 1, 2011 to March 31, 2012.

The effect of changing their fiscal year-end was not material.

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 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 the lower of cost, determined by the first-in, first-out method, or net selling value.

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 bylaws.

h. Asset Retirement Obligations

In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the 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 the 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

Notes to Consolidated Financial Statements

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.

i. Research and development costs

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

j. 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to continue 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 was disclosed in the notes 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 continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

k. Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at

the year-end to which such bonuses are attributable.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

r. New Accounting Pronouncements

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

Notes to Consolidated Financial Statements

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April

1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

Note 3

Financial Instruments and related disclosures

(1) Group policy for financial instruments

The Group manages its funds through investment in bonds (mainly government bonds). Highly liquid financial instruments are preferred in order to meet short-term capital needs to conduct daily pharmaceutical business activities. Derivatives are used to manage the impact of financial risks of foreign exchange rate fluctuation for payables denominated in foreign currencies including those for foreign clinical trials, but not for speculative dealings.

(2) Financial instruments, its associated risks and the risk management

Receivables such as trade notes and trade accounts are exposed to customer credit risk. In order to reduce such risks, due dates and amounts outstanding are strictly managed for each client in accordance with the Group's standards pertaining to the management of sales and the credit standing of major clients is

being monitored semiannually.

Marketable and investment securities are mainly held-to-maturity securities and equity instruments of business partners of the Group, and are exposed to the risk of market price fluctuations. Fair values of those investments are regularly monitored by the officers. Derivatives are managed according to the Company's regulations. In order to reduce credit risk, the counterparties to these derivatives are limited to major international financial institutions with high credit ratings. Please see Note 12 for more detail about derivatives.

(3) Fair value of financial instruments

Carrying amount, fair value and net unrealized gain/loss of the financial instruments as of March 31, 2012 and 2011 are shown in the table below. Such amounts do not include items for which the fair value is recognized to be infeasible to accurately determine (See (b) below).

March 31, 2012	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	¥ 85,067	¥ 85,067	—
Notes and accounts receivable	42,354	42,354	—
Marketable and investment securities			
Held-to-maturity	117,779	118,657	¥ 878
Available-for-sale	88,679	88,679	—
Notes and accounts payable	5,767	5,767	—
Income taxes payable	8,876	8,876	—
Derivative transactions	—	—	—

March 31, 2011	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	¥ 82,577	¥ 82,577	—
Notes and accounts receivable	38,021	38,021	—
Marketable and investment securities			
Held-to-maturity	121,929	123,042	¥ 1,113
Available-for-sale	86,570	86,570	—
Notes and accounts payable	5,325	5,325	—
Income taxes payable	7,422	7,422	—
Derivative transactions	—	—	—

March 31, 2012	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	\$ 1,037,402	\$ 1,037,402	—
Notes and accounts receivable	516,512	516,512	—
Marketable and investment securities			
Held-to-maturity	1,436,329	1,447,037	\$ 10,708
Available-for-sale	1,081,451	1,081,451	—
Notes and accounts payable	70,329	70,329	—
Income taxes payable	108,244	108,244	—
Derivative transactions	—	—	—

(a) Calculation of the fair value of financial instruments, and matters pertaining to securities and derivative transactions

Cash and cash equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from financial institutions or notice by the Japan Securities Dealers Association for certain

debt instruments. The information of the fair value for marketable and investment securities by classification is included in Note 4.

Notes and accounts receivable, notes and accounts payable and income taxes payable

The carrying values of notes and accounts receivable, notes and accounts payable and income taxes payable approximate fair value because of their short maturities.

Derivatives

The information of the fair value for derivatives is included in Note 12.

Notes to Consolidated Financial Statements

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
March 31, 2012		
Investments in affiliated companies	¥ 933	\$ 11,378
Investments in equity instruments that do not have a quoted market price in an active market	1,007	12,281
March 31, 2011		
Investments in affiliated companies	¥824	
Investments in equity instruments that do not have a quoted market price in an active market	1,022	

The above financial instruments are not included in marketable and investment securities because they have no market price and their fair value cannot be reliably determined.

(4) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2012				
Cash and cash equivalents	¥ 85,067	—	—	—
Notes and accounts receivable	42,354	—	—	—
Marketable and investment securities				
Held-to-maturity	29,960	¥87,610	—	—
Available-for-sale	9,742	3,000	—	—
Total	¥ 167,123	¥ 90,610	—	—

	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
March 31, 2012				
Cash and cash equivalents	\$ 1,037,402	—	—	—
Notes and accounts receivable	516,512	—	—	—
Marketable and investment securities				
Held-to-maturity	365,366	\$1,068,415	—	—
Available-for-sale	118,805	36,585	—	—
Total	\$ 2,038,085	\$ 1,105,000	—	—

Note 4

Marketable and investment securities

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current:			
Government and corporate bonds	¥ 39,707	¥ 42,392	\$ 484,232
Total	¥ 39,707	¥ 42,392	\$ 484,232
Non-current:			
Marketable and other equity securities	¥ 74,565	¥ 70,053	\$ 909,329
Government and corporate bonds	90,810	95,134	1,107,439
Trust fund investments and other	2,383	1,942	29,061
Total	¥ 167,758	¥ 167,129	\$ 2,045,829

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 64,147	¥ 13,214	¥ (3,619)	¥ 73,742
Debt securities	12,766	1	(29)	12,738
Trust fund investments and other	2,080	148	(29)	2,199
Held-to-maturity	117,779	881	(2)	118,658
March 31, 2011				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 61,261	¥ 10,955	¥ (2,986)	¥ 69,230
Debt securities	15,806	0	(209)	15,597
Trust fund investments and other	1,585	177	(19)	1,743
Held-to-maturity	121,929	1,147	(34)	123,042

Notes to Consolidated Financial Statements

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2012				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 782,280	\$ 161,146	\$ (44,133)	\$ 899,293
Debt securities	155,683	12	(354)	155,341
Trust fund investments and other	25,366	1,805	(354)	26,817
Held-to-maturity	1,436,329	10,744	(24)	1,447,049

The information regarding available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2012 and 2011, are disclosed in Note 3.

The information for held-to-maturity securities which were sold during the year ended March 31, 2012 was as follows:

	Millions of Yen		
	Cost	Proceeds	Realized losses
March 31, 2012			
Held-to-maturity			
Debt securities	¥ 206	¥ 171	¥ (35)
Total	¥ 206	¥ 171	¥ (35)

	Thousands of U.S. Dollars		
	Cost	Proceeds	Realized losses
March 31, 2012			
Held-to-maturity			
Debt securities	\$ 2,512	\$ 2,085	\$ (427)
Total	\$ 2,512	\$ 2,085	\$ (427)

The Company sold held-to-maturity securities due to significant deterioration in the issuer's creditworthiness.

The information for available-for-sale securities which were sold during the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		
	Proceeds	Realized gains	Realized losses
March 31, 2012			
Available-for-sale:			
Equity securities	¥288	—	¥ (491)
Total	¥288	—	¥ (491)

March 31, 2011			
Available-for-sale:			
Debt securities	¥ 2,000	¥ 0	—
Total	¥ 2,000	¥ 0	—

March 31, 2012	Thousands of U.S. Dollars		
	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	\$ 3,512	—	\$ (5,988)
Total	\$ 3,512	—	\$ (5,988)

For the year ended March 31, 2012, held-to-maturity securities with a fair value of ¥194 million (\$2,366 thousand) were reclassified as an available-for-sale securities due to significant deterioration in the issuer's creditworthiness. As a result, investment securities and unrealized gain on available-for-sale securities decreased ¥6 million (\$73 thousand) and ¥4 million (\$49 thousand), respectively.

For the years ended March 31, 2012 and 2011, losses on write-downs of securities totaled ¥226 million (\$2,756 thousand) and ¥614 million, respectively (Note 13). In evaluating security values, a security whose value has declined by more than 30% is considered to have experienced "significant deterioration." If a security has a strong chance of regaining its value, the security is not written down.

Note 5

Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 612	¥ 248	\$ 7,464
Finished products	7,601	4,548	92,695
Semi-finished products	4,998	3,064	60,951
Work in process	2,578	1,720	31,439
Raw materials and supplies	2,849	3,468	34,744
Total	¥ 18,638	¥ 13,048	\$ 227,293

Note 6

Long-term debt

Long-term loans payable at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Unsecured loans for employees *	¥ 13	¥ 14	\$ 158
Less current portion	(2)	(2)	(24)
Long-term debt, less current portion	¥ 11	¥ 12	\$ 134

* At March 31, 2012 and 2011: Interest rates ranging from 3.25% to 3.40%, maturing serially to March 2026

Notes to Consolidated Financial Statements

At March 31, 2012, the annual maturities of long-term debt were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 2	\$ 24
2014	1	12
2015	2	24
2016	1	12
2017	2	24
2018 and thereafter	5	62
Total	¥ 13	\$ 158

Note 7

Retirement benefits and pension

The liability for retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 37,057	¥ 39,157	\$ 451,914
Fair value of plan assets (including a pension trust)	(41,103)	(41,909)	(501,256)
Unrecognized actuarial loss	(151)	(584)	(1,841)
Net liability for retirement benefits, employees	(4,197)	(3,336)	(51,183)
Prepaid pension costs	5,774	3,790	70,415
Liability for retirement benefits, officers	51	93	622
Liability for retirement benefits, total	¥ 1,628	¥ 547	\$ 19,854

Net periodic benefit cost for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 1,501	¥ 1,631	\$ 18,305
Interest cost	506	538	6,170
Expected return on plan assets	(526)	(633)	(6,415)
Amortization of prior service cost	(3,697)	—	(45,085)
Recognized actuarial loss (gain)	1,383	(1,221)	16,866
Net periodic benefit cost	(833)	315	(10,159)
Others	247	40	3,013
Total	¥ (586)	¥ 355	\$ (7,146)

The Company revised the retirement benefit plan as of April 1, 2011, in order to stabilize operations. The revision primarily consisted of a change in benefit interest rates, applicable to “Accounting for Transfer between Retirement Benefit Plans (ASBJ Guidance No. 1).” As a result of this revision, the projected benefit obligation

decreased by ¥3,697 million (\$45,085 thousand). As this reduction in projected benefit obligation corresponds to past service costs, the Company treated the entire amount as an offset to retirement benefit expense in the consolidated fiscal year of incurrence.

Actuarial assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Periodic allocation method for projected benefits	Straight line	Straight line
Discount rate	1.4%	1.4%
Expected rate of return on plan assets	1.0% - 1.4%	1.0% - 2.0%
Amortization period of prior service cost	Expensed in the fiscal year incurred	Expensed in the fiscal year incurred
Recognition period of actuarial gain/loss	Expensed in the year of next fiscal year incurred	Expensed in the year of next fiscal year incurred

Note 8

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.

Notes to Consolidated Financial Statements

Note 9

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, 2012 and 2011.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Current assets:			
Prepaid R&D expenditures	¥10,643	¥9,478	\$129,793
Accrued bonuses	1,590	1,646	19,390
Accrued enterprise taxes	786	715	9,585
Depreciation and amortization	536	671	6,537
Others	1,254	1,131	15,293
Non-current assets:			
Provision for retirement benefits	3,218	4,771	39,244
Loss on devaluation of investment securities	3,845	4,434	46,890
Prepaid R&D expenditures	4,332	3,752	52,829
Depreciation and amortization	692	716	8,439
Others	419	437	5,110
Less valuation allowance	(3,853)	(4,405)	(46,988)
Total	23,462	23,346	286,122
Deferred tax liabilities:			
Current liabilities:			
Others	(1)	(0)	(12)
Long-term liabilities:			
Unrealized gain on available-for-sale securities	(3,843)	(3,654)	(46,866)
Revaluation of land	(2,570)	(2,931)	(31,341)
Others	(253)	(289)	(3,086)
Total	(6,667)	(6,874)	(81,305)
Net deferred tax assets	¥ 16,795	¥ 16,472	\$ 204,817

A reconciliation between the statutory tax rate and the effective income tax rates reflected for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Statutory tax rate	40.6%	40.6%
Expenses not permanently deductible for income tax purposes, such as entertainment expenses	5.2	5.6
Income not permanently taxable for income tax purposes, such as dividend income	(0.9)	(0.9)
Tax credit for experiment and research expenses	(10.8)	(11.7)
Change in valuation allowance	(0.0)	0.6
Adjustment on deferred tax assets due to change in income tax rate	5.0	–
Other – net	(0.7)	(0.5)
Effective tax rates	38.4%	33.7%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.6% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. As a result of

this change, deferred tax assets have been decreased by ¥1,474 (\$17,976 thousand) million, deferred tax income has been increased by ¥2,014 (\$24,561 thousand) million, and unrealized gains on available-for-sale securities have been increased by ¥540 million (\$6,585 thousand).

Note 10

R&D expenditures

Research and development expenditures for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Selling, general and administrative expenses	¥ 44,383	¥ 42,938	\$ 541,256
Cost of sales	0	–	0
Total	¥ 44,383	¥ 42,938	\$ 541,256

Notes to Consolidated Financial Statements

Note 11

Leases

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

As discussed in Note 2-j, 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, 2012 and 2011 was as follows:

1. Acquisition cost, accumulated depreciation and net leased property

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
	Machinery, equipment and others	Machinery, equipment and others	Machinery, equipment and others
Acquisition cost	—	¥ 4	—
Accumulated depreciation	—	4	—
Net leased property	—	¥ 0	—

2. Obligations under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	—	¥ 0	—
Due after one year	—	—	—
Total	—	¥ 0	—

3. Actual lease payments and depreciation expense of leased property

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥ 0	¥ 1	\$ 0
Actual lease payments	0	1	0

Depreciation expense for leased properties, which is not reflected in the accompanying consolidated 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, 2012 were as follows:
(lessee)

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Due within one year	¥ 92	\$ 1,122
Due after one year	415	5,061
Total	¥ 507	\$ 6,183

(lessor)

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Due within one year	¥ 2	\$ 24
Due after one year	26	317
Total	¥ 28	\$ 341

Note 12

Derivatives

The Group 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 Group believes there is little credit risk in dealing with them.

The Group utilizes forward foreign exchange contracts within the normal transaction range established for these financial institutions.

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 Group did not have any open derivatives positions as of March 31, 2012 and 2011.

Notes to Consolidated Financial Statements

Note 13

Other income and expenses

'Other – net' of other income (expenses) for the years ended March 31, 2012 and 2011 in the consolidated statements of income consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gain on negative goodwill	¥273	–	\$3,329
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	¥ (28)	–
Loss on devaluation of investment securities	(226)	(614)	(2,756)
Loss on sales of investment securities	(491)	–	(5,988)
Contribution	(643)	(865)	(7,841)
Others, net	394	260	4,805
Total	¥ (693)	¥ (1,247)	\$ (8,451)

Note 14

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, 2012	¥ (3,427)	\$ (41,793)

Note 15

Contingent liabilities

There were no material contingent liabilities at March 31, 2012.

Note 16

Comprehensive income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥1,049	\$12,793
Reclassification adjustments to profit or loss	717	8,744
Amount before income tax effect	1,766	21,537
Income tax effect	(188)	(2,293)
Total	¥1,578	\$19,244
Land revaluation surplus:		
Reclassification adjustments to profit or loss	—	—
Amount before income tax effect	—	—
Income tax effect	¥361	\$4,402
Total	¥361	\$4,402
Foreign currency translation adjustments:		
Adjustments arising during the year	¥(10)	\$(122)
Total	¥(10)	\$(122)
Share of other comprehensive income in associates—		
Gains arising during the year	¥4	\$49
Total	¥4	\$49
Total other comprehensive income	¥1,933	\$23,573

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

Notes to Consolidated Financial Statements

Note 17

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	
For the year ended March 31, 2012:				
Basic EPS				
Net income available to common shareholders	¥ 24,361	106,020	¥ 229.78	\$ 2.80
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	¥ 24,222	108,195	¥ 223.88	

Note 18

Subsequent event

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders meeting held on June 28, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥90 (\$1.10) per share	¥ 9,542	\$ 116,366

Note 19

Segment information

Segment information is omitted as the Group operated solely in the 'pharmaceutical-related business' at March 31, 2012 and 2011.

Note 20

Related party transactions

Related party transactions for the year ended March 31, 2012 were as follows:

A director of the Group and primary institutional shareholders

Type	Name	Address	Common stock	Business or title	Voting interest	Business relationship	Detail of transaction	Transaction amount
Director	Isao Ono	—	—	Director of the Company	Directly 0.2%	Purchase of subsidiary's shares	Purchase of subsidiary's shares	¥17 million (\$207 thousand)
Close relative of the director	Koki Ono	—	—	Close relative of the director of the Company	Directly 0.0%	Purchase of subsidiary's shares	Purchase of subsidiary's shares	¥106 million (\$1,293 thousand)
Close relative of the director	Setsuko Ono	—	—	Close relative of the director of the Company	Directly 0.0%	Purchase of subsidiary's shares	Purchase of subsidiary's shares	¥187 million (\$2,280 thousand)
Company in which close relative of the director own a majority of voting rights	Marukawa Co., Ltd.	Ashiya-city, Hyogo Pref.	¥44 million (\$537 thousand)	Real estate leasing business	Directly 0.2%	Purchase of subsidiary's shares	Purchase of subsidiary's shares	¥182 million (\$2,220 thousand)

* 1. The transaction amounts are exclusive of consumption taxes.

* 2. The purchase price was determined based on the financial position of the subsidiary at the time of the transaction.

* 3. Marukawa Co., Ltd. is a company in which close relative of the director, Isao Ono, owns a majority of voting rights.

There were no material related party transactions for the year ended March 31, 2011.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Ono Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit 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 LLC

June 28, 2012

Corporate Information

Board of Directors and Statutory Auditors (as of June 28, 2012)

Directors

Gyo Sagara

President, Representative Director and Chief Executive Officer

Hiroshi Awata

Member of the Board of Directors, Senior Executive Vice President / Executive Director, Clinical Development

Kei Sano

Member of the Board of Directors, Senior Executive Officer / Executive Director, Corporate Management

Kazuhito Kawabata, Ph.D

Member of the Board of Directors, Executive Officer / Executive Director, Discovery and Research

Shinji Fujiyoshi

Member of the Board of Directors, Executive Officer / Executive Director, Sales and Marketing

Isao Ono

Member of the Board of Directors, Corporate Officer / Director, Environment Management

Fumio Takahashi

Member of the Board of Directors, Corporate Officer / Vice Executive Director, Sales and Marketing

Daikichi Fukushima, Ph.D

Member of the Board of Directors, Corporate Officer / Director, Tsukuba Research Institute and Advanced Medicinal Research

Statutory Auditors

Shigeo Shimada (full time)

Katsuyoshi Nishimura (full time)

Narihito Maishi

Yasuo Araki

Ono Pharmaceutical Co., Ltd. (as of March 31, 2012)

Founded	1717
Date of Incorporation	July 4, 1947
Paid-in Capital	¥17,358 million
Number of Shareholders	14,022
Number of Employees	2,754 (consolidated) 2,492 (unconsolidated)

Head Office

8-2, Kyutaromachi 1-chome, Chuo-ku, Osaka 541-8564,
Japan

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(Registered Office)

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Yokohama, Nagoya, Kyoto, Osaka, Kobe, Takamatsu,
Hiroshima, Fukuoka

Seoul Branch

#1205, Samyoung Building, 70 Sogong-Dong, Chung-Ku,
Seoul,

100-070, Korea

Tel : +82-2-928-8423 Fax : +82-2-925-2151

Research Institutes

Minase Research Institute, Osaka, Japan

Fukui Research Institute, Fukui, Japan

Tsukuba Research Institute, Ibaraki, Japan

Manufacturing Plants

Fujiyama Plant, Shizuoka, Japan

Joto Plant, Osaka, Japan

Subsidiaries & Affiliates

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11th Floor, Marble Arch Tower

55 Bryanston Street, London W1H 7AA, England

Tel : +44-20-7258-5300 Fax : +44-20-7723-5812

Oriental Pharmaceutical & Synthetic Chemical Co., Ltd.

Bee Brand Medico Dental Co., Ltd.

Namicos Corporation

Tokai Capsule Co., Ltd.

<http://www.ono.co.jp>

