

May 14, 2007

Ono Pharmaceutical Co., Ltd.

President and Representative Director: Toshiharu Korekane

Code No: 4528 at the first section of the Tokyo and Osaka Stock Exchange

INQUIRIES: Kinya Morimoto, Senior Director, Public Relations (Phone: 06 6263 5670)

The Company's Thoughts on the Shareholder Proposal

Ono Pharmaceutical Co., Ltd. made the announcement on April 10, 2007 that it received the "Shareholder Proposal" (the "Proposal") of March 28, 2007 from Brandes Investment Partners, L.P. ("Brandes"), an American investment management company, on April 2. Since the Proposal received from Brandes was made based on the delegation to Brandes by The Northern Trust Company (AVFC) Sub Account American Client, a registered shareholder in the company, it reviewed as to whether Brandes is entitled to exercise the shareholder proposal right. As a result, the company would now like to announce that it formally accepted the Proposal as properly made pursuant to the current Company Law of Japan.

Further, as the result of the careful examination on the agenda items and its reasons provided in the Proposal, the company's Board of Directors has concluded to make an objection to the Proposal, as described in the attached note of "The Company's Thoughts on the Shareholder Proposal".

In response to the Brandes' Proposal, please also refer to "The Company's Midterm Policy on Return to Shareholders".

< The Company's Thoughts on the Shareholder Proposal >

- With respect to the year end dividend of Fiscal 2006 (the 59th Fiscal Term), the company plans to pay JPY 60 in Japanese currency per share that includes JPY 20 per share for the company's 290th anniversary memorial dividend, and adding it on the midterm dividend of JPY 40 per share, the total annual dividend for Fiscal 2006 would come to JPY 100 per share.
- Meanwhile Brandes has demanded that the company pay an additional dividend on top of the company's proposed year end dividend of JPY 60 per share so that the aggregate amount to be paid to the company's shareholders as a dividend be JPY 700 per share because the company's financial assets are excessive.
- The company considers that it is critical to continue development and commercialization of original and innovative new drugs meeting global standards in order to achieve stable growth on long term basis, and that the company would like to maintain robust financial ground and continue to utilize the financial assets aggressively not only for research and development of new drugs in and outside Japan but also for alliances with bioventure companies and acquisitions of in-licensing opportunities to supplement the development risks.
- In line with this basic idea, the company established new section called Strategic Alliance Headquarters in March 2007 to further strengthen discovery research capability and expand the development pipeline by pursuing strategic alliances.

Strategic Alliance HQs is aggressively pursuing discovery alliances and collaborative researches with bioventure companies and research institutions such as universities and strengthens the discovery research base through introduction of new discovery seeds and leading-edge technologies. It is also directing its effort into expanding the development pipeline through acquisition of commercialization rights to compounds not only in late development stage but in early development stage as well including those in preclinical stage and Phase I.

More specifically this newly established section is aiming at 10 new discovery alliances to be acquired from bioventure companies as well as new research collaborations with 20 to 30 universities in and outside Japan during the next 5 years. It also aims at in-licensing 10 new compounds during the same period.

In discovery alliances with bioventure companies, the company will pursue discovery of new compounds with high originality, particularly in the areas where we can fully benefit from the technologies and know-how we have accumulated in the past such as kinase inhibitors, ion channel agonists, lipid receptor agonists and biotechnology based pharmaceuticals. Collaborative researches on kinase inhibitors with Array BioPharma Inc. and Locus Pharmaceuticals, Inc. have already made good progress which is better than expected. The company is also discussing collaborations with two to three bioventure companies in the U.S. and Europe on ion channel agonists at present, targeting conclusion of negotiation by the end of this year. Further the company is investigating a couple of bioventure companies in the U.S. and Europe and considering collaborations with them in the areas of lipid receptor agonists and biotechnology based pharmaceuticals.

The section is also working hard to strengthen the discovery research base through seeking new discovery seeds and promoting research alliances aggressively with research institutions such as universities.

With respect to in-licensing new drug candidates, the company is not defining therapeutic areas of specific interest. The company continues to seek in-licensing opportunities that would provide good existence value in the market and distinctive properties. It takes a close look, from the patient point of view, at disease areas that have not been offered satisfactory treatment with drugs currently available and new drug candidates that could offer differentiation from existing products or compounds in advanced development.

The company would like to add that the cost of compound licensing has been increasing very much in these days and in some cases the total of up-front and milestone payments would cost several tens of billion to a hundred billion in Japanese currency.

- On a mid to long term basis, the company expects to engage in discovery research and development programs twice or three times as many as we have now by adding activities of Strategic Alliance HQs on top of in-house discovery programs.

Research and development expenses are expected to increase drastically along with these activities and the company considers investing in research and development aggressively to the extent acceptable, taking into account priority in development and business performance comprehensively.

- Meanwhile the Brandes' Proposal demands that the company pay an additional dividend on top of the company's proposed year end dividend of JPY 60 per share so that the aggregate amount to be paid to the company's shareholders as a dividend be JPY 700 per share. If the company would respond to the Brandes' demand, vast amount of the financial assets as much as JPY 80 billion would flow outside the organization at once.
- If this would be the case, it would prevent the company from performing strategic investment for business development of the future company. The company's Board of Directors therefore came to the conclusion that it should be against the Brandes' Proposal.

< The Company's Midterm Policy on Return to Shareholders >

- Profit return to all the shareholders is one of the company's key management policies, and it will strive to maintain the stable amount of dividends on a mid to long term basis.

The company sets 100% for total payout ratio as its target on free cash flow basis, aggregating dividends and acquisition of the company's own shares in the next three years. The company's target annual dividend for Fiscal 2007 (the 60th Fiscal Term) is JPY 180 per share (of which JPY 90 per share would be paid as the midterm dividend), anticipating JPY 37 billion of free cash flow).

Please be notified, however, that this midterm plan is subject to approval of the proposal on profit appropriation made by the company's Board of Directors by the 59th Annual Shareholders Meeting to be held on June 28, 2007, and rejection of the Brandes' Proposal by such Meeting.