Consolidated Financial Statements

ONO PHARMACEUTICAL CO., LTD.
and Subsidiaries

Year Ended March 31, 2023

with Independent Auditor's Report

Consolidated Financial Statements

Year Ended March 31, 2023

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ONO PHARMACEUTICAL CO., LTD.:

Opinion

We have audited the consolidated financial statements of ONO PHARMACEUTICAL CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Evaluation of the intangible assets related to Patents and licenses</td></tr>
<tr><td>Key Audit Matter Description</td><td>How the Key Audit Matter Was Addressed in the Audit</td></tr>
<tr><td>As described in Note 14 "Intangible Assets" to the consolidated financial statements, the intangible assets recorded in the consolidated statement of financial position (69,134 million yen) included 61,449 million yen of Patents and licenses (in-process research and development costs acquired separately and sales licenses), which accounted for 7.0% of total assets.

As described in Note 3 "Significant Accounting policies" section (8)③ to the consolidated financial statements, the Group performed impairment tests for in-process research and development costs acquired separately and sales licenses that show indications of impairment as of the fiscal year ended March 31, 2023. As a result, the Group recorded impairment losses of 1,000 million yen which for sales licenses.

The value in use, which was used for the impairment test, was calculated by determining the discounted present value of estimated future cash flows. The estimated future cash flows involve management assumptions, such as forecasted sales quantities and discount rate. These assumptions have a significant effect on the value in use and involve high uncertainties.

Therefore, we identified the evaluation of intangible assets related to Patents and licenses as a key audit matter.</td><td>To address the key audit matter, we performed the following audit procedures, among others:

(1) Evaluation of controls

・We evaluated the design and operating effectiveness of internal controls over the process to calculate the value in use of the intangible assets.

(2) Substantive procedures to test the value in use of intangible assets

・We inquired of management about the reasonableness of the projected sales quantities used to estimate future cash flows. We also read the external surveys that management used to determine the rationale of the assumptions used in the estimates.

・We performed a retrospective comparison between the estimated sales developed in the previous fiscal year and the corresponding actual results to test the sales forecasts used to estimate the future cash flows of the sales licenses, which are included as part of intangible assets related to Patents and licenses.

・We evaluated the reasonableness of the calculation method and the range of the discount rate applied by management.</td></tr>
</table>

Appropriateness of revenue recognition of the royalty and others	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 25 "Revenue" to the consolidated financial statements, the Group recorded royalty and others of 152,141 million yen as revenue. Revenue classified as royalty and others is mainly revenue from the license contract related to rights to develop or sell products (up-front payment, milestone revenue and royalty revenue). As described in Note 3 "Significant Accounting policies" section (12) to the consolidated financial statements, when performance obligations are satisfied at a point in time, up-front payments are recognized as revenue when development rights or selling rights, etc. are granted. Furthermore, milestone revenue is recognized as revenue when milestones specified in the contract are achieved. Since the royalty revenue is calculated based on the revenue, etc., of the other parties in the contract, revenue is recognized in accordance with the occurrence of the sales of the other parties in the contract. Revenue from goods and products within the Group's revenue is recorded mainly through the automated business processes in the sales management system, while royalty and others are calculated and recorded through the unautomated operations and controls. Therefore, we needed to increase our focus on the appropriateness of royalty and others. In addition, royalty and others are important to investors and shareholders in evaluating the Group's performance because of their financial importance. Therefore, we identified the appropriateness of revenue recognition related to royalty and others as a key audit matter.	To address the key audit matter, we performed the following audit procedures, among others: (1) Evaluation of controls ・We evaluated the design and operating effectiveness of internal controls over the process to accurately record the royalty and others. (2) Substantive procedure for the royalty and others ・For the major contracts, we developed the auditor's expectation using the customers' publicly announced revenue figures and contractual royalty rates. We then compared the recorded revenue to the auditor's expectation. ・We performed confirmation procedures for the customers of the annual transaction amounts and the accounts receivable balance at year end related to major royalty revenue.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

August 1, 2023

Consolidated Statement of Financial Position

Year Ended March 31, 2023

		Millions of Yen		*Thousands of U.S. Dollars* (Note 2 (6))
	Notes	**March 31, 2022**	**March 31, 2023**	**March 31, 2023**
Assets				
Current assets:				
Cash and cash equivalents	7, 32	¥ 69,112	¥ 96,135	$ 717,427
Trade and other receivables	8, 32	99,788	114,396	853,700
Marketable securities	9, 32	60	20	149
Other financial assets	10, 32	47,797	68,134	508,463
Inventories	12	41,817	44,814	334,429
Other current assets	11, 19	22,692	21,602	161,210
Total current assets		281,266	345,101	2,575,378
Non-current assets:				
Property, plant, and equipment	13, 20	112,131	108,420	809,104
Intangible assets	14	64,734	69,134	515,924
Investment securities	9, 32	125,046	123,308	920,208
Investments in associates		108	115	860
Other financial assets	10, 32	127,302	197,441	1,473,439
Deferred tax assets	16	25,074	35,604	265,704
Retirement benefit assets	22	377	—	—
Other non-current assets	11	3,165	3,314	24,733
Total non-current assets		457,937	537,336	4,009,971
Total assets		¥ 739,203	¥ 882,437	$ 6,585,348

	Notes	Millions of Yen March 31, 2022	Millions of Yen March 31, 2023	Thousands of U.S. Dollars (Note 2 (6)) March 31, 2023
Liabilities and Equity				
Current liabilities:				
Trade and other payables	17, 32	¥ 49,689	¥ 66,794	$ 498,464
Lease liabilities	20	2,301	2,490	18,580
Other financial liabilities	18, 32	716	661	4,935
Income taxes payable		1,526	34,575	258,022
Other current liabilities	21	11,694	18,409	137,382
Total current liabilities		65,926	122,929	917,384
Non-current liabilities:				
Lease liabilities	20	6,501	6,678	49,838
Other financial liabilities	18, 32	0	0	3
Retirement benefit liabilities	22	3,322	3,350	24,997
Deferred tax liabilities	16	1,009	983	7,332
Other non-current liabilities	21	771	684	5,108
Total non-current liabilities		11,603	11,695	87,277
Total liabilities		77,529	134,625	1,004,660
Equity:				
Share capital	23	17,358	17,358	129,539
Capital reserves	23	17,241	17,080	127,462
Treasury shares	23	(74,683)	(54,161)	(404,187)
Other components of equity	23	51,236	51,701	385,830
Retained earnings	23	644,754	709,890	5,297,688
Equity attributable to owners of the Company		655,906	741,869	5,536,332
Non-controlling interests		5,768	5,944	44,356
Total equity		661,674	747,812	5,580,688
Total liabilities and equity		¥ 739,203	¥ 882,437	$ 6,585,348

Consolidated Statement of Income

Year Ended March 31, 2023

	Notes	*Millions of Yen* For the year ended March 31, 2022	*Millions of Yen* For the year ended March 31, 2023	*Thousands of U.S. Dollars* (Note 2 (6)) For the year ended March 31, 2023
Revenue	6, 25	¥ 361,361	¥ 447,187	$ 3,337,213
Cost of sales		(93,511)	(110,062)	(821,360)
Gross profit		267,850	337,124	2,515,853
Selling, general, and administrative expenses	26	(77,057)	(89,486)	(667,805)
Research and development costs		(75,879)	(95,344)	(711,519)
Other income	28	980	734	5,474
Other expenses	28	(12,698)	(11,065)	(82,576)
Operating profit		103,195	141,963	1,059,427
Finance income	29	2,710	2,478	18,492
Finance costs	29	(874)	(913)	(6,814)
Share of profit (loss) from investments in associates	15	(6)	4	30
Profit before tax		105,025	143,532	1,071,135
Income tax expense	16	(24,340)	(30,619)	(228,503)
Profit for the year		80,684	112,913	842,632
Profit for the year attributable to:				
Owners of the Company		80,519	112,723	841,213
Non-controlling interests		166	190	1,419
Profit for the year		¥ 80,684	¥ 112,913	$ 842,632

Earnings per share:		*Yen*		*U.S. Dollars* (Note 2 (6))
Basic earnings per share	31	¥ 162.19	¥ 230.85	$ 1.72
Diluted earnings per share	31	162.16	230.79	1.72

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2023

	Notes	*Millions of Yen* For the year ended March 31, 2022	*Millions of Yen* For the year ended March 31, 2023	*Thousands of U.S. Dollars* (Note 2 (6)) For the year ended March 31, 2023
Profit for the year		¥ 80,684	¥ 112,913	$ 842,632
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net gain (loss) on financial assets measured at fair value through other comprehensive income	30, 32	(2,094)	2,518	18,790
Remeasurement of defined benefit plans	30	199	(114)	(850)
Share of net gain (loss) on financial assets measured at fair value through other comprehensive income of investments in associates	15, 30	2	2	16
Total of items that will not be reclassified to profit or loss		(1,893)	2,406	17,957
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	30	814	472	3,520
Total of items that may be reclassified subsequently to profit or loss		814	472	3,520
Total other comprehensive income		(1,079)	2,878	21,477
Total comprehensive income for the year		79,606	115,791	864,109
Comprehensive income for the year attributable to:				
Owners of the Company		79,444	115,608	862,749
Non-controlling interests		161	182	1,360
Total comprehensive income for the year		¥ 79,606	¥ 115,791	$ 864,109

Consolidated Statement of Changes in Equity

Year Ended March 31, 2023

		Millions of Yen							
		Equity attributable to owners of the Company							
	Notes	Share capital	Capital reserves	Treasury shares	Other components of equity	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at April 1, 2021		¥ 17,358	¥ 17,231	¥ (44,705)	¥ 62,299	¥ 581,950	¥ 634,133	¥ 5,610	¥ 639,743
Profit for the year						80,519	80,519	166	80,684
Other comprehensive income	30				(1,074)		(1,074)	(4)	(1,079)
Total comprehensive income for the year		—	—	—	(1,074)	80,519	79,444	161	79,606
Purchase of treasury shares	23			(30,009)			(30,009)		(30,009)
Disposal of treasury shares	23		(31)	31			0		0
Cash dividends	24					(27,703)	(27,703)	(4)	(27,707)
Share-based payments	33		41				41		41
Transfer from other components of equity to retained earnings	23				(9,988)	9,988	—		—
Total transactions with the owners		—	10	(29,978)	(9,988)	(17,714)	(57,671)	(4)	(57,675)
Balance at March 31, 2022		¥ 17,358	¥ 17,241	¥ (74,683)	¥ 51,236	¥ 644,754	¥ 655,906	¥ 5,768	¥ 661,674
Profit for the year						112,723	112,723	190	112,913
Other comprehensive income	30				2,886		2,886	(8)	2,878
Total comprehensive income for the year		–	–	–	2,886	112,723	115,608	182	115,791
Purchase of treasury shares	23			(2)			(2)		(2)
Retirement of treasury shares	23		(20,356)	20,356			–		–
Disposal of treasury shares	23		(168)	168			–		–
Cash dividends	24					(29,786)	(29,786)	(6)	(29,792)
Share-based payments	33		142				142		142
Transfer from retained earnings to capital reserves			20,221			(20,221)	–		–
Transfer from other components of equity to retained earnings	23				(2,421)	2,421	–		–
Total transactions with the owners		–	(161)	20,522	(2,421)	(47,586)	(29,646)	(6)	(29,653)
Balance at March 31, 2023		¥ 17,358	¥ 17,080	¥(54,161)	¥ 51,701	¥ 709,890	¥ 741,869	¥ 5,944	¥ 747,812

		Thousands of U.S. Dollars (Note 2 (6))							
		Equity attributable to owners of the Company							
	Notes	Share capital	Capital reserves	Treasury shares	Other components of equity	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance at March 31, 2022		$ 129,539	$ 128,663	$ (557,335)	$ 382,360	$ 4,811,596	$ 4,894,824	$ 43,044	$4,937,868
Profit for the year						841,213	841,213	1,419	842,632
Other comprehensive income	30				21,535		21,535	(59)	21,477
Total comprehensive income for the year		–	–	–	21,535	841,213	862,749	1,360	864,109
Purchase of treasury shares	23			(18)			(18)		(18)
Retirement of treasury shares	23		(151,913)	151,913			–		–
Disposal of treasury shares	23		(1,252)	1,252			–		–
Cash dividends	24					(222,283)	(222,283)	(48)	(222,331)
Share-based payments	33		1,060				1,060		1,060
Transfer from retained earnings to capital reserves			150,903			(150,903)	–		–
Transfer from other components of equity to retained earnings	23				(18,065)	18,065	–		–
Total transactions with the owners		–	(1,202)	153,147	(18,065)	(355,121)	(221,240)	(48)	(221,288)
Balance at March 31, 2023		$ 129,539	$ 127,462	$ (404,187)	$ 385,830	$ 5,297,688	$ 5,536,332	$ 44,356	$ 5,580,688

Consolidated Statement of Cash Flows

Year Ended March 31, 2023

	Notes	*Millions of Yen* For the year ended March 31, 2022	*Millions of Yen* For the year ended March 31, 2023	*Thousands of U.S. Dollars (Note 2 (6))* For the year ended March 31, 2023
Cash flows from operating activities				
Profit before tax		¥105,025	¥143,532	$1,071,135
Depreciation and amortization		17,721	17,451	130,231
Impairment losses		3,404	1,498	11,179
Interest and dividend income		(2,349)	(2,402)	(17,928)
Interest expense		70	74	550
(Increase) decrease in inventories		(2,464)	(2,945)	(21,978)
(Increase) decrease in trade and other receivables		(15,283)	(14,513)	(108,307)
Increase (decrease) in trade and other payables		8,177	13,090	97,684
Increase (decrease) in provisions		(20,721)	—	—
Increase (decrease) in retirement benefit liabilities		54	214	1,597
(Increase) decrease in retirement benefit assets		130	27	198
Increase (decrease) in accrued consumption tax	2	(1,000)	5,564	41,519
Other	2	1,069	2,347	17,513
Subtotal		93,835	163,935	1,223,392
Interest received		40	53	392
Dividends received		2,317	2,334	17,421
Interest paid		(70)	(74)	(550)
Income taxes paid		(34,293)	(6,637)	(49,533)
Net cash provided by (used in) operating activities		61,829	159,610	1,191,122
Cash flows from investing activities				
Purchases of property, plant, and equipment		(5,497)	(5,340)	(39,853)
Proceeds from sales of property, plant, and equipment		14	6	48
Purchases of intangible assets		(6,780)	(9,157)	(68,335)
Purchases of investments		(1,127)	(2,432)	(18,146)
Proceeds from sales and redemption of investments		22,782	7,864	58,687
Payments into time deposits		(57,486)	(138,159)	(1,031,037)
Proceeds from withdrawal of time deposits		55,800	47,996	358,177
Other		(1,667)	(1,037)	(7,741)
Net cash provided by (used in) investing activities		6,038	(100,259)	(748,198)
Cash flows from financing activities				
Dividends paid		(27,666)	(29,742)	(221,958)
Dividends paid to non-controlling interests		(4)	(6)	(48)
Repayments of lease liabilities		(2,560)	(2,733)	(20,397)
Purchases of treasury shares		(30,007)	(1)	(11)
Net cash provided by (used in) financing activities		(60,237)	(32,484)	(242,414)
Net increase (decrease) in cash and cash equivalents		7,631	26,868	200,509
Cash and cash equivalents at the beginning of the year		61,045	69,112	515,764
Effects of exchange rate changes on cash and cash equivalents		436	155	1,153
Cash and cash equivalents at the end of the year	7	¥ 69,112	¥ 96,135	$ 717,427

Notes to Consolidated Financial Statements
Year Ended March 31, 2023

1. Reporting Entity

ONO PHARMACEUTICAL CO., LTD. (the “Company”) is a company incorporated in Japan. The addresses of its registered head office and principal business locations are disclosed on the Company’s website (URL https://www.ono-pharma.com/en).

The consolidated financial statements of the Company comprise the financial statements of the Company and its subsidiaries (collectively, the “Group”) and equity interests in associates of the Group. The Group manufactures and sells medical and general pharmaceutical products, etc. The business descriptions and principal activities of the Group are described in “6. Segment Information.”

2. Basis of Preparation

(1) Statements of Compliance with International Financial Reporting Standards

Pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, the Company qualifies as a “Specified Company of the Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance, and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(2) Basis of Measurement

Except for the financial instruments and others described in “3. Significant Accounting Policies,” the consolidated financial statements are prepared on a historical cost basis.

(3) Functional Currency and Presentation Currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency. All financial information presented in Japanese yen has been rounded to the nearest million yen, except where otherwise indicated.

(4) Changes in Accounting Policies

The Group has applied standards and interpretations that became mandatory beginning with this fiscal year. These applications didn't have a significant impact on the Group's consolidated financial statements for the fiscal year ended March 31, 2023.

(5) Changes in Presentations

(Consolidated Statement of Cash Flows)

"Increase (decrease) in accrued consumption tax" included in "Other" in cash flows from operating activities for the fiscal year ended March 31, 2022 is separately presented from the fiscal year ended March 31, 2023 due to the increased quantitative materiality. In order to conform with the current years presentation, the consolidated financial statements are reclassified for the fiscal year ended March 31, 2022.

As a result, ¥70 million for "Other", which was shown in cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2022, is reclassified into (¥1,000) million in "increase (decrease) in accrued consumption tax" and ¥1,069 million in "Other".

(6) U.S. Dollar Amounts

The accompanying consolidated financial statements are stated in Japanese yen. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan using the rate of ¥134 to $1, the approximate rate of exchange at March 31, 2023. 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. Amounts of less than one thousand U.S. dollars have been rounded to the nearest one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in U.S. dollars do not necessarily agree with the sum of the individual amounts.

3. Significant Accounting Policies

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

(1) Basis of Consolidation

① Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Even if the Group does not have a majority of voting rights, it concludes that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Consolidation of a subsidiary begins on the date the Group obtains control over the subsidiary and continues through the date the Group loses control of the subsidiary. Changes in ownership interest in a subsidiary without a loss of control are accounted for as equity transactions, and a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of the Company.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary’s financial statements, if necessary.

All intercompany receivables, payables, and transactions of the Group and unrealized profit and loss from intercompany transactions are eliminated in preparing the consolidated financial statements.

② Associates

An associate refers to an entity over which the Group does not have control but has significant influence over the financial and operating policies of the entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control over those policies.

Investments in associates are initially recognized at cost and accounted for by the equity method of accounting in the consolidated statement of financial position from the date when the Group obtains significant influence until the date the Group loses its significant influence. In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary.

③ Business Combinations

Business combinations are accounted for using the acquisition method.

The Group measures the consideration for an acquisition as the sum of the consideration transferred in a business combination, the amount of any non-controlling interest and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquisition. The consideration transferred is measured at fair value at the acquisition date. The non-controlling interest is measured at fair value or based on the appropriate share of the acquiree's identifiable net assets.

The Group recognizes goodwill as any excess of the consideration for acquisition over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the net amount of the identifiable assets and liabilities of the acquiree exceeds the consideration for acquisition, the acquirer recognizes the excess amount as profit or loss on the acquisition date.

Acquisition-related costs are recognized in profit or loss as incurred.

(2) Foreign Currencies

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency. Each entity of the Group applies its own functional currency and measures its transactions using its functional currency.

Foreign currency transactions are translated into the functional currency using spot exchange rates or approximate rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using spot exchange rates as of the closing date. Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

Assets and liabilities of foreign operations are translated into the presentation currency using spot exchange rates as of the closing date, while income and expenses are translated into the presentation currency at the average exchange rate for the period. The resulting exchange differences are recognized in other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

(3) Financial Instruments

① Financial Assets

(i) Initial Recognition and Measurement

Trade receivables, etc., are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the contract date when the Group becomes a party to the contractual provisions of the financial instruments. Financial assets are classified as either financial assets measured at fair value or financial assets measured at amortized cost.

All regular-way purchases or sales of financial assets are recognized or derecognized on a settlement date basis. Regular-way purchases or sales refer to purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace.

At initial recognition, all financial assets, except for those measured at fair value through profit or loss (FVPL), are measured at fair value plus transaction costs that are directly attributable to the financial assets. Transaction costs of financial assets measured through profit or loss are recognized in profit or loss.

(ii) Classification and Subsequent Measurement

(a) Financial Assets Measured at Amortized Cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the carrying amounts of the financial assets measured at amortized cost are calculated using the effective interest method. Amortization using the effective interest method and gains or losses arising in the case of derecognition are recognized in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified as debt instruments measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Equity instruments measured at FVOCI

After initial recognition, equity instruments designated to be measured at FVOCI are measured at fair value, and any changes in fair value are included in net gain (loss) on financial assets measured at FVOCI in other components of equity.
When such financial assets are derecognized, the accumulated other comprehensive income is immediately transferred to retained earnings. Meanwhile, dividends from such financial assets are recognized as profit when the shareholder’s right to receive payment is established.

(d) Financial assets measured at FVPL

Financial assets, except for financial assets measured at amortized cost, debt instruments measured at FVOCI, and equity instruments measured at FVOCI stated above, are classified as financial assets measured at FVPL.
After initial recognition, financial assets measured at FVPL are measured at fair value, and any changes in fair value are recognized in profit or loss.

(iii) Derecognition of Financial Assets

The Group derecognizes a financial asset when the contractual right to receive cash flows from the asset expires or is transferred, or when it transfers substantially all the risks and rewards of ownership of the asset.

(iv) Impairment of Financial Assets

At the end of each fiscal year, the Group evaluates whether the credit risk on financial instruments has increased significantly since initial recognition. With respect to impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses on such financial assets. If credit risk on a financial instrument has not increased significantly since initial recognition, the allowance for such financial instrument is measured at an amount equal to the 12-month expected credit losses. If credit risk on a financial instrument has increased significantly since initial recognition, the allowance for such financial instrument is measured at an amount equal to the lifetime expected credit losses. The determination of whether credit risk has significantly increased is based on the changes in default risk. The assessment of whether there is a change in default risk takes into account information that is reasonably available to the Group and supportable as well as past due information. When the credit risk on a financial asset is considered low at the end of the fiscal year, the Group determines that the credit risk on the financial asset has not increased significantly since initial recognition. Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received. However, with regard to trade receivables, etc., the allowance is always measured at an amount equal to the lifetime expected credit losses, regardless of whether or not there has been a significant increase in credit risk since initial recognition. The amount of expected credit losses or reversal is recognized in profit or loss.

② Financial Liabilities

(i) Initial Recognition and Subsequent Measurement

The Group holds financial liabilities that are measured at amortized cost. Financial liabilities measured at amortized cost are initially measured at fair value minus directly attributable transaction costs. After initial recognition, the carrying amounts of financial liabilities measured at amortized cost are calculated using the effective interest method. Gains or losses arising from amortization using the effective interest method and derecognition are recognized as profit or loss in the consolidated statement of income.

(ii) Derecognition of Financial Liabilities

Financial liabilities are derecognized when the Group's contractual obligations are discharged, canceled, or expired.

③ Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

④ Derivatives

The Group enters into forward foreign exchange contracts as derivatives to address the risk of foreign exchange rate fluctuations. Forward foreign exchange contracts are initially measured at fair value when the contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of foreign exchange contracts are recognized as profit or loss in the consolidated statement of income. However, gains and losses on hedging instruments relating to the effective portion of cash flow hedges are recognized as other comprehensive income in the consolidated statement of comprehensive income.

⑤ Hedge Accounting

The Group designates forward foreign exchange contracts that are derivatives in respect of addressing the risk of foreign exchange rate fluctuation as hedging instruments for cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between hedging instruments and hedged items in accordance with the strategy for undertaking hedge transactions. In addition, at the inception of the hedge and during the life of the hedge, the Group documents whether the hedging instruments are highly effective in offsetting changes in cash flows of the underlying hedged items attributable to the hedged risk.

Cash flow hedge accounting is as follows:
The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in other components of equity. The ineffective portion of gains or losses on the hedging instruments is recognized immediately in profit or loss.

Amounts recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. However, in cases where the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.
Hedge accounting is discontinued when a hedging instrument expires, is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity remains in equity and is reclassified to profit or loss when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

⑥ Fair Value of Financial Instruments

The fair values of financial instruments traded on active financial markets as of each reporting date are based on quoted prices in the markets or dealer prices. The fair values of financial instruments for which no active markets exist are calculated by using appropriate valuation techniques.

(4) Cash and Cash Equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits drawable at any time, and short-term investments with maturities of three months or less from the acquisition date, which are readily convertible to cash and are subject to insignificant risk of changes in value.

(5) The Standard for Measurement and the Value of Inventories

Inventory costs include raw materials, direct labor, and other direct costs, as well as relevant overhead expenses.

Inventories are measured at the lower of cost or net realizable value. Cost is mainly determined using the weighted-average method. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(6) Property, Plant, and Equipment (Except for Right-of-Use Assets)

The Group applies the cost model for subsequent measurement of property, plant, and equipment and records them at cost less any accumulated depreciation and accumulated impairment losses.

The cost of property, plant, and equipment comprises costs directly attributable to the acquisition of the assets and initial estimations of asset retirement obligations. Depreciation of property, plant, and equipment commences when the assets are available for use.

Property, plant, and equipment are depreciated by the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

Buildings and structures:	15－50 years
Machinery and vehicles:	4－15 years
Tools, furniture, and fixtures:	2－20 years

The estimated useful lives and depreciation method, etc., are reviewed at the end of each reporting period, and any changes are treated as changes in accounting estimates and applied prospectively.

(7) Impairment of Property, Plant, and Equipment

For property, plant, and equipment, the Group determines whether there is any indication of impairment on each asset at the end of each reporting period. If any indication of impairment exists, the recoverable amount of an asset or a cash-generating unit to which the asset belongs is estimated.

The recoverable amount is computed at the higher of the fair value less costs to sell or value in use of the asset or cash-generating unit. If the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and impairment loss is recognized.

The value in use is computed by discounting the estimated future cash flows to their present value using a pretax discount rate that reflects the time value of money and the risks inherent to the asset, etc. For the calculation of an asset's fair value less costs to sell, an appropriate valuation model is used based on available fair value indices.

An impairment loss recognized in prior years is assessed as to whether there is any indication that the impairment loss for an asset or a cash-generating unit may have decreased or may no longer exist. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount, net of accumulated depreciation that would have been determined if no impairment losses had been recognized in prior years.

(8) Intangible Assets

① Intangible Assets Acquired Separately

The Group applies the cost model for the measurement of intangible assets and states them at cost less any accumulated amortization and accumulated impairment losses. However, intangible assets with indefinite useful lives acquired separately are stated at cost less any accumulated impairment losses.

Amortization for intangible assets commences when the related assets are available for use. Except for intangible assets with indefinite useful lives or that are not yet available for use, each intangible asset is amortized by the straight-line method over its estimated useful life. The estimated useful lives of major intangible asset items are as follows:

Sales licenses: 8－17 years
Software: 3－8 years

The estimated useful lives used in calculating the amortization of sales licenses are determined by considering the effective period of the patents and others.

The estimated useful lives and amortization method are reviewed at the end of each reporting period, and any changes are treated as changes in accounting estimates and applied prospectively.

② Internally Generated Intangible Assets (Research and Development Costs Internally Generated)

Costs arising from development (or from the development phase of an internal project) shall be recognized as an asset if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale
(ii) the intention to complete the intangible asset and use or sell it
(iii) the ability to use or sell the intangible asset
(iv) how the intangible asset will generate probable future economic benefits
(v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset
(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development

Due to the risks and uncertainties related to the approval and development activity of pharmaceutical drugs, the Group determines that the recognition criteria for capitalization as intangible assets are considered not to have been met unless it obtains marketing approval from the relevant regulatory authorities.
Internally generated development expenses arising before marketing approval has been obtained are expensed under “Research and development costs” as incurred.

③ Impairment of Intangible Assets

For intangible assets, the Group determines whether there is any indication of impairment on each asset at the end of each reporting period. If any indication of impairment exists, each asset is tested for impairment. In addition, intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment at a certain time each fiscal year, regardless of whether there is any indication of impairment.

Impairment tests are performed by calculating the recoverable amount of each intangible asset and comparing the recoverable amount with its carrying amount. In cases where a recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell or its value in use. The value in use is computed by discounting the estimated future cash flows to the present value. The value in use is calculated by using management assumptions such as forecasted sales quantities and discount rate.

The discount rate used is a pre-tax rate that reflects the time value of money and the risks inherent to the asset using unadjusted estimates of future cash flows.

(9) Right-of-use Assets

For leases as a lessee, the Group measures right-of-use assets at cost and lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease.

Right-of-use assets are depreciated by using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method. The finance costs are recognized in the consolidated statement of income.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for leases of intangible assets, leases for which the underlying asset is of low value ("low-value leases"), and short-term leases within 12 months. Lease payments associated with low-value leases and short-term leases are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

(10) Employee Benefits

The Group participates in both defined benefit and defined contribution plans as employee retirement benefit plans.

① Defined Benefit Plans

For the Group’s defined benefit plans, the cost of providing retirement benefits is measured by the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements comprising actuarial gains and losses, the effect of any changes in the asset ceiling, and the return on plan assets (excluding net interest) are recognized through other comprehensive income in the period in which they are incurred and immediately reflected in the consolidated statement of financial position. Remeasurements recognized in other comprehensive income are immediately reclassified to retained earnings and will not be reclassified to profit or loss. Past service costs are recognized in profit or loss in the period in which revisions to the plans occurred. Net interest is calculated by applying the discount rate at the beginning of the reporting period to the net defined benefit liability or asset and presented as “finance income” or “finance costs.” Defined benefit expenses are classified into the following components:

・ Service costs (current service costs, past service costs, and others)
・ Net interest expense or income
・ Remeasurements

The retirement benefit assets or liabilities recognized in the consolidated statement of financial position represent the actual surplus or deficit in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of available future economic benefits in the form of refunds from the plan or reductions in future contributions to the plan.

② Defined Contribution Plans

Contributions paid for defined contribution plans are expensed in the period in which the employees provide the related service.

(11) Provisions

The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation, and a reliable estimate can be made.

Where the time value of money is material, a provision is measured at the present value of estimated expenditures required to settle the obligation. The present value is computed using a pretax discount rate that reflects the time value of money and the risks inherent to the liabilities.

(12) Revenue

Revenue, excluding interest and dividend income, etc., is recognized by applying the following five steps:
Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

① Sale of Merchandise

For the sale of merchandise, revenue is recognized at the point when it is delivered since material risks and economic value associated with ownership of the merchandise are transferred to customers at the time of its delivery, and customers acquire control over it, and thereby, the Group's performance obligations are considered to be satisfied.
The revenue arising from sale of merchandise is calculated by deducting the amount of rebates and discounts based on the number and amount of sales from the consideration in the sales contract, and the consideration to be refunded to customers and the amounts to be collected on behalf of third parties are recognized as a refund liability. The most likely amount method based on contractual conditions and past results is used to estimate rebates, etc. Revenue is recognized only to the extent that it is highly probable that there will not be a significant reversal of revenue previously recognized.
Consideration related to sale of merchandise is mainly received within one year from the delivery of merchandise to customers. This does not include significant financing components.

② Royalty Revenue, etc.

Royalty revenue is consideration for license contracts, etc., calculated on the basis of revenue, etc., of the other parties in the contract, and it is recognized as revenue according to the sales of the other parties in the contract.
License revenue is up-front payment and milestone revenue received under license contracts, etc., related to development or rights to develop or sell products, etc., executed between the Group and third parties. For license contracts, etc., performance obligations under the contract are considered to be satisfied at the time of granting development or selling rights, etc., for up-front payment and milestone revenue, and at this point, the up-front payment and milestone revenue are recognized as revenue. When performance obligations are satisfied over a certain period of time, the consideration is recognized as contract liabilities, and up-front payment and milestone revenue are recognized as revenue over a certain period of time, such as the estimated development period according to the method of measuring the degree of progress regarding satisfaction of the performance obligations determined for each individual contract.
Milestone revenue is recognized as revenue, considering the probability that there will be a significant reversal of revenue previously recognized, from the time that milestones specified in the contract are achieved.
Royalty revenue, etc., are mainly received within one year from the vesting under the contract. This does not include significant financing components.

(13) Income Taxes

Income tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is measured at the expected amount of a refund or payment of taxes from/to the taxation authorities. The Group's income taxes are calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax expense is recognized as an expense, except for the taxes attributable to items recognized directly either in other comprehensive income or equity.

Deferred tax expense is calculated based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis as of the closing date. Deferred income tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences and the carryforward of unused tax credits and tax losses can be utilized. Deferred tax liabilities are principally recognized for all taxable temporary differences.

Deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences:

- Deductible temporary differences associated with investments in subsidiaries and associates where it is probable that the temporary differences will not reverse in the foreseeable future or it is not probable that taxable profits will be available against which the temporary differences can be used.

- Taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

- There are temporary differences arising from the initial recognition of assets and liabilities which occur through transactions that affect neither accounting profit nor taxable profit for tax purposes, except for business combinations.

Deferred tax assets and deferred tax liabilities are calculated using tax rates that are estimated for the year in which these assets are realized or these liabilities are settled, based on tax rates that have been enacted or substantively enacted by the closing date.

In addition, the Company and some subsidiaries in Japan have applied the Japanese Group Relief System from the fiscal year ended March 31, 2023.

(14) Treasury Shares

Treasury shares are recognized at cost and deducted from equity. Neither gain nor loss is recognized on the purchase, sale, or retirement of the treasury shares. Any difference between the carrying amount and proceeds on sales is treated as capital reserve.

(15) Earnings per Share

Basic earnings per share are calculated by dividing profit and loss for the year attributable to owners of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares for the period. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

(16) Share-based Payments

1. Share Option Plan

The Company has a Share Option Plan as an incentive plan for its Board of Directors, excluding Outside Directors (hereinafter referred to as the “Eligible Board of Directors”). Share options are recognized as expenses over the vesting period and the corresponding amount is recognized as increases in equity. In addition, the fair value of share options is calculated using the Black-Scholes model at the grant date.
However, following the 74th general shareholder’s meeting held on June 23, 2022, the Share Option Plan has been abolished, and a Restricted Stock-based Remuneration has been introduced.

2. Restricted Stock-based Remuneration

The Company has a Restricted Stock-based Remuneration as an incentive plan for the Eligible Board of Directors and its corporate officers (hereinafter referred to as the "Eligible Board of Directors, etc") in the form of the Tenure-based Restricted Stock-based Remuneration and the Performance-linked Restricted Stock-based Remuneration. Following the introduction of the remuneration system, all unexercised share options granted to the Eligible Board of Directors as remuneration in prior years have been waived, and the restricted shares have been granted as remuneration, etc., for the Eligible Board of Directors in the same number as ordinary shares of the Company that were the object of the share options waived by the Eligible Board of Directors.

1) Tenure-based Restricted Stock-based Remuneration

Remuneration under the Tenure-based Restricted Stock-based Remuneration is measured by reference to the fair value of the ordinary shares of the Company to be granted, and recognized as expenses over the vesting period of the remuneration with an equal amount recognized as increases in equity.

2) Performance-Linked Restricted Stock-based Remuneration

The portion of the Performance-linked Restricted Stock-based Remuneration that is a cash-settled share-based payment transaction is recognized as expenses over the vesting period and the same amount is recognized as increases in liability. The portion of the remuneration that constitutes an equity-settled share-based payment transaction is measured by reference to the fair value of the ordinary share of the Company to be granted, and recognized as expenses over the vesting period with equal amount recognized as increases in equity.

4. Significant Accounting Estimates and Critical Judgment Involving Estimations

The Group's consolidated financial statements include management estimates and assumptions for measurements of income and expense, and assets and liabilities. These estimates and assumptions are based on management's best judgment along with historical experience and other various factors that are believed to be reasonable under the circumstances as of the closing date. However, there is a possibility that these estimates and assumptions may differ from actual results in the future due to their nature.

The estimates and underlying assumptions are continually reevaluated by management. The effects of revisions to the accounting estimates and assumptions are recognized in the period of the revision and future periods.

The information related to the judgments and estimates made in the process of applying accounting policies and accounting estimates and assumptions that have a significant effect on the amounts recognized in the Group's consolidated financial statements is as follows:

(1) Impairment of intangible assets (patents and licences, etc.)
(Note 3(8)③, Note 14)

① Amounts recorded in the consolidated financial statement for the fiscal year ended March 31, 2023 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Intangible assets (patents and licences, etc.)	¥ 56,702	¥ 61,449	$ 458,576

② Information on significant accounting estimates for the identified item:
For intangible assets, the Group determines whether there is any indication of impairment on each asset at the end of each reporting period. If any indication of impairment exists, each asset is tested for impairment. In addition, intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment at a certain time each fiscal year, regardless of whether there is any indication of impairment.
Impairment tests are performed by calculating the recoverable amount of each intangible asset and comparing the recoverable amount with its carrying amount. In cases where a recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.
The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell or its value in use. The value in use is computed by discounting the estimated future cash flows to the present value. The value in use is calculated by using management assumptions such as forecasted sales quantities and discount rate.

The discount rate used is a pretax rate that reflects the time value of money and the risks inherent to the asset using unadjusted estimates of future cash flows.
There is a possibility that future events could change the assumptions used in the impairment test and therefore affect the Group's future financial performance.

(2) Recoverability of deferred tax assets (Note 3(13), 16)

① Amounts recorded in the consolidated financial statement for the fiscal year ended March 31, 2023 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Deferred tax assets	¥ 25,074	¥ 35,604	$ 265,704

② Information on significant accounting estimates for the identified item:
Regarding tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis, the Group recognizes deferred tax assets using the effective statutory tax rate applied to the temporary differences to the extent that the Group expects that taxable profit will be available against which the deferred tax assets can be recovered. The Group determines the possibility of taxable income based on reasonable estimates of the timing and amount of future taxable income that will be generated based on business plans, etc.

(3) Actuarial assumptions of defined benefit obligations (Note 3(10), 22)

① Amounts recorded in the consolidated financial statement for the fiscal year ended March 31, 2023 are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Retirement benefit assets	¥ 377	¥ –	$ –
Retirement benefit liabilities	3,322	3,350	24,997

② Information on significant accounting estimates for the identified item:

The Group has several retirement benefit plans, including defined benefit plans.

The present value of the defined benefit obligation and related service costs are calculated based on actuarial assumptions. Actuarial assumptions involve estimates and judgments about variables such as discount rates and net interest.

The Group has received advice from external pension actuaries with respect to the appropriateness of the actuarial assumptions including these variables. While actuarial assumptions are based on management's best estimates and judgment, they might be affected by the consequences of future uncertain economic conditions. If they need to be revised, the changes could significantly impact the amounts recognized in the consolidated financial statements.

5. Standards and Interpretations Issued but Not Yet Applied

The Group has not elected early application of new or revised standards and interpretations that have been issued before the approval date disclosed in “37. Approval of Consolidated Financial Statements” on March 31, 2023. New or revised standards and interpretations that have been issued before the approval of consolidated financial statements and may affect the Group are as follows：

IFRS		Mandatory application (from the year beginning)	To be applied by the Group	Subject of new standard / amendment
IAS 12	Income Taxes	January 1, 2023	Fiscal year ending March 31, 2024	Amendment of exemption applied to initial recognition for deferred tax related to assets and liabilities

The Group has determined that the application of IAS 12 will not have a material impact on the consolidated financial statements.

6. Segment Information

(1) Reportable Segments

Based on the Group's corporate philosophy, "Dedicated to the Fight against Disease and Pain," in order to fulfill medical needs that have not yet been met, the Group is dedicated to developing innovative new pharmaceutical drugs for patients and focuses its operating resources on a single segment of the pharmaceutical business (research and development, purchasing, manufacturing, and sales). Accordingly, segment information is omitted herein.

(2) Details of Revenue

Details of revenue are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Revenue of goods and products	¥ 245,956	¥ 295,045	$ 2,201,830
Royalty and others	115,405	152,141	1,135,383
Total	¥ 361,361	¥ 447,187	$ 3,337,213

(3) Revenue by Geographic Area

Details of revenue by geographic area are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Japan	¥ 241,971	¥ 288,155	$ 2,150,408
Americas	106,916	142,791	1,065,606
Asia	8,895	11,625	86,753
Europe	3,579	4,616	34,446
Total	¥ 361,361	¥ 447,187	$ 3,337,213

Notes: 1. Revenue by geographic area is presented on the basis of the location of customers.

2. Due to the change in the location of a customer, we revised the classification of revenue by geographic area. Therefore, revenue by geographic area is reclassified for the fiscal year ended March 31, 2022.

(4) Major Customers

Details of revenue from major customers are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Bristol-Myers Squibb Company and the group	¥ 79,490	¥ 100,176	$ 747,585
MEDIPAL HOLDINGS CORPORATION and the group	¥ 57,262	¥ 68,436	$ 510,718
SUZUKEN CO., LTD. and the group	¥ 49,438	¥ 58,693	$ 438,008
Alfresa Holdings Corporation and the group	¥ 37,665	¥ 46,423	$ 346,438
TOHO HOLDINGS CO., LTD. and the group	¥ 36,119	¥ 45,376	$ 338,629
Merck & Co., Inc. and the group	¥ 30,830	¥ 45,176	$ 337,131

7. Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
(Cash and cash equivalents)			
Cash and deposits	¥ 69,112	¥ 96,135	$717,427
Cash and cash equivalents in the consolidated statement of financial position	¥ 69,112	¥ 96,135	$717,427
Cash and cash equivalents in the consolidated statement of cash flows	¥ 69,112	¥ 96,135	$717,427

8. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2022	March 31, 2023	March 31, 2023
Notes receivable	¥ 928	¥ 755	$ 5,638
Trade accounts receivable	92,701	108,364	808,686
Other accounts receivable	6,163	5,281	39,413
Allowance for doubtful accounts	(5)	(5)	(36)
Total	¥ 99,788	¥ 114,396	$ 853,700

Note: Credit risk management is described in "32. Financial Instruments."

9. Marketable Securities and Investment Securities

(1) Details

Details of marketable securities and investment securities are as follows:

	Classification		*Millions of Yen* March 31, 2022	*Millions of Yen* March 31, 2023	*Thousands of U.S. Dollars* March 31, 2023
Marketable securities	Financial assets measured at amortized cost	Bonds	¥ 60	¥ 20	$ 149
	Total		¥ 60	¥ 20	$ 149
Investment securities	Financial assets measured at FVOCI	Stock	¥ 123,465	¥ 119,707	$ 893,338
	Financial assets measured at FVPL	Other	1,561	3,441	25,677
	Financial assets measured at amortized cost	Bonds	20	160	1,193
	Total		¥ 125,046	¥ 123,308	$ 920,208

Note: Stocks under the category of equity instruments are designated as financial assets measured at FVOCI because they are held to strengthen business relationships and for the purpose of increasing medium to long-term corporate value.

(2) Major Holdings of Issues and Fair Value

Major holdings of issues and the fair value of the financial assets measured at FVOCI include the following:

For the fiscal year ended March 31, 2022

Description	*Millions of Yen*
DAIKIN INDUSTRIES, LTD.	¥ 19,060
Nissan Chemical Corporation	9,749
Santen Pharmaceutical Co., Ltd.	9,516
NISSIN FOODS HOLDINGS CO., LTD.	8,433
Astellas Pharma Inc.	6,328
Kikkoman Corporation	5,829
T&D Holdings, Inc.	5,658
Yakult Honsha Co.,Ltd.	5,264
Nippon Shinyaku Co., Ltd.	5,165
SHIMADZU CORPORATION	3,892

For the fiscal year ended March 31, 2023

Description	*Millions of Yen*	*Thousands of U.S. Dollars*
DAIKIN INDUSTRIES, LTD.	¥ 20,119	$ 150,139
NISSIN FOODS HOLDINGS CO., LTD.	11,936	89,074
Nissan Chemical Corporation	8,077	60,275
Yakult Honsha Co.,Ltd.	7,775	58,024
Santen Pharmaceutical Co., Ltd.	7,595	56,682
Astellas Pharma Inc.	6,235	46,533
T&D Holdings, Inc.	5,556	41,466
Kikkoman Corporation	4,833	36,064
Kurita Water Industries Ltd.	4,380	32,688
SHIMADZU CORPORATION	3,805	28,393

(3) Dividends Received

Dividends received from the financial assets measured at FVOCI are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Stock held at year-end	¥ 2,113	¥ 2,243	$16,742
Stock disposed during the year	202	89	667
Total	¥ 2,316	¥ 2,333	$17,409

(4) Financial Assets Measured at FVOCI Disposed During the Year

Fair value at the date of sale of financial assets measured at FVOCI that were disposed during the year and cumulative (pretax) gains or losses are as follows:

	Millions of Yen				*Thousands of U.S. Dollars*	
	For the year ended March 31, 2022		For the year ended March 31, 2023		For the year ended March 31, 2023	
	Fair value at the date of sale	Cumulative gains or losses	Fair value at the date of sale	Cumulative gains or losses	Fair value at the date of sale	Cumulative gains or losses
Stock	¥ 18,416	¥ 14,100	¥ 7,804	¥ 3,628	$ 58,239	$ 27,077

Notes: 1. The Group sold the investments as a result of a reconsideration of its business relationships.

2. Cumulative gains or losses (after tax) that the Group transferred from other components of equity to retained earnings are ¥9,789 million and ¥2,535 million ($18,915 thousand) for the years ended March 31, 2022 and 2023, respectively.

10. Other Financial Assets

Details of other financial assets are as follows:

	Classification	Millions of Yen		Thousands of U.S. Dollars
		March 31, 2022	March 31, 2023	March 31, 2023
(Current assets)				
Time deposits	Financial assets measured at amortized cost	¥ 47,797	¥ 68,134	$ 508,463
	Total	¥ 47,797	¥ 68,134	$ 508,463
(Non-current assets)				
Long-term time deposits	Financial assets measured at amortized cost	¥ 120,000	¥ 190,000	$ 1,417,910
Insurance reserve fund	Financial assets measured at FVPL	7,302	7,441	55,528
	Total	¥ 127,302	¥ 197,441	$ 1,473,439

11. Other Assets

Details of other current assets and other non-current assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2022	March 31, 2023	March 31, 2023
(Other current assets)			
Prepaid expenses	¥ 10,952	¥ 10,465	$ 78,098
Advance payments	2,500	3,276	24,450
Others	9,240	7,861	58,661
Total	¥ 22,692	¥ 21,602	$ 161,210
(Other non-current assets)			
Lease deposits	¥ 831	¥ 820	$ 6,117
Long-term prepaid expenses	413	686	5,123
Others	1,920	1,808	13,493
Total	¥ 3,165	¥ 3,314	$ 24,733

12. Inventories

Details of inventories are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Merchandise and finished goods	¥ 20,088	¥ 22,276	$ 166,241
Work in process	5,385	3,742	27,928
Raw materials and supplies	16,343	18,795	140,260
Total	¥ 41,817	¥ 44,814	$ 334,429

Note: Inventories recognized as expenses for the years ended March 31, 2022 and 2023, amounted to ¥50,762 million and ¥57,015 million ($425,482 thousand), respectively. In addition, the write-downs of inventories recognized as an expense for the years ended March 31, 2022 and 2023, were ¥430 million and ¥588 million ($4,385 thousand), respectively.

13. Property, Plant, and Equipment

(1) Schedule of Movements

The movements in the cost, accumulated depreciation, accumulated impairment losses and carrying amount of property, plant, and equipment are as follows:

Cost

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2021	¥ 31,112	¥ 115,480	¥ 28,703	¥ 28,347	¥ 4,130	¥ 207,772
Acquisition	242	2,977	705	2,162	4,383	10,469
Transfer	—	2,512	1,326	1,012	(4,849)	—
Sale or disposal	(185)	(1,114)	(472)	(2,233)	—	(4,005)
Exchange differences on translation of foreign operations	—	320	—	25	13	358
Other	—	—	—	—	(1,676)	(1,676)
Balance at March 31, 2022	¥ 31,168	¥ 120,175	¥ 30,263	¥ 29,313	¥ 2,001	¥ 212,919
Acquisition	538	4,428	129	2,320	422	7,837
Transfer	—	449	179	206	(833)	—
Sale or disposal	(294)	(1,365)	(296)	(1,495)	—	(3,450)
Exchange differences on translation of foreign operations	—	262	—	18	3	284
Other	(457)	(1,249)	—	(0)	(93)	(1,799)
Balance at March 31, 2023	¥ 30,955	¥122,700	¥ 30,274	¥ 30,361	¥ 1,500	¥215,790

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2022	$ 232,597	$ 896,826	$ 225,840	$ 218,750	$ 14,931	$ 1,588,944
Acquisition	4,018	33,046	961	17,313	3,151	58,488
Transfer	–	3,348	1,332	1,536	(6,216)	–
Sale or disposal	(2,195)	(10,183)	(2,209)	(11,158)	–	(25,745)
Exchange differences on translation of foreign operations	–	1,958	–	137	21	2,116
Other	(3,410)	(9,322)	–	(2)	(693)	(13,428)
Balance at March 31, 2023	$ 231,010	$ 915,672	$ 225,924	$ 226,575	$ 11,194	$ 1,610,376

Accumulated depreciation and accumulated impairment losses

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2021	¥ (519)	¥ (57,651)	¥ (16,752)	¥ (18,983)	¥ –	¥ (93,906)
Depreciation	(285)	(5,877)	(1,555)	(2,188)	–	(9,906)
Impairment losses	(95)	—	(221)	—	–	(316)
Sale or disposal	68	785	440	2,136	–	3,430
Exchange differences on translation of foreign operations	—	(76)	—	(13)	–	(89)
Balance at March 31, 2022	¥ (831)	¥ (62,819)	¥ (18,088)	¥ (19,049)	¥ –	¥ (100,787)
Depreciation	(275)	(5,753)	(1,568)	(2,188)	–	(9,784)
Impairment losses	(35)	(461)	–	(1)	–	(498)
Sale or disposal	111	1,089	251	1,432	–	2,883
Exchange differences on translation of foreign operations	—	(46)	—	(7)	–	(54)
Other	35	834	—	–	–	870
Balance at March 31, 2023	¥ (996)	(67,156)	¥ (19,405)	¥ (19,813)	¥ –	¥ (107,370)

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2022	$ (6,201)	$ (468,800)	$ (134,986)	$ (142,156)	$ –	$ (752,143)
Depreciation	(2,055)	(42,930)	(11,702)	(16,330)	–	(73,017)
Impairment losses	(262)	(3,443)	–	(11)	–	(3,716)
Sale or disposal	827	8,126	1,875	10,690	–	21,516
Exchange differences on translation of foreign operations	–	(347)	–	(54)	–	(401)
Other	262	6,227	–	–	–	6,490
Balance at March 31, 2023	$ (7,430)	$ (501,167)	$ (144,814)	$ (147,861)	$ –	$ (801,271)

Carrying amount

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2021	¥ 30,593	¥ 57,829	¥ 11,951	¥ 9,364	¥ 4,130	¥ 113,866
Balance at March 31, 2022	30,337	57,355	12,174	10,264	2,001	112,131
Balance at March 31, 2023	29,960	55,544	10,869	10,548	1,500	108,420

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2023	$ 223,580	$ 414,506	$ 81,110	$ 78,715	$ 11,194	$ 809,105

Notes: 1. Depreciation of property, plant, and equipment is included in "Cost of sales", "Selling, general, and administrative expenses", and "Research and development costs" in the consolidated statement of income.

2. The amounts of right-of-use assets are included in each item of property, plant, and equipment. The carrying amount of each right-of-use asset is described in "20. Leases."

3. Commitments related to property, plant, and equipment purchases are described in "36. Commitments for Expenditure."

(2) Impairment Losses

Property, plant, and equipment are grouped into the smallest cash-generating unit(s) generating largely independent cash inflows.

The Group recognized impairment losses for property, plant, and equipment of ¥316 million and ¥498 million ($3,716 thousand) for the years ended March 31, 2022 and 2023, respectively, which are included in "Other expenses" in the consolidated statement of income.

Impairment losses recognized for the years ended March 31, 2022 and 2023, represent reductions in the carrying amounts of assets to be disposed of and idle assets not expected to be used in the future to their recoverable amounts. The recoverable amounts were measured at fair value less costs to sell. The recoverable amounts of assets to be disposed of were considered to be zero.

14. Intangible Assets

(1) Schedule of Movements

The movements in the cost, accumulated amortization, and accumulated impairment losses and carrying amount of intangible assets are as follows:

Cost

	Millions of Yen			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2021	¥ 82,208	¥ 13,814	¥ 1,668	¥ 97,690
Acquisition	5,110	1,044	1,453	7,607
Transfer	—	1,563	(1,563)	—
Disposal	—	(1,319)	(11)	(1,330)
Exchange differences on translation of foreign operations	—	6	—	6
Other	—	—	(178)	(178)
Balance at March 31, 2022	¥ 87,319	¥ 15,107	¥ 1,370	¥ 103,796
Acquisition	11,902	785	940	13,626
Transfer	—	933	(933)	—
Disposal	—	(1,375)	(6)	(1,381)
Exchange differences on translation of foreign operations	—	4	—	4
Other	—	—	(280)	(280)
Balance at March 31, 2023	¥ 99,220	¥ 15,454	¥ 1,090	¥ 115,765

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2022	$ 651,632	$ 112,737	$ 10,224	$ 774,594
Acquisition	88,819	5,859	7,012	101,689
Transfer	–	6,962	(6,962)	–
Disposal	–	(10,260)	(48)	(10,308)
Exchange differences on translation of foreign operations	–	29	–	29
Other	–	–	(2,089)	(2,089)
Balance at March 31, 2023	$ 740,451	$ 115,326	$ 8,138	$ 863,915

Accumulated amortization and accumulated impairment losses

	Millions of Yen			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2021	¥ (21,609)	¥ (7,403)	¥ (393)	¥ (29,405)
Amortization	(5,919)	(1,896)	(1)	(7,816)
Disposal	—	1,251	—	1,251
Impairment losses	(3,088)	—	—	(3,088)
Exchange differences on translation of foreign operations	—	(3)	—	(3)
Other	—	—	—	—
Balance at March 31, 2022	¥ (30,617)	¥ (8,051)	¥ (394)	¥ (39,062)
Amortization	(6,155)	(1,510)	(1)	(7,667)
Disposal	—	1,100	—	1,100
Impairment losses	(1,000)	—	—	(1,000)
Exchange differences on translation of foreign operations	—	(2)	—	(2)
Other	—	–	—	—
Balance at March 31, 2023	¥ (37,771)	¥(8,464)	¥ (396)	¥ (46,631)

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2022	$ (228,482)	$ (60,081)	$ (2,943)	$ (291,506)
Amortization	(45,931)	(11,272)	(11)	(57,213)
Disposal	–	8,206	–	8,206
Impairment losses	(7,463)	–	–	(7,463)
Exchange differences on translation of foreign operations	–	(15)	–	(15)
Other	–	–	–	–
Balance at March 31, 2023	$ (281,875)	$ (63,161)	$ (2,954)	$ (347,991)

Carrying amount

	Millions of Yen			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2021	¥ 60,599	¥ 6,411	¥ 1,275	¥ 68,285
Balance at March 31, 2022	¥ 56,702	¥ 7,056	¥ 976	¥ 64,734
Balance at March 31, 2023	¥ 61,449	¥ 6,990	¥ 695	¥ 69,134

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2023	$ 458,576	$ 52,165	$ 5,183	$ 515,924

Notes: 1. Amortization of intangible assets is included in “Cost of sales”, “Selling, general, and administrative expenses”, and “Research and development costs” in the consolidated statement of income.

2. Among the intangible assets above, intangible assets that are still not available for use amounted to ¥10,958 million and ¥17,191 million ($128,292 thousand) as of March 31, 2022 and 2023, respectively. These mainly consist of separately acquired in-process research and development costs recorded in “Patents and licenses,” which are still in research and development phases, and accordingly, they are not in a condition for available for use until the phase where marketing approvals have been obtained from the related authorities and they are finally made into products.

3. Commitments related to intangible asset purchases are described in “36. Commitments for Expenditure.

(2) Individually Significant Intangible Assets

① Details and Carrying Amounts

Details of significant intangible assets and their carrying amounts are as follows:

		Millions of Yen		*Thousands of U.S. Dollars*
Item	Details	March 31, 2022	March 31, 2023	March 31, 2023
Patents and licenses	In-process research and development costs acquired separately	¥ 10,367	¥ 16,876	$ 125,939
	Sales licenses	46,335	44,573	332,637
	Total	¥ 56,702	¥ 61,449	$ 458,576

Note: Major items of in-process research and development costs acquired separately and sales licenses consisting of lump-sum payments for introductions and milestone payments to licensors are as follows:

	March 31, 2022	March 31, 2023
In-process research and development costs acquired separately	ONO-7912 (CPI-613)/Devimistat	ONO-7912 (CPI-613)/Devimistat
	ONO-7913/Magrolimab	ONO-7913/Magrolimab
	ONO-2017/Cenobamate	ONO-2017/Cenobamate
	RBN-2397	RBN-2397
		itolizumab
		ONO-7018
Sales licenses	FORXIGA	FORXIGA
	KYPROLIS	KYPROLIS
	PARSABIV	PARSABIV
	BRAFTOVI, MEKTOVI	BRAFTOVI, MEKTOVI
	CORALAN	CORALAN
	ONGENTYS	ONGENTYS
	ADLUMIZ	ADLUMIZ
	JOYCLU	JOYCLU

② Remaining Amortization Period

The average remaining amortization periods of significant intangible assets are as follows:

Item	Details	March 31, 2022	March 31, 2023
Patents and licenses	Sales licenses (years)	8.0	7.2

(3) Impairment Losses

For intangible assets, the Group determines whether there is any indication of impairment on each asset at the end of each reporting period. If any indication of impairment exists, each asset is tested for impairment. In addition, intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment at a certain time each fiscal year, regardless of whether there is any indication of impairment.

Impairment tests are performed by calculating the recoverable amount of each intangible asset and comparing the recoverable amount with its carrying amount. In cases where a recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell or its value in use. The value in use is computed by discounting the estimated future cash flows to the present value. The value in use is calculated by using management assumptions such as forecasted sales quantities and discount rate.

The discount rate used is a pretax rate that reflects the time value of money and the risks inherent to the asset using unadjusted estimates of future cash flows.

The Group's discount rate used in calculating the value in use is calculated based on the weighted-average cost of capital, and the pre-tax discount rate is from 7.7% to 10.3% for the year ended March 31, 2022 and from 7.2% to 12.2% for the year ended March 31, 2023, respectively.

As a result of impairment testing, the Group recognized impairment losses of ¥3,088 million for in-process research and development costs for the fiscal year ended March 31, 2022 and ¥1,000 million ($7,463 thousand) for sales licenses for the fiscal year ended March 31, 2023, respectively. Impairment losses on sales licenses present reductions in the carrying amounts to the recoverable amounts due to decreased profitability, and the recoverable amounts are calculated based on value in use of the licenses. Impairment losses on in-process research and development costs are recognized due to the discontinuation of new drug development. Impairment losses on sales licenses are included in "Cost of sales" in the consolidated statement of income and impairment losses on in-process research and development costs are included in "Research and development costs", respectively.

15. Investments in Associates

Aggregate financial information of equity-method investees is summarized as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Profit (loss) from continuing operations attributable to the Group	¥ (6)	¥ 4	$ 30
Other comprehensive income attributable to the Group	2	2	16
Total comprehensive income attributable to the Group	¥ (4)	¥ 6	$ 46

Note: There are no quoted stock prices available for associates.

16. Income Taxes

(1) Deferred Income Taxes

Amounts of deferred tax assets and deferred tax liabilities at each consolidated fiscal year end are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2022	March 31, 2023	March 31, 2023
Deferred tax assets	¥ 25,074	¥ 35,604	$ 265,704
Deferred tax liabilities	1,009	983	7,332
Net	¥ 24,064	¥ 34,622	$ 258,371

Details and movements of deferred tax assets and deferred tax liabilities by major sources are as follows:

For the year ended March 31, 2022

	Millions of Yen			
	Balance at April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2022
Deferred tax assets				
Accrued bonuses	¥ 1,768	¥ 18	¥ —	¥ 1,785
Accrued enterprise tax	1,337	(1,081)	—	256
Expenses for research and development commissions and others	45,068	(10,348)	—	34,720
Investment securities	23	(23)	—	—
Property, plant, and equipment	2,226	32	—	2,258
Intangible assets	506	(182)	—	324
Retirement benefit liabilities	2,884	75	(88)	2,871
Other accounts payable	2,319	1,152	—	3,471
Provision for patent royalties	6,341	(6,341)	—	—
Others	6,523	1,017	—	7,540
Total	¥ 68,996	¥(15,682)	¥ (88)	¥ 53,226
Deferred tax liabilities				
Property, plant, and equipment	¥ (4,372)	¥ 124	¥ —	¥ (4,248)
Intangible assets	(2,580)	1,228	—	(1,352)
Investment securities	(28,854)	30	5,262	(23,561)
Others	—	—	—	—
Total	¥ (35,806)	¥ 1,382	¥ 5,262	¥ (29,161)
Net	¥ 33,190	¥ (14,300)	¥ 5,174	¥ 24,064

For the year ended March 31, 2023

	Millions of Yen			
	Balance at April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2023
Deferred tax assets				
Accrued bonuses	¥ 1,785	¥ 46	¥ –	¥ 1,832
Accrued enterprise tax	256	1,912	–	2,168
Expenses for research and development commissions and others	34,720	2,210	–	36,930
Investment securities	–	33	9	41
Property, plant, and equipment	2,258	13	–	2,271
Intangible assets	324	383	–	707
Retirement benefit liabilities	2,871	71	50	2,992
Other accounts payable	3,471	2,887	–	6,359
Others	7,540	2,190	–	9,731
Total	¥ 53,226	¥ 9,745	¥ 59	¥ 63,030
Deferred tax liabilities				
Property, plant, and equipment	¥ (4,248)	¥ 77	¥ –	¥ (4,171)
Intangible assets	(1,352)	613	–	(739)
Investment securities	(23,561)	(25)	88	(23,498)
Others	–	(1)	–	(1)
Total	¥ (29,161)	¥ 665	¥ 88	¥ (28,408)
Net	¥ 24,064	¥ 10,410	¥ 147	¥ 34,622

	Thousands of U.S. Dollars			
	Balance at April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2023
Deferred tax assets				
Accrued bonuses	$ 13,323	$ 345	$ –	$ 13,669
Accrued enterprise tax	1,910	14,272	–	16,182
Expenses for research and development commissions and others	259,106	16,491	–	275,597
Investment securities	–	243	65	308
Property, plant, and equipment	16,849	100	–	16,949
Intangible assets	2,419	2,856	–	5,275
Retirement benefit liabilities	21,424	526	375	22,326
Other accounts payable	25,906	21,547	–	47,452
Others	56,269	16,346	–	72,616
Total	$ 397,208	$ 72,726	$ 440	$ 470,374
Deferred tax liabilities				
Property, plant, and equipment	$ (31,700)	$ 575	$ –	$ (31,125)
Intangible assets	(10,093)	4,578	–	(5,515)
Investment securities	(175,829)	(184)	656	(175,358)
Others	–	(5)	–	(5)
Total	$ (217,622)	$ 4,964	$ 656	$ (212,002)
Net	$ 179,585	$ 77,690	$ 1,096	$ 258,371

Notes: 1. The differences between deferred tax expense and the amount recognized in profit or loss are exchange differences on translation of foreign operations and others.

2. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2022 and 2023 in Japan is 30.6%.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥5,436 million and ¥7,580 million ($56,568 thousand) as of March 31, 2022 and 2023, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not reverse in the foreseeable future.

(2) Income Tax Expense

Details of income tax expense are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Current tax expense	¥ 10,018	¥ 41,020	$ 306,121
Deferred tax expense	14,323	(10,401)	(77,618)
Total	¥ 24,340	¥ 30,619	$ 228,503

Note: The Group is subject to corporate tax, inhabitant tax, and enterprise tax in Japan, which in the aggregate resulted in an applicable tax rate for current tax expense of 30.6% for the years ended March 31, 2022 and 2023. Overseas subsidiaries use the income tax rates of the countries in which they are located.

(3) Reconciliation of Applicable Tax Rates and Average Actual Tax Rates

Details of the differences between the applicable tax rates and average actual tax rates are as follows:

	For the year ended March 31, 2022	For the year ended March 31, 2023
Applicable tax rates	30.6%	30.6%
Permanent non-deductible items	0.2	0.4
Non-taxable dividends	(0.1)	(0.1)
Tax credit for research and development, etc.	(7.7)	(10.2)
Others	0.2	0.6
Average actual tax rates	23.2%	21.3%

Note: The applicable tax rates used to reconcile the applicable tax rates and average actual tax rates are the Company's effective statutory tax rates.

17. Trade and Other Payables

Details of trade and other payables are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Notes payable	¥ 436	¥ 461	$ 3,437
Trade accounts payable	8,555	7,572	56,507
Other accounts payable	37,436	54,573	407,262
Refund liabilities	3,262	4,188	31,257
Total	¥ 49,689	¥ 66,794	$ 498,464

18. Other Financial Liabilities

Details of other financial liabilities are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Current liabilities			
Dividends payable	¥ 112	¥ 134	$ 997
Deposits received	320	362	2,699
Other	283	166	1,239
Total	¥ 716	¥ 661	$ 4,935
Non-current liabilities			
Other	¥ 0	¥ 0	$ 3
Total	¥ 0	¥ 0	$ 3

19. Assets Pledged as Collateral

Assets pledged as collateral are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Other current assets	¥ 6,500	¥ 6,500	$ 48,507

Note: These were pledged as collateral for the deferred payment arrangements of customs duties and consumption taxes related to import transactions based on the Customs Act of Japan and the Consumption Tax Act of Japan.

20. Leases

(1) Right-of-use assets

Right-of-use assets are included in "Property, plant, and equipment" in the consolidated statement of financial position.

The main areas of leases that the Group has entered into are for offices, parking lots, and cars. Certain lease contracts include renewal options. The lease contracts do not include purchase options, variable lease payments, or escalation clauses. There are no restrictions, such as additional borrowings and additional lease contracts, in the contracts.

Information on leases that the Group has entered into as a lessee is as follows:

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Total
Balance at April 1, 2021	¥ 1,663	¥ 5,965	¥ 1,110	¥ 16	¥ 8,754
Acquisition	242	1,689	515	70	2,517
Depreciation	(277)	(1,785)	(445)	(34)	(2,541)
Other	(117)	(107)	(23)	0	(247)
Balance at March 31, 2022	¥ 1,510	¥ 5,762	¥ 1,158	¥ 52	¥ 8,482
Acquisition	177	3,165	–	1	3,343
Depreciation	(267)	(2,068)	(403)	(24)	(2,762)
Other	(183)	(65)	(44)	0	(292)
Balance at March 31, 2023	¥ 1,237	¥ 6,794	¥ 711	¥ 30	¥ 8,772

	Thousands of U.S. Dollars				
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Total
Balance at March 31, 2022	$ 11,271	$ 43,001	$ 8,638	$ 390	$ 63,300
Acquisition	1,321	23,620	–	9	24,950
Depreciation	(1,992)	(15,434)	(3,005)	(179)	(20,610)
Other	(1,368)	(483)	(327)	1	(2,176)
Balance at March 31, 2023	$ 9,232	$ 50,704	$ 5,306	$ 221	$ 65,464

(2) Lease liabilities

The maturity analysis of lease liabilities of the Group is described in "32. Financial Instruments (4) Liquidity Risk Management."

(3) Profit or loss related to right-of-use assets

The amount recognized in profit or loss is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Depreciation for right-of-use assets	¥ 2,541	¥ 2,762	$ 20,610

Note: The interest expenses on lease liabilities are described in "29. Finance Income and Finance Costs."

(4) Amount recognized in the consolidated statement of cash flows

The amount recognized in the consolidated statement of cash flows is as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Total cash outflow for leases	¥ 4,003	¥ 4,014	$ 29,956

21. Other Liabilities

Details of other current liabilities and other non-current liabilities are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Other current liabilities			
Accrued consumption taxes	¥ 758	¥ 6,321	$ 47,169
Accrued salary and bonus	6,131	6,483	48,384
Accrued compensated vacation	3,202	3,500	26,117
Accrued expenses	1,491	1,743	13,009
Others	111	362	2,703
Total	¥ 11,694	¥ 18,409	$ 137,382
Other non-current liabilities			
Compensated long-service benefit obligations	¥ 584	¥ 534	$ 3,981
Others	188	151	1,126
Total	¥ 771	¥ 684	$ 5,108

22. Retirement Benefits

The Group has defined benefit corporate pension plans and lump-sum payment plans for its defined benefit schemes. Effective October 1, 2004, the Company introduced a new defined benefit corporate pension plan combining the defined benefit corporate pension plan (formerly additional pensions under employees' pension fund plan) and a tax-qualified pension plan, and granted employees the option to select a defined contribution plan for certain lump-sum payment plans. In addition, the Company has set up a retirement benefit trust in order to supplement funding deficits in benefit obligations.

Further, four overseas subsidiaries have defined contribution plans. Two domestic subsidiaries participate in corporate pension fund plans (multiemployer pension plans) in addition to lump-sum payment plans.

The Group calculates the present value of defined benefit obligations and related service costs based on actuarial assumptions. The actuarial assumptions require estimates and judgments on variables, such as discount rates and net interest, etc. With advice obtained from external pension actuaries with respect to the appropriateness of the actuarial assumptions including the variables, the actuarial assumptions are determined based on the best estimates and judgments made by management; however, changes in uncertain future economic conditions may have a material impact on the future performance of the Group.

(1) Defined Benefit Plans

① Defined Benefit Plan Liabilities and Assets

Details of defined benefit plan liabilities and assets in the consolidated statement of financial position are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Funded type			
Defined benefit obligations	¥ 50,680	¥ 47,964	$ 357,943
Fair value of plan assets (including retirement benefit trust)	(49,429)	(49,998)	(373,123)
Effect of asset ceiling	924	4,580	34,177
Subtotal	2,175	2,546	18,998
Unfunded type			
Defined benefit obligations	770	804	5,999
Subtotal	770	804	5,999
Net defined benefit liabilities (assets)	¥ 2,945	¥ 3,350	$ 24,997
Retirement benefit liabilities stated in the consolidated statement of financial position	¥ 3,322	¥ 3,350	$ 24,997
Retirement benefit assets stated in the consolidated statement of financial position	¥ (377)	¥ —	$ —

② Obligations under Defined Benefit Plans

Movements in the defined benefit obligations are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Opening balance of defined benefit obligations	¥ 51,124	¥ 51,450	$ 383,954
Service cost	2,416	2,323	17,335
Interest expense	376	460	3,435
Remeasurements			
Actuarial losses (gains) due to changes in financial assumptions	(1,314)	(3,682)	(27,479)
Others	678	49	362
Benefits paid	(1,733)	(1,831)	(13,666)
Others	(98)	—	—
Closing balance of defined benefit obligations	¥ 51,450	¥ 48,768	$ 363,942

Notes: 1. The weighted-average payment years for the defined benefit obligations were 15.8 years and 14.8 years as of March 31, 2022 and 2023, respectively.

2. Remeasurements of defined benefit plans are the differences between the actuarial assumptions used for the calculation of "Defined benefit liabilities" and actual amount, and the impact of changes in actuarial assumptions.

③ Plan Assets

Movements in the fair value of plan assets are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Opening balance of fair value of plan assets	¥ 48,074	¥ 49,429	$ 368,874
Interest income	361	453	3,380
Remeasurements			
Return on plan assets	576	(151)	(1,126)
Contributions from employers	1,619	1,675	12,501
Benefits paid	(1,202)	(1,408)	(10,506)
Closing balance of fair value of plan assets	¥ 49,429	¥ 49,998	$ 373,123

Note: The Group expects to make contributions of ¥1,680 million ($12,535 thousand) to the defined benefit corporate pension plans in the following consolidated fiscal year.

The fair value of plan assets classified by nature of assets and risks is as follows:

	Millions of Yen						*Thousands of U.S. Dollars*		
	March 31, 2022			March 31, 2023			March 31, 2023		
	Assets with active market prices	Assets without active market prices	Total	Assets with active market prices	Assets without active market prices	Total	Assets with active market prices	Assets without active market prices	Total
Equity instruments									
Domestic equity instruments	¥ 3,038	¥ —	¥ 3,038	¥ 3,310	¥ —	¥ 3,310	$ 24,698	$ —	$ 24,698
Overseas equity instruments	2,669	—	2,669	2,905	—	2,905	21,681	—	21,681
Debt instruments									
Domestic debt instruments	—	3,225	3,225	—	2,721	2,721	—	20,306	20,306
Overseas debt instruments	—	1,867	1,867	—	1,614	1,614	—	12,043	12,043
Life insurance general accounts	—	31,722	31,722	—	32,207	32,207	—	240,348	240,348
Others	—	6,910	6,910	—	7,242	7,242	—	54,046	54,046
Total	¥ 5,706	¥43,723	¥ 49,429	¥ 6,215	¥ 43,784	¥ 49,998	$ 46,379	$ 326,743	$ 373,123

The Group's operating policy for plan assets is as follows:

The Group's basic policy for plan asset management aims to secure necessary long-term returns within a tolerable risk level in order to ensure future payment of pension benefits and lump-sum payments stipulated in the terms of defined benefit corporate pension plans.

A target rate of return is set aiming to exceed the rate of return necessary for maintaining sound operations of the defined benefit corporate pension plans over the future, specifically higher than the expected rate of return for pension financing.

In order to meet this return target, the asset portfolio is verified by both the Company and the investment management institutions to be in conformity with the basic policy. In addition, the composition of the asset portfolio is reviewed as necessary.

The basic policy is subject to change in accordance with changes in the Group's status and systems or operating environment surrounding the Group.

④ Effect of Asset Ceiling

When the defined benefit plan has a surplus, the defined benefit asset is limited to the asset ceiling, which is the present value of future economic benefits available in the form of refunds from the defined benefit plan or reductions in future contributions to the plan.

Movements in the effect of the asset ceiling are as follows.

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Effect at the beginning of the year	¥ —	¥ 924	$ 6,897
Limit of interest income	—	9	65
Remeasurement of defined benefit plan			
Change in effect of asset ceiling	924	3,647	27,215
Effect at the end of the year	¥ 924	¥ 4,580	$ 34,177

⑤ Profit and Loss on Defined Benefit Plans

Profit and loss on defined benefit plans for each fiscal year recognized in the consolidated statement of income are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Service costs	¥ 2,416	¥ 2,323	$ 17,335
Net interest	14	16	120
Expenses recognized in the consolidated statement of income	¥ 2,431	¥ 2,339	$ 17,455

Note: Among the above expenses, service costs are included in “Cost of sales,” “Selling, general, and administrative expenses,” and “Research and development costs,” and net interest is included in “Finance income” or “Finance costs.”

⑥ Significant Actuarial Assumptions

Significant actuarial assumptions are as follows:

	March 31, 2022	March 31, 2023
Discount rate (%)	0.9	1.4
Expected rate of salary increase (%)	2.7	2.7
Expected average remaining lives of current pensioners at age 60 at fiscal year end (years)	26.7	26.7
Expected average remaining lives, from age 60, of future pensioners at age 40 at fiscal year end (years)	28.1	28.2

⑦ Sensitivity Analysis

The sensitivity analysis represents the effects of changes in significant actuarial assumptions on the present value of the defined benefit obligations. The effects of any changes in assumptions on the defined benefit obligations are as follows:

		Millions of Yen				*Thousands of U.S. Dollars*	
		March 31, 2022		March 31, 2023		March 31, 2023	
	Changes in principal assumptions	Increase	Decrease	Increase	Decrease	Increase	Decrease
Defined benefit obligations							
Discount rate	0.5% increase/decrease	¥(3,854)	¥ 4,189	¥ (3,416)	¥ 3,693	$ (25,495)	$ 27,562
Expected average remaining lives	1 year increase/decrease	975	(927)	842	(796)	6,281	(5,938)

Note: The analysis is based on the assumption that other factors remain constant.

(2) Multiemployer Pension Plans

Two domestic consolidated subsidiaries have joined corporate pension fund plans (multiemployer pension plan). This plan is integrated-type defined benefit plan, and therefore, the amount of pension assets corresponding to the contributions made by each company cannot be determined reasonably. Thus, the amount of the contribution is recognized as postemployment expenses in the same manner as defined contribution plans.

(3) Defined Contribution Plans

The Group recognized ¥3,212 million and ¥3,286 million ($24,526 thousand) as expenses for defined contribution plans for the years ended March 31, 2022 and 2023, respectively.

23. Share Capital and Other Equity Items

(1) Share Capital and Capital Reserves

Changes in the number of authorized shares and issued shares, share capital, and capital reserves are as follows:

	Number of authorized shares (Shares)	Number of issued shares (Shares)	*Millions of Yen* Share capital	Capital reserves
Balance at April 1, 2021	1,500,000,000	528,341,400	¥ 17,358	¥ 17,231
Increase (decrease)	–	–	–	10
Balance at March 31, 2022	1,500,000,000	528,341,400	¥ 17,358	¥ 17,241
Increase (decrease)	–	(10,916,200)	–	(161)
Balance at March 31, 2023	1,500,000,000	517,425,200	¥ 17,358	¥ 17,080

	Thousands of U.S. Dollars Share capital	Capital reserves
Balance at March 31, 2022	$ 129,539	$ 128,663
Increase (decrease)	–	(1,202)
Balance at March 31, 2023	$ 129,539	$ 127,462

Notes: 1. All shares issued by the Company are fully paid-up ordinary shares with no par value.
2. Increases and decreases in the number of issued shares for the fiscal year ended March 31, 2023 are due to retirement of treasury shares.

(2) Treasury Shares

Changes in the number and amount of treasury shares are as follows:

	Number of shares (Shares)	Amount *(Millions of Yen)*
Balance at April 1, 2021	29,199,416	¥ 44,705
Increase (decrease)	10,897,297	29,978
Balance at March 31, 2022	40,096,713	¥ 74,683
Increase (decrease)	(11,005,495)	(20,522)
Balance at March 31, 2023	29,091,218	¥ 54,161

	Amount *(Thousands of U.S. Dollars)*
Balance at March 31, 2022	$ 557,335
Increase (decrease)	(153,147)
Balance at March 31, 2023	$ 404,187

Notes: 1. Increases and decreases in the number and amount of treasury shares for the year ended March 31, 2022 are due to increases in purchases of treasury shares under Article 156 of the Companies Act, applied by the reading of terms pursuant to the provisions of Paragraph 3, Article 165 of the Companies Act and fractional unit shares, and a decrease in exercise of share option. Increases and decreases in the number and amount of treasury shares for the year ended March 31, 2023 are due to increases in purchases of fractional unit shares, retirement of treasury shares, and disposal of treasury shares for restricted stock-based remunerations.

2. Treasury shares held by associates as of March 31, 2022 and 2023, are ¥33 million and ¥34 million ($250 thousand), respectively.

(3) Other Components of Equity

Changes in other components of equity are as follows:

	Millions of Yen				
	Exchange differences on translation of foreign operations	Net fair value gain (loss) on cash flow hedge	Net gain (loss) on financial assets measured at FVOCI	Remeasurement of defined benefit plans	Total
Balance at April 1, 2021	¥ 887	¥ –	¥ 61,412	¥ –	¥ 62,299
Increase (decrease)					
Other comprehensive income	814	–	(2,088)	199	(1,074)
Transfer to retained earnings	–	–	(9,789)	(199)	(9,988)
Balance at March 31, 2022	¥ 1,701	¥ –	¥ 49,535	¥ –	¥ 51,236
Increase (decrease)					
Other comprehensive income	472	–	2,528	(114)	2,886
Transfer to retained earnings	–	–	(2,535)	114	(2,421)
Balance at March 31, 2023	¥ 2,173	¥ –	¥ 49,529	¥ –	¥ 51,701

	Thousands of U.S. Dollars				
	Exchange differences on translation of foreign operations	Net fair value gain (loss) on cash flow hedge	Net gain (loss) on financial assets measured at FVOCI	Remeasurement of defined benefit plans	Total
Balance at March 31, 2022	$ 12,694	$ –	$ 369,665	$ –	$ 382,360
Increase (decrease)					
Other comprehensive income	3,520	–	18,866	(850)	21,535
Transfer to retained earnings	–	–	(18,915)	850	(18,065)
Balance at March 31, 2023	$ 16,214	$ –	$ 369,616	$ –	$ 385,830

Notes: 1. Exchange differences on translation of foreign operations are the differences arising from consolidating the financial statements of overseas subsidiaries, which were prepared in foreign currencies.

2. Net fair value gain (loss) on derivatives under cash flow hedge is the effective portion of fair value change in derivative transactions, which are designated as cash flow hedges and meet their specific criteria.

3. Changes in fair value of financial assets measured through other comprehensive income are valuation differences in fair value of financial assets measured through other comprehensive income.

4. Remeasurement of defined benefit plans is recognized in "Other comprehensive income" when it is incurred and immediately transferred from "Other components of equity" to "Retained earnings."

24. Dividends

(1) Dividends Paid

Dividends paid are as follows:

For the year ended March 31, 2022

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 17, 2021	Ordinary shares	¥ 13,726	¥ 27.5	March 31, 2021	June 18, 2021
Board of Directors' meeting held on November 1, 2021	Ordinary shares	¥ 13,977	¥ 28.0	September 30, 2021	December 1, 2021

For the year ended March 31, 2023

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
General shareholders' meeting held on June 23,2022	Ordinary shares	¥ 13,671	28.0	$ 102,021	$ 0.21	March 31, 2022	June 24, 2022
Board of Directors' meeting held on October 31, 2022	Ordinary shares	¥ 16,115	33.0	$ 120,261	$ 0.25	September 30, 2022	December 1, 2022

(2) Dividends Whose Effective Date is in the Following Fiscal Year

Dividends whose record date is in the current fiscal year and whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2022

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 23, 2022	Ordinary Shares	¥ 13,671	¥ 28.0	March 31, 2022	June 24, 2022

For the year ended March 31, 2023

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Total dividends (Thousands of U.S. Dollars)	Dividends per share (U.S. Dollars)	Record date	Effective date
General shareholders' meeting held on June 22, 2023	Ordinary shares	¥ 18,068	¥ 37.0	$ 134,838	$ 0.28	March 31, 2023	June 23, 2023

25 Revenue

(1) Disaggregation of revenue

The Group disaggregated revenue by type of goods or services and by geographic area.

① Details of revenue by type of goods or services

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Revenue of goods and products	¥ 245,956	¥ 295,045	$ 2,201,830
Royalty and others			
Opdivo Intravenous Infusion	69,891	89,587	668,561
Keytruda® from Merck & Co., Inc.	30,830	45,176	337,131
Others	14,684	17,379	129,691
Subtotal	115,405	152,141	1,135,383
Total	¥ 361,361	¥ 447,187	$ 3,337,213

② Details of revenue by geographic area

Details of revenue by geographic area are included in “6. Segment Information (3) Revenue by Geographic Area.”

(2) Contract balances

Receivables and contract liabilities from contracts with customers are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	April 1, 2021	March 31, 2022	March 31, 2023	March 31, 2023
Receivables from contracts with customers				
Trade accounts receivable	¥ 74,090	¥ 92,701	¥ 108,364	$ 808,686
Notes receivable	1,917	928	755	5,638
Total	¥ 76,007	¥ 93,630	¥ 109,119	$ 814,323

Notes: 1. There were no material contract liabilities.

2. Revenue recognized relating to performance obligations satisfied in previous periods were ¥105,805 million and ¥142,522 million ($1,063,597 thousand) for the years ended March 31, 2022 and 2023, respectively, and mainly represents royalty revenue.

(3) Transaction price allocated to the remaining performance obligations

There was no transaction price allocated to the remaining performance obligations.

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

There were no costs to obtain or fulfil a contract with a customer that should be recognized as assets.

26. Selling, General, and Administrative Expenses

Details of major selling, general, and administrative expenses are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Business planning expenses	¥ 4,148	¥ 3,356	$ 25,045
Sales promotion expenses	11,496	17,837	133,112
Employee benefit expenses	28,429	30,128	224,835
Depreciation and amortization	2,938	2,843	21,214
Business consignment expenses	9,542	11,195	83,544

27. Employee Benefit Expenses

Details of the Group's employee benefit expenses are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Salary and bonus	¥ 38,521	¥ 40,840	$ 304,778
Retirement benefit expenses (defined benefit plans)	2,416	2,323	17,335
Retirement benefit expenses (multiemployer pension plans)	20	21	158
Retirement benefit expenses (defined contribution plans)	3,212	3,286	24,526
Legal welfare expenses	2,164	2,427	18,114
Welfare expenses	1,479	2,001	14,929
Other employee benefit expenses	4,084	4,609	34,398
Total	¥ 51,897	¥ 55,508	$ 414,238

Notes: 1. Employee benefit expenses are included in "Cost of sales", "Selling, general, and administrative expenses," and "Research and development costs" in the consolidated statement of income.

2. The employee benefit expenses above include remuneration of key management personnel. Remuneration of key management personnel is described in "35. Related Parties."

28. Other Income and Other Expenses

Details of other income and other expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Other income			
Gain on sale of non-current assets	¥ 4	¥ 1	$ 4
Insurance proceeds	250	284	2,120
Subsidy income	288	163	1,217
Others	438	286	2,133
Total	¥ 980	¥ 734	$ 5,474
Other expenses			
Impairment losses	¥ 316	¥ 498	$ 3,716
Loss on disposal of non-current assets	68	95	709
Donations	913	2,796	20,863
Litigation costs, etc.	7,527	7,652	57,105
Loss on upfront payment	3,687	–	–
Others	187	25	183
Total	¥ 12,698	¥ 11,065	$ 82,576

Notes: 1. The Company recorded a ¥7,279 million in litigation costs, etc. for the year ended March 31, 2022 because there was a difference between the total of ¥5,000 million associated with settlement of litigation on patents relating to the PD-1 antibody and a donation of ¥23,000 million (total ¥28,000 million) paid to Kyoto University, and the provision for patent royalties ¥20,721 million.
In addition, the Company recorded a lump-sum payment in litigation costs, etc. associated with the settlement of litigation on patents with Dana-Farber Cancer Institute, Inc., for the year ended March 31, 2023.

2. The Company recorded expenses associated with the collaboration agreement relating to Opdivo with Bristol-Myers Squibb Company in the loss on upfront payment for the year ended March 31, 2022.

3. The company recorded a donation to Ono Pharma Oncology, Immunology, Neurology Research Foundation, which was established in January 2023, in the Donations for the year ended March 31, 2023.

29. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
(Finance income)			
Interest income			
Financial assets measured at amortized cost	¥ 33	¥ 70	$ 519
Dividend income			
Financial assets measured at FVOCI	2,316	2,333	17,409
Gains on marketable securities			
Financial assets measured at FVPL	245	―	–
Others	116	76	564
Total	¥ 2,710	¥ 2,478	$ 18,492
(Finance costs)			
Interest expenses			
Financial liabilities measured at amortized cost	¥ 1	¥ 0	$ 3
Lease liabilities	69	73	547
Losses on marketable securities			
Financial assets measured at FVPL	361	46	340
Net interest on employee benefits	14	16	120
Exchange losses	425	723	5,397
Others	4	54	405
Total	¥ 874	¥ 913	$ 6,814

30. Other Comprehensive Income

Amounts incurred for the current year, reclassification adjustments to profit or loss, and tax effects (including non-controlling interests) for each item of "Other comprehensive income" are as follows:

For the year ended March 31, 2022

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Items that will not be reclassified to profit or loss					
Net gain (loss) on financial assets measured at FVOCI	¥ (3,017)	¥ –	¥ (3,017)	¥ 924	¥ (2,094)
Remeasurement of defined benefit plans	287	–	287	(88)	199
Share of net gain (loss) on financial assets measured at FVOCI of associates	2	–	2	(1)	2
Total	(2,728)	–	(2,728)	835	(1,893)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	814	–	814	–	814
Net fair value gain (loss) on cash flow hedges	(509)	509	–	–	–
Total	305	509	814	–	814
Total other comprehensive income	¥ (2,423)	¥ 509	¥ (1,914)	¥ 835	¥ (1,079)

For the year ended March 31, 2023

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Items that will not be reclassified to profit or loss					
Net gain (loss) on financial assets measured at FVOCI	¥ 3,624	¥ –	¥ 3,624	¥(1,106)	¥ 2,518
Remeasurement of defined benefit plans	(164)	–	(164)	50	(114)
Share of net gain (loss) on financial assets measured at FVOCI of associates	3	–	3	(1)	2
Total	3,463	–	3,463	(1,057)	2,406
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	472	–	472	–	472
Net fair value gain (loss) on cash flow hedges	(438)	438	–	–	–
Total	33	438	472	–	472
Total other comprehensive income	¥ 3,497	¥ 438	¥ 3,935	¥ (1,057)	¥ 2,878

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Items that will not be reclassified to profit or loss					
Net gain (loss) on financial assets measured at FVOCI	$ 27,045	$ –	$ 27,045	$ (8,255)	$ 18,790
Remeasurement of defined benefit plans	(1,225)	–	(1,225)	375	(850)
Share of net gain (loss) on financial assets measured at FVOCI of associates	23	–	23	(7)	16
Total	25,844	–	25,844	(7,887)	17,957
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	3,520	–	3,520	–	3,520
Net fair value gain (loss) on cash flow hedges	(3,270)	3,270	–	–	–
Total	249	3,270	3,520	–	3,520
Total other comprehensive income	$ 26,094	$ 3,270	$ 29,364	$ (7,887)	$ 21,477

31. Earnings per Share

(1) Basic Earnings per Share

① Basic earnings per share are as follows:

	Yen		*U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Basic earnings per share	¥ 162.19	¥ 230.85	$1.72

② Basis of Calculation of Basic Earnings per Share

The basis of calculating of basic earnings per share is as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Profit for the year attributable to owners of the Company	¥ 80,519	¥ 112,723	$ 841,213
Weighted-average number of ordinary shares outstanding (thousands of shares)	496,459	488,300	

(2) Diluted Earnings per Share

① Diluted earnings per share are as follows:

	Yen		*U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Diluted earnings per share	¥ 162.16	¥ 230.79	$ 1.72

② Basis of Calculation of Diluted Earnings per Share

The basis of calculating diluted earnings per share is as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Profit for the year attributable to owners of the Company	¥ 80,519	¥112,723	$ 841,213
Adjustment to profit for the year attributable to owners of the Company	—	(15)	(110)
Profit for the year used in calculating diluted earnings per share	80,519	112,708	841,103
Weighted-average number of ordinary shares outstanding (thousands of shares)	496,459	488,300	
Increased number of ordinary shares by share acquisition rights (thousands of shares)	67	21	
Increased number of ordinary shares by restricted stock-based remuneration system (thousands of shares)	—	30	
Weighted-average number of diluted ordinary shares outstanding (thousands of shares)	496,527	488,353	

32. Financial Instruments

(1) Equity Management

The Group manages its equity in view of maintaining the confidence of investors, creditors, and the market, securing a firm capital base for continued future growth, and implementing strategic investments necessary to maximize corporate value while distributing consistent dividend payments.

The Group's capital management focuses on net debt where cash and cash equivalents are deducted from interest-bearing debt and equity (attributable to owners of the Company and non-controlling interests). The Group considers methods of capital distribution to shareholders based on an evaluation of the medium-term strategic plan, including business performance, future research and development of new medicines, partnerships with bio-ventures, and the introduction of pipelines to complement research and development risk. This evaluation will exert influence on decision-making regarding the level of dividend payments and the Group's market purchase of treasury shares.

(2) Financial Risk Management

The Group is constantly exposed in its operating activities to various financial risks, including credit, liquidity, market, and others (e.g., foreign exchange and price fluctuation). In order to avoid or mitigate these risks, the Group manages risks according to certain basic policies. The Group policy is not to enter into derivative or equity transactions for speculative purposes, but to operate funds primarily through debt instruments such as safe government bonds, etc., while also partially employing financial assets with guaranteed liquidity to meet short-term capital requirements. For derivative transactions, the Group enters into foreign exchange contracts to mitigate the foreign exchange risk associated with settling payments in foreign currencies. Such transactions are controlled by the Accounting Department of the Company.

(3) Credit Risk Management

Credit risks are risks that result in financial losses incurred by the Group when a customer goes into default for contractual obligations. When full or partial collection of trade receivables, etc., is considered impossible, or extremely difficult, it is deemed to be in default.
The Group's trade receivables are exposed to the credit risk of its customers. In addition, like other pharmaceutical companies, the Group is exposed to concentrated credit risk from a small number of wholesale companies through which it sells its products. In cases where any of these wholesale companies face financial difficulties, there is a possibility that this may have a severe and disadvantageous influence on the Group's financial performance.
The Group's revenue mainly consists of royalty revenue and sales of products through a small number of wholesalers, and the total revenue from the top five group companies (including the Company and the group company) accounts for about 71% of "Revenue" in the consolidated statement of income. Trade receivables from the top five group companies as of March 31, 2022 and 2023 were ¥72,726 million and ¥86,297 million ($644,009 thousand), respectively.
In order to mitigate monetary damage caused by the default of such counterparties, the Group, in principle, determines credit limits and trade terms and conditions based on the credit management policy. In addition, in order to minimize the amount of uncollectable receivables, the Group manages due dates and balances by transaction, and executes continuous credit evaluation by receiving credit updates for its main counterparties from third party rating agencies. With regard to trade receivables, etc., that do not contain significant financing components, the allowance is always measured at an amount equal to the lifetime expected credit losses, regardless of whether or not there has been a significant increase in credit risk since initial recognition, and the Group has never recorded a significant bad debt loss on its trade receivables in the past.

The Group is also exposed to issuer credit risk for bonds held to make use of surplus funds and shares held for political purposes. In addition, the Group is exposed to credit risk of the financial institutions that are the counterparties in derivative transactions used to mitigate the foreign exchange risk associated with settling payments in foreign currencies. As the Group operates funds primarily through secure debt instruments and executes transactions with highly rated financial institutions in order to prevent the emergence of credit risk in advance, credit risk is low.
The carrying amounts of financial assets after impairment presented in the consolidated statement of financial position represent the Group's maximum exposure to financial asset credit risk.
At the end of each fiscal year, the Group evaluates whether the credit risk on financial instruments has increased significantly since the initial recognition, and with respect to impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses on such financial assets.
The movements in allowance for doubtful accounts are as follows:

	Millions of Yen	*Millions of Yen*	*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Balance at the beginning of the year	¥ 4	¥ 5	$ 36
Increase	1	0	1
Decrease (utilization)	—	—	—
Decrease (other)	—	—	—
Balance at the end of the year	¥ 5	¥ 5	$ 36

(4) Liquidity Risk Management

The Group is exposed to the liquidity risk of not being able to fulfill its payment obligations at present or in the future due to an inability to source sufficient cash.

The Group, in particular the Accounting Department, maintains appropriate reserves and manages liquidity risk through monitoring of the Group's cash flow forecasts and results. As the Group has sufficient cash and cash equivalents and other highly liquid assets and secures stable cash inflows from operating activities, this risk is low.

Financial liabilities by maturity are as follows:

March 31, 2022

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 49,689	¥ 49,689	¥ 49,689	¥ —
Lease liabilities	8,802	9,103	2,375	6,728
Other financial liabilities	716	716	716	0

March 31, 2023

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 66,794	¥ 66,794	¥ 66,794	¥ —
Lease liabilities	9,168	9,505	2,580	6,924
Other financial liabilities	662	662	661	0

	Thousands of U.S. Dollars			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	$ 498,464	$ 498,464	$ 498,464	$ —
Lease liabilities	68,418	70,931	19,257	51,674
Other financial liabilities	4,938	4,938	4,935	3

(5) Market Risk Management

① Foreign Exchange Risk

1) Foreign Exchange Risk Management

The Group engages in business activities internationally and receives royalties or makes payment of expense in foreign currencies. Therefore, the Group is exposed to risks such as decrease in revenue, increase in cost price and development cost, and foreign exchange losses through fluctuations in foreign exchange rates. This risk primarily arises from currencies such as the U.S. dollar, Euro, and British pound. In order to mitigate this risk, the Group enters into hedging instruments for a fixed portion of foreign currency-denominated transactions through forward foreign exchange contracts in accordance with the market risk management policy.
These forward foreign exchange contracts are maturities of one year or less.

2) Details of Forward Foreign Exchange Contracts by Currency

Details of forward foreign exchange contracts by currency are as follows:

	March 31, 2022		March 31, 2023		March 31, 2023
	Contractual amount (Millions of U.S. Dollars)	Fair value (Millions of Yen)	Contractual amount (Millions of U.S. Dollars)	Fair value (Millions of Yen)	Fair value (Thousands of U.S. Dollars)
(Sell)					
U.S. Dollar	$ 44	¥ (283)	$ 52	¥ (166)	$ (1,239)
- Cash flow hedge included in the above	44	(283)	52	(166)	(1,239)

3) Foreign Exchange Sensitivity Analysis

At the end of each fiscal year, the amount of impact on equity and profit or loss in the case of the yen depreciating by 10% against the U.S. dollar, Euro, and British pound is as follows:

	Millions of Yen				*Thousands of U.S. Dollars*	
	March 31, 2022		March 31, 2023		March 31, 2023	
	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)
U.S. Dollar	¥ 607	¥ (260)	¥ 967	¥ (639)	$ 7,216	$ (4,772)
Euro	–	(30)	─	(23)	–	(172)
British pound	163	(26)	183	(8)	1,366	(58)

Note: The analysis is based on the assumption that other variable factors remain constant.

② Price Fluctuation Risk

The Group is exposed to the risk of share price fluctuations that arise from equity instruments.

These equity instruments are basically held for the purpose of business strategy and not for short-term trading purposes. In addition, the Group periodically reviews the fair value of the instruments and the financial condition of issuers and the like, and takes into account the relationship with that company and reconsiders the composition of holdings in the Company as necessary.

In case when the share price of equity instruments held by the Group increases or decreases by 10% at year-end, accumulated other comprehensive income (net-of-tax) would increase or decrease by ¥8,568 million and ¥8,308 million ($61,998 thousand) as of March 31, 2022 and 2023, respectively, as a result of changes in fair value of the equity instruments designated as financial assets measured at FVOCI.

(6) Hedge Accounting

① Hedging instruments

The periods over which the Group hedges cash flow fluctuations by foreign exchange contract are within one year or less.
The carrying amounts (i.e. fair value) of the assets of hedging instruments are included in “Other financial assets,” and the carrying amounts (i.e. fair value) of the liabilities of hedging instrument are included in “Other financial liabilities.”

For the year ended March 31, 2022

Type of hedge	Risk classification	Hedging instrument	Notional amount (Millions of U.S. Dollars)	Carrying amount (Fair value) Assets (Millions of Yen)	Carrying amount (Fair value) Liabilities (Millions of Yen)	Change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness Millions of Yen
Cash flow hedge	Foreign currency risk	Forward exchange contract	$ 44	¥ –	¥283	¥ (523)

Note: The average foreign exchange rate in foreign exchange contracts is ¥115.97 per U.S. dollar.

For the year ended March 31, 2023

Type of hedge	Risk classification	Hedging instrument	Notional amount (Millions of U.S. Dollars)	Carrying amount (Fair value)				Change in fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness	
				Assets (Millions of Yen)	Liabilities (Millions of Yen)	Assets (Thousands of U.S. Dollars)	Liabilities (Thousands of U.S. Dollars)	Millions of Yen	Thousands of U.S. Dollars
Cash flow hedge	Foreign currency risk	Forward exchange contract	$ 52	¥ –	¥166	$ –	$ 1,239	¥ (460)	$ (3,436)

Note: The average foreign exchange rate in foreign exchange contracts is ¥130.34 per U.S. dollar.

② Hedged items

For the year ended March 31, 2022

Type of hedge	Change in value of the hedged item used as the basis for recognizing hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges
	Millions of Yen	Millions of Yen
Cash flow hedge	¥ 509	¥ –

For the year ended March 31, 2023

Type of hedge	Change in value of the hedged item used as the basis for recognizing hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Cash flow hedge	¥ 438	$ 3,270	¥ –	$ –

③ Amounts that affected the consolidated statement of comprehensive income in association with cash flow hedges

For the year ended March 31, 2022

Type of hedge	Risk classification	Hedging instrument	Gains or losses on hedges recognized in other comprehensive income	Amount transferred from cash flow hedge reserve to profit (loss)	Line item in profit or loss affected by the transfer
			Millions of Yen	Millions of Yen	
Cash flow hedge	Foreign currency risk	Forward exchange contract	¥ (509)	¥ (509)	Revenue, etc.

For the year ended March 31, 2023

Type of hedge	Risk classification	Hedging instrument	Gains or losses on hedges recognized in other comprehensive income		Amount transferred from cash flow hedge reserve to profit (loss)		Line item in profit or loss affected by the transfer
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars	
Cash flow hedge	Foreign currency risk	Forward exchange contract	¥ (438)	$ (3,270)	¥ (438)	$ (3,270)	Revenue, etc.

Note: The figures represent amounts before tax effect adjustments.

The hedge ineffectiveness is immaterial. Also, there is no cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied.

(7) Fair Value of Financial Instruments

① Fair Value Measurements

The methods and assumptions used in measuring the fair values of financial assets and financial liabilities are as follows:

Cash and cash equivalents, trade and other receivables, and trade and other payables

Since these items are settled in a short period of time, the carrying amounts of these items approximate their fair values.

Marketable securities and investment securities

The fair values of marketable securities and investment securities are measured using quoted market prices. The fair values of unlisted shares are measured through rational methods, such as the adjusted net assets method and others.

Other financial assets and other financial liabilities

・Insurance reserve fund

The fair value of the insurance reserve fund is measured based on the surrender value because there are no significant contractual restrictions associated with a refund.

・Forward foreign exchange contracts

The fair values of forward foreign exchange contracts are measured based on quoted market prices for forward foreign exchange contracts under the same terms and conditions as of the closing date.

・Time deposits

The fair values of time deposits are based on discounted future cash flows using an interest rate assumed to be applied if similar contracts were to be newly carried out.

・Others

Since other items are settled in a short period of time, the carrying amounts of these items approximate their fair values.

② Fair Value and Carrying Amount

The carrying amounts and fair values of financial assets and liabilities held by the Group by account are as follows. The following table does not include financial assets and liabilities whose carrying amounts and fair values are equivalent.

	Millions of Yen				*Thousands of U.S. Dollars*	
	March 31, 2022		March 31, 2023		March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
(Financial assets)						
Financial assets measured at amortized cost						
- Marketable securities and investment securities	¥ 80	¥ 80	¥ 180	¥180	$1,342	$1,340
- Other financial assets	167,797	167,797	258,134	258,069	1,926,374	1,925,889

③ Fair Value Hierarchy

IFRS 13 *Fair Value Measurement* requires an entity to categorise the fair value of financial instruments into Level 1 through Level 3 of the fair value hierarchy based on the observability of the inputs used in the fair value measurements of financial instruments.

The fair value hierarchy is as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
Level 2: Inputs are inputs other than quoted market prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.
Level 3: Inputs are unobservable inputs for assets or liabilities.

1) Financial Assets and Financial Liabilities Measured at Fair Value

The fair values of financial assets and financial liabilities measured at fair value in the consolidated statement of financial position, grouped by fair value hierarchy are as follows:

	Millions of Yen			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	¥ ―	¥ ―	¥ 1,561	¥ 1,561
- Other financial assets	―	―	7,302	7,302
Financial assets measured at FVOCI				
- Investment securities	120,288	―	3,178	123,465
Total	¥ 120,288	¥ ―	¥ 12,041	¥ 132,328
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	¥ ―	¥ 283	¥ ―	¥ 283
Total	¥ ―	¥ 283	¥ ―	¥ 283

	Millions of Yen			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	¥ －	¥ －	¥ 3,441	¥ 3,441
- Other financial assets	－	－	7,441	7,441
Financial assets measured at FVOCI				
- Investment securities	115,958	－	3,750	119,707
Total	¥ 115,958	¥ －	¥ 14,631	¥ 130,589
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	¥ －	¥ 166	¥ －	¥ 166
Total	¥ －	¥ 166	¥ －	¥ 166

	Thousands of U.S. Dollars			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	$ –	$ –	$ 25,677	$ 25,677
- Other financial assets	–	–	55,528	55,528
Financial assets measured at FVOCI				
- Investment securities	865,355	–	27,983	893,338
Total	$ 865,355	$ –	$ 109,188	$ 974,543
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	$ –	$ 1,239	$ –	$ 1,239
Total	$ –	$ 1,239	$ –	$ 1,239

Note: For the years ended March 31, 2022 and 2023, the Group has not transferred any financial assets or liabilities between Levels 1, 2, and 3.

2) Financial Assets and Financial Liabilities Measured at Amortized Cost

The fair values of financial assets and financial liabilities measured at amortized cost in the consolidated statement of financial position, grouped by fair value hierarchy are as follows:

	Millions of Yen			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Marketable securities and investment securities	¥ –	¥ 80	¥ –	¥ 80
- Other financial assets	–	167,797	–	167,797
Total	¥ –	¥ 167,877	¥ –	¥ 167,877

	Millions of Yen			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Marketable securities and investment securities	¥ –	¥ 180	¥ –	¥ 180
- Other financial assets	–	258,069	–	258,069
Total	¥ –	¥ 258,249	–	¥ 258,249

	Thousands of U.S. Dollars			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Marketable securities and investment securities	$ –	$ 1,340	$ –	$ 1,340
- Other financial assets	–	1,925,889	–	1,925,889
Total	$ –	$1,927,228	$ –	$ 1,927,228

Note: For the years ended March 31, 2022 and 2023, the Group has not transferred any financial assets or liabilities between Levels 1, 2, and 3.

3) Reconciliation of Financial Instruments Measured Using Level 3 Inputs on a Recurring Basis

Movements of the financial assets measured using Level 3 inputs on a recurring basis from the beginning of the year to the end of the year are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Balance at the beginning of the year	¥ 10,306	¥ 12,041	$ 89,857
Total gains or losses	306	157	1,174
Profit (loss)	21	(21)	(157)
Other comprehensive income	285	178	1,331
Purchase	1,786	2,972	22,178
Sale	(18)	−	–
Settlement	(339)	(539)	(4,022)
Balance at the end of the year	¥ 12,041	¥ 14,631	$109,188

Notes: 1. Profit or loss included in total gains or losses is related to financial assets measured at FVPL. These gains and losses are included in “Finance income” and “Finance costs,” respectively.

2. Other comprehensive income included in total gains or losses is related to financial assets measured at FVOCI. These gains and losses are included in “Net gain (loss) on financial assets measured at FVOCI” and “Exchange differences on translation of foreign operations”.

3. There are no applicable financial liabilities measured using Level 3 on a recurring basis.

33. Share-based Payments

The Company has introduced Restricted Stock-based Remuneration Systems as incentive plans for the Eligible Board of Directors, etc.

Following the introduction of these remuneration systems at the 74th general shareholder's meeting held on June 23, 2022, all unexercised share options granted to the the Eligible Board of Directors as share options have been waived, and the Share Option Plan has been abolished.

(1) Share Option Plan

① Overview of the Plan

The Company has a share option plan which reflects the Eligible Board of Directors' goal of long-term improvement of corporate value to share the consciousness of the profit of the Company with shareholders.

② Contractual conditions of share options

	Eligible persons	Number of share options granted (Shares)	Grant date	Exercise period	Settlement method	Vesting conditions
2015 issued	The Company's directors (excluding outside directors)	2,900	July 13, 2015	From July 14, 2015 through July 13, 2055	Settled in equity	None
2016 issued	The Company's directors (excluding outside directors)	13,000	July 14, 2016	From July 15, 2016 through July 14, 2056	Settled in equity	None
2017 issued	The Company's directors (excluding outside directors)	14,500	July 14, 2017	From July 15, 2017 through July 14, 2057	Settled in equity	None
2018 issued	The Company's directors (excluding outside directors)	14,500	July 9, 2018	From July 10, 2018 through July 9, 2058	Settled in equity	None
2019 issued	The Company's directors (excluding outside directors)	20,000	July 5, 2019	From July 6, 2019 through July 5, 2059	Settled in equity	None

2020 issued	The Company's directors (excluding outside directors)	19,500	July 3, 2020	From July 4, 2020 through July 3, 2060	Settled in equity	None
2021 issued	The Company's directors (excluding outside directors)	23,500	July 2, 2021	From July 3, 2021 through July 2, 2061	Settled in equity	None

Notes: 1. Holders of share acquisition rights can exercise their acquisition rights only from the day following the date of resignation from their position as director of the Company.

2. Although the Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016, the effect of this stock split is not reflected in the above table for 2015 issued.

③ Movement of the number of share options and their weighted-average exercise price

	For the year ended March 31, 2022		For the year ended March 31, 2023		For the year ended March 31, 2023
	Number of share options (Shares)	Weighted-average exercise price (Yen)	Number of share options (Shares)	Weighted-average exercise price (Yen)	Weighted-average exercise price (Dollar)
Outstanding of unexercised options at the beginning of the year	71,500	1	75,000	1	0.01
Granted	23,500	1	–	–	–
Exercised	20,000	1	–	–	–
Forfeited	–	–	–	–	–
Waived	–	–	75,000	1	0.01
Outstanding of unexercised options at the end of the year	75,000	1	–	–	–
Options exercisable, at the end of the year	–	–	–	–	–

Notes: 1. The exercise price of unexercised share options was ¥1 and the weighted-average remaining life was 37.3 years for the year ended March 31, 2022.

2. The weighted-average share price at the date of exercise in the fiscal year ended March 31, 2022 was ¥2,430.

3. All unexercised share options granted to the Eligible Board of Directors have been waived, and the restricted shares (75,000 shares) have been granted for

the Eligible Board of Directors in the same number as the ordinary shares of the Company that were the object of the share acquisition rights waived by the Eligible Board of Directors.

④ Fair value and fair value measurement method of share options

Share options granted in the fiscal year ended March 31, 2022 were measured by the Black-Scholes model on the basis of the assumptions below.

	For the year ended March 31, 2022
Fair value	¥ 1,674
Share price at the grant date	¥ 2,499
Exercise price	¥ 1
Expected volatility	29.982%
Option life	20 years
Expected dividend yield	¥ 50
Risk-free interest rate	0.433%

Note: The expected volatility is estimated based on share prices for the past 20 years.

(2) Restricted Stock-based Remuneration System

① Overview of the system

The remuneration system consists of "Tenure-based Restricted Stock-based Remuneration", in which the number of shares to be granted is calculated in proportion to the degree of responsibility for decision-making, and "Performance-linked Restricted Stock-based Remuneration", in which the number of shares to be granted is calculated in proportion to the degree of achievement of performance target figures (including ESG target figures), which are linked to medium-term management strategies and management challenges, and the degree of achievement of performance indicators for each fiscal year.

② Number of shares granted during the fiscal year and fair value

	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Number of shares granted			
Tenure-based (shares)	–	15,000	
Performance-linked (shares)	–	–	
Transitional measure (shares)	–	75,000	
Fair value	–	¥ 3,234	$ 24.13

Note: The fair value is calculated on the basis of the closing price of the Company's ordinary share on the Tokyo Stock Exchange on the business day immediately preceding the date of a resolution of the Board of Director's meeting of the Company.

(3) Expenses related to share-based payments

Expenses related to share-based payments included in "selling, general, and administrative expenses" in consolidated statement of income are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Share options	¥ 41	¥ 10	$ 73
Restricted stock-based remuneration system			
Equity-settled	–	132	987
Cash-settled	–	87	648

Note: There were no liabilities arising from share-based transactions for the year ended March 31, 2022. The Company recorded ¥ 87 million ($ 648 thousand) for the fiscal year ended March 31, 2023.

34. Non-cash Transactions

Non-cash transactions (investments and financial transactions that do not involve the use of cash and cash equivalents) are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Additions to right-of-use assets	¥ 2,517	¥ 3,343	$ 24,950

35. Related Parties

(1) Subsidiaries and Associates

Details of the Group's subsidiaries and affiliates are as follows:

(Consolidated subsidiaries)

Name	Primary business	Location	Proportion of voting rights held by the Group	
			March 31, 2022	March 31, 2023
			(%)	(%)
ONO PHARMA USA, INC. (Note 2)	Pharmaceutical business	Massachusetts, the United States of America	100.0	100.0
ONO PHARMA UK Ltd.	Pharmaceutical business	London, United Kingdom	100.0	100.0
ONO PHARMA KOREA CO., LTD.	Pharmaceutical business	Seoul, South Korea	100.0	100.0
ONO PHARMA TAIWAN CO., LTD.	Pharmaceutical business	Taipei, Taiwan	100.0	100.0
TOYO Pharmaceutical Co., Ltd. (Note 3)	Pharmaceutical business	Chuo-ku, Osaka City	45.5	45.5
BEE BRAND MEDICO DENTAL.CO., LTD.	Pharmaceutical business	Higashiyodogawa-ku, Osaka City	80.0 (40.0)	80.0 (40.0)
Ono Venture Investment, Inc.	Pharmaceutical business	California, the United States of America	100.0	100.0
Ono Venture Investment Fund I, L.P.	Pharmaceutical business	California, the United States of America	100.0 (1.0)	100.0(1.0)
Ono Pharma Healthcare Co., Ltd.	Pharmaceutical business	Chuo-ku, Osaka City	100.0	100.0
Ono Digital health Investment, GK.	Pharmaceutical business	Chuo-ku, Tokyo	100.0	100.0
Ono Pharma UD Co., Ltd.	Pharmaceutical business	Chuo-ku, Osaka	–	100.0
michiteku Co., Ltd.	Pharmaceutical business	Chuo-ku, Tokyo	–	100.0

Other 1

(Associates accounted for using equity method)

Name	Primary business	Location	Proportion of voting rights held by the Group	
			March 31, 2022	March 31, 2023
			(%)	(%)
NAMICOS CORPORATION	Pharmaceutical business	Chuo-ku, Osaka City	18.8	18.8

Notes: 1. A name in the segment information is written in the primary business column.
2. ONO PHARMA USA, INC. is applicable to a specified subsidiary.
3. The Company holds less than 50% of equity in TOYO Pharmaceutical Co., Ltd., but treats it as a subsidiary because the Company substantially controls it.
4. The percentage of voting rights in parentheses represents the percentage held indirectly, which is inclusive of the proportion of voting rights held.
5. All of the subsidiaries and associates do not file securities registration statements or annual securities reports.
6. Each related party's revenue, excluding internal revenue in the Group, is less than 10% of the consolidated revenue.

(2) Transactions with Related Parties

There were no significant transactions and balances of receivables and payables between the Group and its related parties.

(3) Remuneration of Key Management Personnel

The remuneration of the Group's key management personnel is as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2023
Base remuneration	¥ 258	¥ 274	$ 2,044
Bonuses	130	134	997
Share options	41	10	73
Restricted stock remuneration	–	178	1,329
Total	¥ 428	¥ 595	$ 4,443

Note: Remuneration of key management personnel comprises the remuneration for internal directors and external directors.

36. Commitments for Expenditure

Payment commitments after the end of each fiscal year are as follows:

	Millions of Yen		*Thousands of U.S. Dollars*
	March 31, 2022	March 31, 2023	March 31, 2023
Property, plant, and equipment	¥ 129	¥ 467	$ 3,483
Intangible assets	–	–	–
Total	¥ 129	¥ 467	$ 3,483

In addition to these payment commitments above, the Group has milestone payments relating to the success of development projects and achievement of specific sales targets. Milestone payments that the Group may potentially pay within three years are ¥11,964 million and ¥13,584 million ($101,375 thousand) as of March 31, 2022 and 2023, respectively.

These milestone payment amounts are undiscounted and include all such potential payments assuming all projects currently in development are successful and specific sales targets are achievable.

37. Approval of Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2023, were approved by Gyo Sagara, President, Representative Director, and Chief Executive Officer, on August 1, 2023.

38. Significant Subsequent Events

<Settlement of Lawsuits and Disputes>

The Company and Bristol-Myers Squibb (New Jersey, USA: hereinafter referred to as "BMS") signed an agreement with AstraZeneca UK Limited and Medlmmune Ltd. (Cambridge, UK) and certain of their affiliates to completely and globally settle the infringement lawsuits and disputes over the PD-L1 and CTLA-4 antibody patents owned by the Company and BMS on July 24, 2023.

The Company will receive approximately $140 million in total as a result of this settlement.

<Acquisition and Retirement of Treasury Shares>

On July 25, 2023 in accordance with Article 370 (resolution by documents instead of resolution by board meetings) of the Companies Act, the Company resolved to acquire treasury shares under the provisions of Article 156 of the Companies Act, applied by the replacing terms pursuant to the provisions of Paragraph 3, Article 165 of the Companies Act, and retire treasury shares pursuant to the provisions of Article 178 of the Companies Act.

1. Reasons for the Acquisition and Retirement of Treasury Shares

The Company will acquire treasury shares for the purpose of shareholder return, future financial condition, common stock price and other factors.

2. Contents of the Acquisition

(1) Class of shares to be acquired: Common stock of the Company
(2) Total number of shares to be acquired: 19 million shares (maximum) (3.89% of the total outstanding shares excluding treasury shares)
(3) Total amount of acquisition cost: ¥50.0 billion (maximum)
(4) Period of acquisition: August 1, 2023 to March 22, 2024
(5) Method for acquisition: Purchase on the Tokyo Stock Exchange
(6) Schedule after acquisition: All the common stock acquired will be retired.

3. Contents of the Retirement

(1) Class of shares to be retired: Common stock of the Company
(2) Total number of shares to be retired: All the common stock acquired in accordance with section 2 above
(3) Scheduled date of retirement: March 29, 2024 (planned)

(Reference) The status of treasury shares as of March 31, 2023

Total number of shares issued (excluding treasury shares): 488,399,246 shares
Total number of treasury shares: 29,025,954 shares