

Annual Flash Report (unaudited)

Fiscal Year ended March 31, 2014

MANAGEMENT POLICY

(1) Corporate philosophy and policy

The Ono Pharmaceutical Group is "Dedicated to Man's Fight against Disease and Pain." Under this corporate philosophy, we are committed to fulfilling unmet medical needs and aim to create innovative drugs that deliver true benefit to patients.

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

(2) Challenges for management

To realize sustainable growth as an innovative drug producing company, we have set our unique approach of drug discovery, which is the fundamental of our business and current tasks.

Drug discovery

Our drug discovery approach of innovative drugs has been very unique "compound-oriented" approach focusing on "lipids" and "enzyme inhibitors" but not on certain diseases as our strategic targets, through accumulating libraries of compounds acting on those targets and enabling discovery of innovative drug candidates. Our current drug discovery has been based on further improved "compound-oriented" approach of drug discovery, for example, by introducing cutting-edge technologies to find more druggable candidates faster and more efficiently. And our "open-innovation" of flexible alliances with research institutes and academia with state-of-art knowledge and technology allow more productivity and increase probability of success in drug discovery. To accelerate this effort, we are going to build up a new type of research network of industry-academia collaboration called "orientem innovation" inside and outside Japan under which we furnish our unique and novel compounds to academic institutions with cutting-edge knowledge and technologies so that we can explore pharmaceutical use of the compounds more rapidly than before.

Current challenges

Pharmaceutical industry faces severe environmental changes worldwide where productivity is decreasing and investment is increasing in R&D year by year while healthcare system reforms accelerate suppression of healthcare expenditures. Under such circumstances, our challenges are as follows:

(i) Enrichment of Development Pipeline

For sustainable growth, it is essential to launch new drugs into the market in a constant manner based on high quality of development pipeline. For this, we are in pursuit of continuous launch of new drugs, by accelerating in-house drug discovery of unique and innovative drug candidates with cutting-edge technologies as well as by focusing on in-licensing of drug candidates with strategic potential or high unmet medical needs. Further, we are also committed to earlier confirmation of efficacy and safety of compounds in clinical development to speed up the development of new drugs.

(ii) Acceleration of Overseas Operations

We are pushing forward global delivery of our innovative drugs to patients worldwide. We are aiming at launching our innovative drugs through proactively conducting clinical development overseas as well as out-licensing to foreign business partners. We have initiated building a base to sell by ourselves our specialty products such as anticancer drugs overseas and such attempts have already started in Asia. In the future, we are going to strengthen our overseas infrastructures for such overseas business developments as mentioned above.

(iii) Enhancement of Company Infrastructure

We are in pursuit of development and activation of human resources for our competitiveness on a global basis. We are also seeking alignment to environmental variations and realization of innovation by diversity and alliances in and outside the company. Further, we are going to tackle the enhancement of CSR activities in the light of strengthening corporate governance including establishment of business ethics, promotion of contribution to society, environmental consciousness and respect for human rights.

(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 business performance for each fiscal year.

The year-end dividend for Fiscal 2013 is projected to be JPY 90 per share, achieving the company's annual dividend for Fiscal 2013 of JPY 180 per share including the interim dividend of JPY 90 per share. The annual dividend for the next fiscal term is projected to be JPY 180 per share, which is equivalent to the annual dividend for Fiscal 2013.

*Gyo Sagara
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Director and CEO*