

Consolidated Financial Statements
ONO PHARMACEUTICAL CO., LTD.
and Subsidiaries

Year Ended March 31, 2025

with Independent Auditor's Report

Consolidated Financial Statements

Year Ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

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, 2025, 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 material accounting policy information, 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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.

Evaluation of goodwill and the intangible assets related to Patents and licenses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 15 "Intangible Assets" to the consolidated financial statements, the intangible assets recorded in the consolidated statement of financial position (¥330,041 million) included ¥322,822 million of Patents and licenses (in-process research and development costs acquired separately and sales licenses), which accounted for 30.3% of total assets. Also, goodwill recorded in the consolidated statement of financial position (¥21,186 million), which accounted for 2.0% of total assets.</p> <p>As described in Note 3 "Material Accounting policies" sections (8) and (9)③ to the consolidated financial statements, the Group performed impairment tests for in-process research and development costs acquired separately, goodwill and sales licenses that show indications of impairment as of the fiscal year ended March 31, 2025. In the impairment test, the recoverable amount was measured at either value in use or fair value less costs of disposal. As a result, the Group recorded impairment losses of ¥6,000 million for in-process research and development costs acquired separately.</p> <p>Recoverable amount was calculated by determining the discounted present value of estimated future cash flows. The estimated future cash flows involve subjective judgments made by management based on available information, such as the potential sales periods based on the progress of research and development activities, the estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate, the determination of which requires selection of calculation methods and input data.</p> <p>Therefore, we identified the evaluation of goodwill and the intangible assets related to Patents and licenses as a key audit matter.</p>	<p>To address the key audit matter, we performed the following audit procedures, among others:</p> <p>(1) <u>Evaluation of internal controls</u></p> <ul style="list-style-type: none"> We evaluated the design and operating effectiveness of internal controls over the process to calculate the recoverable amount. <p>(2) <u>Substantive procedures to test the recoverable amount</u></p> <p>We performed the following procedures for goodwill and intangible assets to Patents and licenses that were assessed to be important qualitatively or quantitatively through risk assessment:</p> <ul style="list-style-type: none"> For the estimation of expected sales including the sales periods, we evaluated the appropriateness of management estimates by making inquiries to management about the progress of developments and the sales and production periods with exclusive right, inspecting base data related to significant assumptions of the potential sales periods as well as deviations from the plan, and examining the reliability of information used as a basis of sales estimates, such as the unit sales price and the number of patients. We evaluated the accuracy of the estimates by comparing the sales forecasts used in the recoverable amount of sales licenses in previous fiscal year with the actual figures, and also examined whether the factors that should be reflected in the estimates of future cash flows for the current year were appropriately reflected. For the discount rate which is a significant assumption, we engaged our valuation specialists to assist us evaluate the reasonableness of the estimation methodologies and assumptions used by management.

Appropriateness of revenue recognition of royalty and others	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 27 "Revenue" to the consolidated financial statements, the Group recorded royalty and others of ¥156,107 million as revenue.</p> <p>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).</p> <p>As described in Note 3 "Material 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 mainly in accordance with the occurrence of the sales of the other parties in the contract.</p> <p>Royalty and others account for 32.1% of sales revenue, and there is also a significant quantitative impact on profits given the nature of the transactions. In addition, 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.</p> <p>Therefore, we identified the appropriateness of revenue recognition related to royalty and others as a key audit matter.</p>	<p>To address the key audit matter, we performed the following audit procedures, among others:</p> <p>(1) <u>Evaluation of internal controls</u></p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls over the process to record the royalty and others. <p>(2) <u>Substantive procedure for the royalty and others</u></p> <ul style="list-style-type: none"> • For the major contracts in which revenue is recognized in accordance with the occurrence of the sales of the other parties in the contract, we developed the auditor's expectation using publicly announced revenue figures by the other parties in the contract and contractual royalty rates. We then compared the recorded revenue to the auditor's expectation. • We performed confirmation procedures for the major other parties in the contract of the annual transaction amounts and the accounts receivable balance at year end related to major royalty revenue.

Recording of intangible assets related to Patents and licenses identified from business combination	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 38 "Business Combination" to the consolidated financial statements, the Group acquired all the shares of Deciphera Pharmaceuticals, Inc. ("Deciphera"), a biopharmaceutical company in the United States, on June 11, 2024 (New York City Time), and made it a wholly owned subsidiary.</p>	<p>To address the key audit matter, we performed the following audit procedures, among others:</p> <p>(1) <u>Evaluation of internal controls</u></p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of internal controls over the process to measure the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition.

<p>Regarding the business combination, the Group measured identifiable assets acquired and liabilities assumed at fair value as of the date of acquisition. The Group recorded ¥315,036 million as identifiable patents and licenses (in-process research and development costs acquired separately and sales licenses).</p> <p>Deciphera focuses on the research, development and sales of innovative medicines for cancers. Deciphera is working on the research and development of Vimseltinib which is a CSF-1R inhibitor for tenosynovial giant cell tumor (TGCT). In addition, the KIT inhibitor QINLOCK® (Ripretinib) is for sale as a medicine for gastrointestinal stromal tumors (GIST).</p> <p>As described in Note 4 "Significant Accounting Estimates and Critical Judgment Involving Estimations" to the consolidated financial statements, the fair value of these intangible assets (in-process research and development costs acquired and the sales licenses) is measured using the excess income method. In addition to the selection and application of valuation methods, the measurement of intangible assets involves subjective judgments made by management based on available information, such as the potential sales periods based on the progress of research and development activities, the estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate, the determination of which requires selection of calculation methods and input data.</p> <p>Therefore, we identified recording of intangible assets related to Patents and licenses identified from business combination as a key audit matter.</p>	<p>(2) <u>Substantive procedures for the measurements of intangible assets at fair value</u></p> <ul style="list-style-type: none"> • For the estimation of expected sales including the sales periods, we evaluated the appropriateness of management estimates by making inquiries to management about the progress of developments and the sales and production periods with exclusive right, inspecting base data related to significant assumptions of the potential sales periods as well as deviations from the plan, and examining the reliability of information used as a basis of sales estimates, such as the unit sales price and the number of patients. • For the selection and application of valuation methods and the discount rate which is a significant assumption, we engaged our valuation specialists to assist us evaluate the reasonableness of the estimation methodologies and assumptions used by management.
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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 IFRS Accounting Standards as issued by the IASB, 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 IFRS Accounting Standards as issued by the IASB 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 IFRS Accounting Standards as issued by the IASB, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to ONO PHARMACEUTICAL CO., LTD. and its subsidiaries were ¥411 million and ¥132 million, respectively.

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, 2025

Consolidated Statement of Financial Position

Year Ended March 31, 2025

		Millions of Yen		Thousands of U.S. Dollars (Note 2 (5))
	Notes	March 31, 2024	March 31, 2025	March 31, 2025
Assets				
Current assets:				
Cash and cash equivalents	7, 34	¥ 166,141	¥ 204,567	\$ 1,363,777
Trade and other receivables	8, 34	136,066	135,022	900,146
Marketable securities	9, 34	—	4,479	29,861
Other financial assets	10, 34	38,454	1,334	8,895
Inventories	12	48,629	74,864	499,095
Other current assets	11, 21	24,306	34,838	232,255
Total current assets		413,596	455,104	3,034,029
Non-current assets:				
Property, plant, and equipment	13, 22	104,752	105,721	704,804
Goodwill	14	—	21,186	141,239
Intangible assets	15	57,288	330,041	2,200,276
Investment securities	9, 34	121,147	88,558	590,384
Investments in associates		115	—	—
Other financial assets	10, 34	173,113	7,944	52,957
Deferred tax assets	17	40,863	51,020	340,133
Other non-current assets	11	2,795	4,473	29,818
Total non-current assets		500,072	608,942	4,059,611
Total assets		¥ 913,668	¥ 1,064,046	\$ 7,093,641

		Millions of Yen		Thousands of U.S. Dollars (Note 2 (5))
	Notes	March 31, 2024	March 31, 2025	March 31, 2025
Liabilities and Equity				
Current liabilities:				
Trade and other payables	18, 34	¥ 60,691	¥ 89,329	\$ 595,530
Short-term borrowings	19	—	30,000	200,000
Lease liabilities	22	2,310	3,178	21,186
Other financial liabilities	20, 34	2,273	1,482	9,877
Income taxes payable		22,093	4,058	27,055
Other current liabilities	23	16,257	20,249	134,992
Total current liabilities		103,624	148,296	988,639
Non-current liabilities:				
Long-term borrowings	19	—	105,000	700,000
Lease liabilities	22	6,552	8,500	56,665
Other financial liabilities	20, 34	0	0	2
Retirement benefit liabilities	24	3,294	2,640	17,601
Deferred tax liabilities	17	1,013	10,817	72,115
Other non-current liabilities	23	580	590	3,934
Total non-current liabilities		11,439	127,548	850,317
Total liabilities		115,063	275,844	1,838,957
Equity:				
Share capital	25	17,358	17,358	115,722
Capital reserves	25	17,458	17,458	116,388
Treasury shares	25	(63,233)	(63,063)	(420,419)
Other components of equity	25	53,194	19,789	131,927
Retained earnings	25	768,183	790,908	5,272,723
Equity attributable to owners of the Company		792,961	782,451	5,216,341
Non-controlling interests		5,644	5,751	38,343
Total equity		798,604	788,203	5,254,684
Total liabilities and equity		¥ 913,668	¥ 1,064,046	\$ 7,093,641

Consolidated Statement of Income

Year Ended March 31, 2025

		<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2 (5))</i>
	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Revenue	6, 27	¥ 502,672	¥ 486,871	\$ 3,245,805
Cost of sales		(127,126)	(147,950)	(986,333)
Gross profit		375,547	338,921	2,259,472
Selling, general, and administrative expenses	28	(100,270)	(125,671)	(837,809)
Research and development costs		(112,174)	(149,866)	(999,105)
Other income	30	1,176	1,110	7,398
Other expenses	30	(4,343)	(4,746)	(31,642)
Operating profit		159,935	59,747	398,315
Finance income	31	4,027	4,774	31,825
Finance costs	31	(229)	(5,318)	(35,452)
Share of profit (loss) from investments in associates	16	1	125	834
Profit before tax		163,734	59,328	395,521
Income tax expense	17	(35,694)	(9,163)	(61,084)
Profit for the year		128,040	50,166	334,437
Profit for the year attributable to:				
Owners of the Company		127,977	50,047	333,647
Non-controlling interests		62	119	790
Profit for the year		¥ 128,040	¥ 50,166	\$ 334,437
Earnings per share:		<i>Yen</i>		<i>U.S. Dollars (Note 2 (5))</i>
Basic earnings per share	33	¥ 266.61	¥ 106.55	\$ 0.71
Diluted earnings per share	33	266.57	106.41	0.71

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2025

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 2 (5))
		For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Profit for the year		¥ 128,040	¥ 50,166	\$ 334,437
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net change on financial assets measured at fair value through other comprehensive income	32, 34	8,109	(6,517)	(43,447)
Remeasurement of defined benefit plans	32	23	259	1,727
Share of net change on financial assets measured at fair value through other comprehensive income of investments in associates	16, 32	(4)	(1)	(9)
Total of items that will not be reclassified to profit or loss		8,128	(6,259)	(41,729)
Items that may be reclassified subsequently to profit or loss:				
Net change on financial assets measured at fair value through other comprehensive income	32	—	61	407
Exchange differences on translation of foreign operations	32	2,124	(17,128)	(114,187)
Net change of fair value in cash flow hedge	32	(402)	2,066	13,773
Total of items that may be reclassified subsequently to profit or loss		1,722	(15,001)	(100,008)
Total other comprehensive income (loss)		9,850	(21,260)	(141,737)
Total comprehensive income for the year		137,890	28,905	192,701
Comprehensive income for the year attributable to:				
Owners of the Company		137,803	28,786	191,908
Non-controlling interests		87	119	792
Total comprehensive income for the year		¥ 137,890	¥ 28,905	\$ 192,701

Consolidated Statement of Changes in Equity

Year Ended March 31, 2025

Millions of Yen									
Equity attributable to owners of the Company									
	Note s	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, 2023		¥ 17,358	¥ 17,080	¥ (54,161)	¥ 51,701	¥ 709,890	¥ 741,869	¥ 5,944	¥ 747,812
Profit for the year						127,977	127,977	62	128,040
Other comprehensive income	32				9,825		9,825	25	9,850
Total comprehensive income for the year		—	—	—	9,825	127,977	137,803	87	137,890
Purchase of treasury shares	25			(50,010)			(50,010)		(50,010)
Retirement of treasury shares	25		(40,852)	40,852			—		—
Disposal of treasury shares	25		(1)	86			86		86
Cash dividends	26					(37,208)	(37,208)	(9)	(37,217)
Share-based payments	35		44				44		44
Changes in ownership interest in subsidiaries			378				378	(378)	—
Transfer from retained earnings to capital reserves			40,808			(40,808)	—		—
Transfer from other components of equity to retained earnings	25				(8,332)	8,332	—		—
Total transactions with the owners		—	378	(9,072)	(8,332)	(69,684)	(86,711)	(387)	(87,098)
Balance at March 31, 2024		¥ 17,358	¥ 17,458	¥ (63,233)	¥ 53,194	¥ 768,183	¥ 792,961	¥ 5,644	¥ 798,604
Profit for the year						50,047	50,047	119	50,166
Other comprehensive income (loss)	32				(21,261)		(21,261)	0	(21,260)
Total comprehensive income (loss) for the year		—	—	—	(21,261)	50,047	28,786	119	28,905
Purchase of treasury shares	25			(1)			(1)		(1)
Disposal of treasury shares	25		(53)	138			85		85
Cash dividends	26					(37,574)	(37,574)	(11)	(37,585)
Share-based payments	35		47				47		47
Change in scope of equity method				34			34		34
Transfer from retained earnings to capital reserves			6			(6)	—		—
Transfer from other components of equity to retained earnings	25				(10,258)	10,258	—		—
Transfer to non-financial assets					(1,886)		(1,886)		(1,886)
Total transactions with the owners		—	—	171	(12,145)	(27,322)	(39,296)	(11)	(39,307)
Balance at March 31, 2025		¥ 17,358	¥ 17,458	¥ (63,063)	¥ 19,789	¥ 790,908	¥ 782,451	¥ 5,751	¥ 788,203

Thousands of U.S. Dollars (Note 2 (5))									
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, 2024		\$ 115,722	\$ 116,388	\$ (421,556)	\$ 354,630	\$ 5,121,222	\$ 5,286,404	\$ 37,625	\$5,324,030
Profit for the year						333,647	333,647	790	334,437
Other comprehensive income (loss)	32				(141,739)		(141,739)	2	(141,737)
Total comprehensive income (loss) for the year		—	—	—	(141,739)	333,647	191,908	792	192,701
Purchase of treasury shares	25			(7)			(7)		(7)
Disposal of treasury shares	25		(353)	922			568		568
Cash dividends	26					(250,495)	(250,495)	(75)	(250,569)
Share-based payments	35		315				315		315
Change in scope of equity method				223			223		223
Transfer from retained earnings to capital reserves			39			(39)	—		—
Transfer from other components of equity to retained earnings	25				(68,388)	68,388	—		—
Transfer to non-financial assets					(12,576)		(12,576)		(12,576)
Total transactions with the owners		—	—	1,138	(80,964)	(182,145)	(261,972)	(75)	(262,046)
Balance at March 31, 2025		\$ 115,722	\$ 116,388	\$ (420,419)	\$ 131,927	\$ 5,272,723	\$ 5,216,341	\$ 38,343	\$ 5,254,684

Consolidated Statement of Cash Flows

Year Ended March 31, 2025

		<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars (Note 2 (5))</i>
	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Cash flows from operating activities				
Profit before tax		¥ 163,734	¥ 59,328	\$ 395,521
Depreciation and amortization		18,140	26,894	179,292
Impairment losses		14,885	7,981	53,208
Interest and dividend income		(3,574)	(4,632)	(30,878)
Interest expense		92	1,408	9,386
(Increase) decrease in inventories		(3,420)	12,435	82,900
(Increase) decrease in trade and other receivables		(19,782)	7,391	49,270
Increase (decrease) in trade and other payables		(1,835)	20,909	139,396
Increase (decrease) in retirement benefit liabilities		(22)	(275)	(1,835)
Increase (decrease) in accrued consumption tax		(3,899)	(2,123)	(14,154)
Other		197	(4,870)	(32,464)
Subtotal		164,517	124,446	829,642
Interest received		221	1,074	7,163
Dividends received		2,445	2,407	16,047
Interest paid		(92)	(1,408)	(9,386)
Income taxes paid		(56,431)	(44,060)	(293,737)
Net cash provided by (used in) operating activities		110,660	82,459	549,729
Cash flows from investing activities				
Purchases of property, plant, and equipment		(4,020)	(5,431)	(36,208)
Proceeds from sales of property, plant, and equipment		903	9	58
Purchases of intangible assets		(16,809)	(2,559)	(17,058)
Purchases of investments		(3,399)	(2,858)	(19,054)
Proceeds from sales and redemption of investments		17,689	37,360	249,068
Payments into time deposits		(33,332)	(1,217)	(8,111)
Proceeds from withdrawal of time deposits		88,332	203,479	1,356,525
Payments of the acquisition of subsidiaries	38	—	(364,816)	(2,432,106)
Other		(1,287)	(752)	(5,012)
Net cash provided by (used in) investing activities		48,077	(136,785)	(911,898)
Cash flows from financing activities				
Dividends paid		(37,183)	(37,516)	(250,104)
Dividends paid to non-controlling interests		(9)	(11)	(74)
Repayment of long-term borrowings	19,34	—	(15,000)	(100,000)
Proceeds from long-term borrowings		—	150,000	1,000,000
Repayments of lease liabilities		(2,645)	(3,173)	(21,155)
Purchases of treasury shares		(50,010)	(1)	(7)
Net cash provided by (used in) financing activities		(89,848)	94,299	628,660
Net increase (decrease) in cash and cash equivalents				
		68,889	39,974	266,491
Cash and cash equivalents at the beginning of the year				
		96,135	166,141	1,107,604
Effects of exchange rate changes on cash and cash equivalents				
		1,116	(1,548)	(10,319)
Cash and cash equivalents at the end of the year	7	¥ 166,141	¥ 204,567	\$ 1,363,777

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

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 consolidated 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 (IFRS) Accounting Standards

Pursuant to the provision of Article 312 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, Item 1 of the Ordinance, and the consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards.

(2) Basis of Measurement

Except for the financial instruments and others described in “3. Material 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(4) Changes in Accounting Policies

The Group has applied the standards and interpretations that became mandatory in the current consolidated fiscal year. These have no significant impact on the consolidated financial statements.

(5) 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 ¥150 to \$1, the approximate rate of exchange at March 31, 2025. 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

3. Material Accounting Policies

The material 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. Additionally, if the fiscal year-end of a subsidiary differs from the Company's one, we use the subsidiary's financial figures based on a provisional closing conducted as of the consolidated fiscal year-end.

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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.

For debt financial assets measured at fair value through other comprehensive income, changes in fair value are recognized as other comprehensive income until the financial assets are derecognized or reclassified, excluding impairment gains or losses and foreign exchange gains or losses. Upon derecognition of the financial assets, the other comprehensive income previously recognized is reclassified to net profit or loss.

(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

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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 and interest rate swaps as derivatives to address the risk of foreign exchange and interest rate fluctuations. Derivatives 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 derivatives 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.

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

⑤ Hedge Accounting

The Group designates forward foreign exchange contracts and interest rate swaps that are derivatives in respect of addressing the risk of foreign exchange and interest 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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 or by referring to prices provided by counterpart financial institutions.

(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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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 of disposal 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 of disposal, an appropriate valuation model is used based on available fair value indices.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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) Goodwill

Goodwill is recorded at acquisition cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or the groups of cash-generating units that are expected to benefit from the synergies of business combinations. Impairment test is conducted annually at a certain time and whenever indications of impairment are recognized. If the recoverable amount of a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in net profit or loss.

Impairment losses recognized to a cash-generating unit or group of cash-generating units are firstly allocated to the carrying amount of goodwill allocated to that unit or group, and then to proportionally the carrying amounts of other assets within the unit or group.

Impairment losses recognized for goodwill are not reversed in subsequent periods.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(9) Intangible Assets

① Intangible Assets Acquired Separately and Acquired through Business Combinations

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

- (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 of disposal or its value in use. The recoverable amount is computed by discounting the estimated future cash flows to the present value and calculated by using management assumptions such as the potential sales periods based on the progress of research and development activities, the

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate.

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

(10) 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.

(11) 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

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

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.

(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

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

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.

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

In cases where transactions for royalty revenue, etc. include significant financing components, revenue is measured at present value based on the effective interest rate. However, in cases where the revenue is expected to be received within one year from the vesting under the contract, adjustments for significant financing components are not made.

(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 unused tax credits and unused 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:

- Taxable temporary differences arising from the initial recognition of goodwill.
- Taxable or deductible temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profit nor taxable income at the time of the transaction, and do not give rise to equal future taxable and deductible temporary differences at the time of the transaction.

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

- 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.

The Group reflects uncertainty in determining taxable income and related amounts when there is uncertainty about whether tax authorities will accept the tax treatment.

Furthermore, the Group has applied the exceptions to recognition and disclosure about deferred tax assets and deferred tax liabilities for income taxes arising from tax systems enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (OECD).

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.

(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

Notes to Consolidated Financial Statements
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period. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential ordinary shares.

(16) Share-based Payments

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.

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.

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Year Ended March 31, 2025

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:

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(1) Impairment of intangible assets and goodwill

(Note 3(8) • (9)③, Note 14, 15)

- ① Amounts recorded in the consolidated financial statement for the fiscal years ended March 31, 2024 and 2025 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Intangible assets (patents and licenses, etc.)	¥ 49,746	¥ 38,819	\$ 258,794
Intangible assets acquired through the business combination with Deciphera Pharmaceuticals, Inc.	¥ —	¥ 284,003	\$ 1,893,353
Goodwill	¥ —	¥ 21,186	\$ 141,239

- 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 life or intangible assets and goodwill 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 of disposal or its value in use. The recoverable amount is computed by discounting the estimated future cash flows to the present value. The recoverable amount is calculated by using management assumptions such as the potential sales periods based on the progress of research and development activities, the estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate.

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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), 17)

- ① Amounts recorded in the consolidated financial statement for the fiscal years ended March 31, 2024 and 2025 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Deferred tax assets	¥ 40,863	¥ 51,020	\$ 340,133

- 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(11), 24)

- ① Amounts recorded in the consolidated financial statement for the fiscal year ended March 31, 2025 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Retirement benefit liabilities	¥ 3,294	¥ 2,640	\$ 17,601

- ② Information on significant accounting estimates for the identified item:

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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 uncertain future economic conditions. If they need to be revised, the changes could significantly impact the amounts recognized in the consolidated financial statements.

(4) Intangible assets acquired through the business combination with Deciphera
(Note 3(9)①, 15, 38)

- ① Amounts recorded in the consolidated financial statement for the fiscal year ended March 31, 2025 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Intangible assets acquired through the business combination with Deciphera	¥ —	¥ 284,003	\$1,893,353

② Information on significant accounting estimates for the identified item:

In the current consolidated fiscal year, the Group acquired shares of Deciphera and Deciphera became a consolidated subsidiary. The fair value of the intangible assets acquired through this business combination at the acquisition date was calculated using the income approach (excess earnings method). This approach involved discounting the future cash flows expected to be generated from the intangible assets, based on the business plan used in the valuation of the company, with the assistance of external experts. The key assumptions used in measuring the fair value included the expected sales periods based on the progress of research and development activities, the estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate.

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

If a revision of the assumptions used in measuring the fair value is needed due to a future event, it may have an impact on the future performance of the Group.

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 “40. Approval of Consolidated Financial Statements” on March 31, 2025. 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 Accounting Standards		Mandatory application (from the year beginning)	To be applied by the Group	Subject of new standard / amendment
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	<ul style="list-style-type: none"> • Improvement of comparability of income statements • Improvement of transparency of management-defined performance measures (MPMs) • More useful grouping of information in financial statements

The impact of the application of IFRS 18 on the Group’s consolidated financial statements is under consideration.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Revenue of goods and products	¥ 316,979	¥ 330,763	\$ 2,205,090
Royalty and others	185,693	156,107	1,040,715
Total	<u>¥ 502,672</u>	<u>¥ 486,871</u>	<u>\$ 3,245,805</u>

(3) Revenue by Geographic Area

Details of revenue by geographic area are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Japan	¥ 308,229	¥ 295,247	\$ 1,968,314
Americas	158,933	167,048	1,113,655
Asia	13,585	16,343	108,952
Europe	21,926	7,503	50,023
Others	—	729	4,862
Total	<u>¥ 502,672</u>	<u>¥ 486,871</u>	<u>\$ 3,245,805</u>

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(4) Major Customers

Details of revenue from major customers are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Bristol-Myers Squibb Company and the group	¥ 108,082	¥ 124,431	\$ 829,541
MEDIPAL HOLDINGS CORPORATION and the group	¥ 72,714	¥ 71,876	\$ 479,173
SUZUKEN CO., LTD. and the group	¥ 65,218	¥ 60,674	\$ 404,493
Alfresa Holdings Corporation and the group	¥ 50,451	¥ 48,819	\$ 325,458

7. Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
(Cash and cash equivalents)			
Cash and deposits	¥ 166,141	¥ 199,754	\$ 1,331,694
Short-term investments	—	4,812	32,082
Cash and cash equivalents in the consolidated statement of financial position	¥ 166,141	¥ 204,567	\$ 1,363,777
Cash and cash equivalents in the consolidated statement of cash flows	¥ 166,141	¥ 204,567	\$ 1,363,777

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

8. Trade and Other Receivables

Details of trade and other receivables are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Notes receivable	¥ 1,429	¥ 507	\$ 3,381
Trade accounts receivable	129,012	128,127	854,181
Other accounts receivable	5,630	6,393	42,620
Allowance for doubtful accounts	(5)	(5)	(36)
Total	¥ 136,066	¥ 135,022	\$ 900,146

Notes: 1. Credit risk management is described in “34. Financial Instruments.”

2. Trade and other receivables with collection periods longer than 12 months were ¥11,003 million, and ¥5,656 million (\$37,706 thousand) for the fiscal year ended March 31, 2024 and 2025, respectively.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

9. Marketable Securities and Investment Securities

(1) Details

Details of marketable securities and investment securities are as follows:

			<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
Classification			March 31, 2024	March 31, 2025	March 31, 2025
Marketable securities	Financial assets measured at FVOCI	Bonds	¥ —	¥ 4,439	\$ 29,594
	Financial assets measured at amortized cost	Bonds	—	40	267
	Total		¥ —	¥ 4,479	\$ 29,861
Investment securities	Financial assets measured at FVOCI	Stock	¥ 114,160	¥ 80,578	\$ 537,188
		Bonds	—	87	579
	Financial assets measured at FVPL	Other	6,767	7,693	51,284
	Financial assets measured at amortized cost	Bonds	220	200	1,333
	Total		¥ 121,147	¥ 88,558	\$ 590,384

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Major Holdings of Issues and Fair Value

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

For the fiscal year ended March 31, 2024

Description	<i>Millions of Yen</i>
DAIKIN INDUSTRIES, LTD.	¥ 12,090
Santen Pharmaceutical Co., Ltd.	9,533
NISSIN FOODS HOLDINGS CO., LTD.	7,749
Nissan Chemical Corporation	7,720
Kikkoman Corporation	7,059
T&D Holdings, Inc.	6,596
Astellas Pharma Inc.	5,442
Kurita Water Industries Ltd.	4,569
Yakult Honsha Co., Ltd.	4,157
SHIMADZU CORPORATION	3,887

For the fiscal year ended March 31, 2025

Description	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Santen Pharmaceutical Co., Ltd.	¥ 8,798	\$ 58,652
DAIKIN INDUSTRIES, LTD.	7,579	50,529
NISSIN FOODS HOLDINGS CO., LTD.	5,633	37,552
T&D Holdings, Inc.	5,374	35,824
Kikkoman Corporation	5,166	34,440
Otsuka Holdings Co., Ltd.	3,637	24,246
SHIMADZU CORPORATION	3,428	22,852
OSAKA SODA Co., Ltd.	2,842	18,947
FUJIMOTO CHEMICALS CO., LTD.	2,448	16,319
Nippon Shinyaku Co., Ltd.	2,357	15,715

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(3) Dividends Received

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Stock held at year-end	¥ 2,164	¥ 1,741	\$11,606
Stock disposed during the year	279	664	4,430
Total	¥ 2,443	¥ 2,405	\$16,036

(4) Equity Financial Instruments Measured at FVOCI Disposed During the Year

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

	<i>Millions of Yen</i>				<i>Thousands of U.S. Dollars</i>	
	For the year ended March 31, 2024		For the year ended March 31, 2025		For the year ended March 31, 2025	
	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	¥ 17,669	¥ 11,970	¥ 24,818	¥ 14,321	\$ 165,454	\$ 95,474

- 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 ¥8,309 million and ¥9,999 million (\$66,661 thousand) for the years ended March 31, 2024 and 2025, respectively.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

10. Other Financial Assets

Details of other financial assets are as follows:

		<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
Classification		March 31, 2024	March 31, 2025	March 31, 2025
(Current assets)				
Time deposits	Financial assets measured at amortized cost	¥ 38,454	¥ 1,213	\$ 8,085
Others	—	—	122	810
	Total	¥ 38,454	¥ 1,334	\$ 8,895
(Non-current assets)				
Long-term time deposits	Financial assets measured at amortized cost	¥ 165,000	¥ —	\$ —
Insurance reserve fund	Financial assets measured at FVPL	8,113	7,944	52,957
	Total	¥ 173,113	¥ 7,944	\$ 52,957

11. Other Assets

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

		<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
		March 31, 2024	March 31, 2025	March 31, 2025
(Other current assets)				
Prepaid expenses		¥ 14,699	¥ 20,670	\$ 137,797
Consumption tax receivables		112	3,985	26,564
Advance payments		1,375	2,089	13,927
Others		8,120	8,095	53,967
	Total	¥ 24,306	¥ 34,838	\$ 232,255
(Other non-current assets)				
Lease deposits		¥ 802	¥ 1,281	\$ 8,537
Long-term prepaid expenses		469	425	2,833
Others		1,524	2,767	18,447
	Total	¥ 2,795	¥ 4,473	\$ 29,818

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

12. Inventories

Details of inventories are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Merchandise and finished goods	¥ 24,953	¥ 36,915	\$ 246,100
Work in process	5,667	20,048	133,653
Raw materials and supplies	18,009	17,901	119,343
Total	<u>¥ 48,629</u>	<u>¥ 74,864</u>	<u>\$ 499,095</u>
Inventories that are expected to be recovered more than 12 months (Note 2)	<u>¥ —</u>	<u>¥ 14,681</u>	<u>\$ 97,876</u>

- Note: 1. Inventories recognized as expenses for the years ended March 31, 2024 and 2025, amounted to ¥62,008 million and ¥79,842 million (\$532,283 thousand), respectively. In addition, the write-downs of inventories recognized as an expense for the years ended March 31, 2024 and 2025, were ¥856 million and ¥1,883 million (\$12,551 thousand), respectively.
2. The amounts listed above are related to inventories of merchandise, finished goods, and work in process that are expected to be recovered in more than 12 months.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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

	<i>Millions of Yen</i>					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2023	¥ 30,955	¥ 122,700	¥ 30,274	¥ 30,361	¥ 1,500	¥ 215,790
Acquisition	159	3,419	470	1,528	819	6,396
Transfer	0	248	669	279	(1,197)	—
Sale or disposal	(216)	(1,764)	(576)	(1,473)	(38)	(4,067)
Exchange differences on translation of foreign operations	—	698	—	56	0	754
Other	—	—	—	—	(117)	(117)
Balance at March 31, 2024	¥ 30,899	¥ 125,301	¥ 30,836	¥ 30,751	¥ 968	¥ 218,756
Acquisition	154	3,712	961	2,801	1,519	9,147
Acquisition through business combinations	—	4,590	—	569	23	5,182
Transfer	—	342	151	291	(784)	—
Sale or disposal	(270)	(3,131)	(998)	(1,589)	—	(5,988)
Exchange differences on translation of foreign operations	—	(718)	—	(192)	(2)	(912)
Other	—	—	—	—	(76)	(76)
Balance at March 31, 2025	¥ 30,783	¥130,097	¥ 30,950	¥ 32,632	¥ 1,648	¥226,110

	<i>Thousands of U.S. Dollars</i>					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2024	\$ 205,991	\$ 835,343	\$ 205,576	\$ 205,009	\$ 6,456	\$ 1,458,375
Acquisition	1,028	24,745	6,406	18,674	10,127	60,980
Acquisition through business combinations	—	30,600	—	3,795	153	34,548
Transfer	—	2,281	1,009	1,939	(5,229)	—
Sale or disposal	(1,799)	(20,873)	(6,655)	(10,592)	—	(39,919)
Exchange differences on translation of foreign operations	—	(4,786)	—	(1,278)	(13)	(6,078)
Other	—	—	—	—	(507)	(507)
Balance at March 31, 2025	\$ 205,220	\$ 867,310	\$ 206,336	\$ 217,548	\$ 10,986	\$ 1,507,399

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

March 31, 2025

Accumulated depreciation and accumulated impairment losses

<i>Millions of Yen</i>						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2023	¥ (996)	¥ (67,156)	¥ (19,405)	¥ (19,813)	¥ —	¥(107,370)
Depreciation	(251)	(5,951)	(1,562)	(2,311)	—	(10,075)
Impairment losses	—	(6)	—	(8)	(38)	(51)
Sale or disposal	98	1,616	560	1,436	38	3,749
Exchange differences on translation of foreign operations	—	(224)	—	(33)	—	(257)
Other	—	—	—	—	—	—
Balance at March 31, 2024	<u>¥ (1,148)</u>	<u>¥ (71,721)</u>	<u>¥ (20,407)</u>	<u>¥ (20,729)</u>	<u>¥ —</u>	<u>¥ (114,004)</u>
Depreciation	(210)	(6,467)	(1,487)	(2,401)	—	(10,565)
Impairment losses	—	(1,907)	(10)	(63)	—	(1,981)
Sale or disposal	137	2,970	985	1,541	—	5,632
Exchange differences on translation of foreign operations	—	378	—	151	—	529
Other	—	—	—	—	—	—
Balance at March 31, 2025	<u>¥ (1,221)</u>	<u>¥ (76,748)</u>	<u>¥ (20,919)</u>	<u>¥ (21,501)</u>	<u>¥ —</u>	<u>¥ (120,389)</u>

<i>Thousands of U.S. Dollars</i>						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2024	\$ (7,654)	\$ (478,142)	\$ (136,043)	\$ (138,190)	\$ —	\$ (760,029)
Depreciation	(1,399)	(43,115)	(9,914)	(16,005)	—	(70,434)
Impairment losses	—	(12,717)	(70)	(421)	—	(13,208)
Sale or disposal	910	19,802	6,566	10,271	—	37,550
Exchange differences on translation of foreign operations	—	2,521	—	1,005	—	3,526
Other	—	—	—	—	—	—
Balance at March 31, 2025	<u>\$ (8,143)</u>	<u>\$ (511,650)</u>	<u>\$ (139,461)</u>	<u>\$ (143,341)</u>	<u>\$ —</u>	<u>\$ (802,595)</u>

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Carrying amount

<i>Millions of Yen</i>						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at April 1, 2023	¥ 29,960	¥ 55,544	¥ 10,869	¥ 10,548	¥ 1,500	¥ 108,420
Balance at March 31, 2024	¥ 29,751	¥ 53,580	¥ 10,430	¥ 10,023	¥ 968	¥ 104,752
Balance at March 31, 2025	¥ 29,562	¥ 53,349	¥ 10,031	¥ 11,131	¥ 1,648	¥ 105,721

<i>Thousands of U.S. Dollars</i>						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Construction in progress	Total
Balance at March 31, 2025	\$ 197,077	\$ 355,660	\$ 66,875	\$ 74,207	\$ 10,986	\$ 704,804

- 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 “22. Leases”.
3. Commitments related to property, plant, and equipment purchases are described in “39. Commitments for Expenditure”.
4. Acquisition through business combinations is described in “38. Business Combinations”.

(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 ¥51 million and ¥1,981 million (\$13,208 thousand) for the years ended March 31, 2024 and 2025, respectively, which are included in “Other expenses” in the consolidated statement of income.

The impairment losses recognized in the previous and current consolidated fiscal years arise from the reduction of the carrying amount of assets that are not expected to be used in the future to their recoverable amount. For assets that are

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

not expected to be used in the future, such as assets scheduled for disposal or idle assets, the recoverable amount is determined based on fair value less costs of disposal, which is considered to be zero. For other assets, the recoverable amount is determined based on their value in use.

Value in use is calculated by discounting estimated future cash flows to their present value. The discount rate used reflects the time value of money and the risks specific to the asset that have not been adjusted in the estimated future cash flows, using a pre-tax rate. The discount rate used by the Group for measuring value in use is based on the weighted average cost of capital, and the pre-tax discount rate for the current consolidated fiscal year is 10.7% to 10.8%. There were no applicable cases in the previous consolidated fiscal year.

14. Goodwill

(1) Schedule of Movements

The movements in the cost and accumulated impairment losses of goodwill are as follows:

	<i>Millions of Yen</i>		
	Cost	Accumulated impairment losses	Carrying amount
Balance at April 1, 2023	¥ —	¥ —	¥ —
Acquisition through business combinations	—	—	—
Balance at March 31, 2024	¥ —	¥ —	¥ —
Acquisition through business combinations	22,822	—	22,822
Exchange differences on translation of foreign operations	(1,636)	—	(1,636)
Balance at March 31, 2025	¥ 21,186	¥ —	¥ 21,186

	<i>Thousands of U.S. Dollars</i>		
	Cost	Accumulated impairment losses	Carrying amount
Balance at March 31, 2024	\$ —	\$ —	\$ —
Acquisition through business combinations	152,150	—	152,150
Exchange differences on translation of foreign operations	(10,910)	—	(10,910)
Balance at March 31, 2025	\$ 141,239	\$ —	\$ 141,239

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Note: The acquisition in the current consolidated fiscal year through the business combination is due to the acquisition of Deciphera. For more details, please refer to “38 Business Combinations”.

(2) Goodwill Impairment Test

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the acquisition through business combinations. An impairment test is performed annually at a certain time and whenever indications of impairment are recognized. In the impairment test, if the recoverable amount of a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss.

The carrying amount of goodwill allocated to cash-generating units or groups of cash-generating units is as follows.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Cash-generating units			
Deciphera Group	¥ —	¥ 21,186	\$ 141,239

The recoverable amount is determined as the fair value less costs of disposal. It is calculated by discounting the estimated future cash flows, based on a 16-year forecast, to their present value and then deducting the estimated costs of disposal. In the impairment test for the current consolidated fiscal year, the discount rate used to calculate the fair value less costs of disposal was 11.2%, which is the post-tax weighted average cost of capital, and the growth rate was 0.0%.

The future forecast includes sales projections for specific products, which are based on assumptions made by management, such as the expected sales periods based on the progress of research and development activities, the estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate. In setting these sales projections, the Group considers experience, external sources of information, and industry trends. Since this valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

The fair value significantly exceeds the carrying amount of the cash-generating unit, and we believe that even if the key assumptions used in the fair value calculation were to vary within a reasonable range, it would be unlikely that the fair value fall below the carrying amount.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

15. 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

	<i>Millions of Yen</i>			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2023	¥ 99,220	¥ 15,454	¥ 1,090	¥ 115,765
Acquisition	9,555	1,051	772	11,377
Transfer	—	625	(625)	—
Disposal	—	(1,154)	(113)	(1,266)
Exchange differences on translation of foreign operations	—	10	—	10
Other	—	—	(95)	(95)
Balance at March 31, 2024	¥ 108,775	¥ 15,986	¥ 1,029	¥ 125,790
Acquisition	1,090	813	805	2,707
Acquisition through business combinations	315,036	—	—	315,036
Transfer	—	597	(597)	—
Disposal	(5,800)	(1,064)	(14)	(6,878)
Exchange differences on translation of foreign operations	(22,591)	(5)	—	(22,595)
Other	—	—	(52)	(52)
Balance at March 31, 2025	¥ 396,511	¥ 16,326	¥ 1,171	¥ 414,008

	<i>Thousands of U.S. Dollars</i>			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2024	\$ 725,169	\$ 106,572	\$ 6,860	\$ 838,601
Acquisition	7,268	5,417	5,363	18,049
Acquisition through business combinations	2,100,242	—	—	2,100,242
Transfer	—	3,978	(3,978)	—
Disposal	(38,667)	(7,094)	(92)	(45,852)
Exchange differences on translation of foreign operations	(150,604)	(31)	—	(150,635)
Other	—	—	(349)	(349)
Balance at March 31, 2025	\$ 2,643,409	\$ 108,842	\$ 7,804	\$ 2,760,055

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Accumulated amortization and accumulated impairment losses

	<i>Millions of Yen</i>			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2023	¥ (37,771)	¥ (8,464)	¥ (396)	¥ (46,631)
Amortization	(6,424)	(1,640)	(1)	(8,065)
Disposal	—	1,008	27	1,035
Impairment losses	(14,834)	—	—	(14,834)
Exchange differences on translation of foreign operations	—	(8)	—	(8)
Other	—	—	—	—
Balance at March 31, 2024	¥ (59,030)	¥ (9,103)	¥ (370)	¥ (68,502)
Amortization	(14,635)	(1,691)	(1)	(16,328)
Disposal	5,800	886	—	6,686
Impairment losses	(6,000)	—	—	(6,000)
Exchange differences on translation of foreign operations	175	4	—	179
Other	—	(1)	—	(1)
Balance at March 31, 2025	¥ (73,689)	¥ (9,906)	¥ (371)	¥ (83,967)

	<i>Thousands of U.S. Dollars</i>			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2024	\$ (393,530)	\$ (60,686)	\$ (2,467)	\$ (456,683)
Amortization	(97,566)	(11,276)	(10)	(108,851)
Disposal	38,667	5,904	—	44,571
Impairment losses	(40,000)	—	—	(40,000)
Exchange differences on translation of foreign operations	1,167	25	—	1,192
Other	—	(8)	—	(8)
Balance at March 31, 2025	\$ (491,262)	\$ (66,041)	\$ (2,476)	\$ (559,779)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Carrying amount

	<i>Millions of Yen</i>			
	Patents and licenses	Software	Others	Total
Balance at April 1, 2023	¥ 61,449	¥ 6,990	¥ 695	¥ 69,134
Balance at March 31, 2024	¥ 49,746	¥ 6,883	¥ 659	¥ 57,288
Balance at March 31, 2025	¥ 322,822	¥ 6,420	¥ 799	¥ 330,041

	<i>Thousands of U.S. Dollars</i>			
	Patents and licenses	Software	Others	Total
Balance at March 31, 2025	\$2,152,147	\$ 42,801	\$ 5,328	\$2,200,276

- 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 ¥13,461 million and ¥8,655 million (\$ 57,698 thousand) as of March 31, 2024 and 2025, 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 “39. Commitments for Expenditure.
4. The acquisition through business combinations in the current consolidated fiscal year is due to the acquisition of Deciphera. For more details, please refer to "38. Business Combinations".

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Significant Intangible Assets

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

Item	Details	Millions of Yen		Thousands of U.S. Dollars
		March 31, 2024	March 31, 2025	March 31, 2025
QINLOCK	Sales License	¥ —	¥ 137,476	\$ 916,506
ROMVIMZA	Sales License	¥ —	¥ 146,527	\$ 976,847
FORXIGA	Sales License	¥ 18,186	¥ 15,451	\$ 103,010
KYPROLIS	Sales License	¥ 9,112	¥ 7,692	\$ 51,282

Note: The remaining amortization period for intangible assets that have already begun amortization was 6 to 7 years in the previous consolidated fiscal year and is 5 to 15 years in the current consolidated fiscal year. For those that have not yet begun amortization, an impairment test is conducted annually.

(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 of disposal 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 the expected sales periods based on the progress of research and development activities, the

Notes to Consolidated Financial Statements
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estimated sales volume based on the expected unit price and the expected number of patients, and the discount rate.

The discount rate used reflects the time value of money and the risks inherent to the asset with 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 5.5% to 11.1% for the year ended March 31, 2024 and from 10.4% to 21.4% for the year ended March 31, 2025, respectively.

As a result of impairment testing, the Group recognized impairment losses of ¥11,134 million for sales licenses (mainly Joyclu intra-articular injection and Parsabiv intravenous injection) and ¥3,700 million for in-process research and development costs for the fiscal year ended March 31, 2024, and ¥6,000 million (\$40,000 thousand) for in-process research and development costs for the fiscal year ended March 31, 2025. 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 were recognized due to the discontinuation of a 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.

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16. Investments in Associates

(1) Detail of investment profit (loss) accounted for using the equity method is as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Share of profit (loss) from investments in associates	¥ 1	¥ 3	\$ 21
Gain on sales of stocks of affiliates	—	122	813
Total comprehensive income attributable to the Group	¥ 1	¥ 125	\$ 834

Note: The gain on the sale of stocks of affiliates is due to the sale of all shares of Namicos Co., Ltd., which was an affiliated company.

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Profit (loss) from continuing operations attributable to the Group	¥ 1	¥ 3	\$ 21
Other comprehensive income attributable to the Group	(4)	(1)	(9)
Total comprehensive income attributable to the Group	¥ (3)	¥ 2	\$ (12)

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

Notes to Consolidated Financial Statements
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17. Income Taxes

(1) Deferred Income Taxes

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Deferred tax assets	¥ 40,863	¥ 51,020	\$ 340,133
Deferred tax liabilities	1,013	10,817	72,115
Net	¥ 39,850	¥ 40,203	\$ 268,017

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

For the year ended March 31, 2024

	<i>Millions of Yen</i>			
	Balance at March 31, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2024
Deferred tax assets				
Accrued bonuses	¥ 1,832	¥ 179	¥ —	¥ 2,010
Accrued enterprise tax	2,168	(639)	—	1,529
Expenses for research and development commissions and others	36,930	2,553	—	39,483
Investment securities	41	0	(7)	35
Property, plant, and equipment	2,271	(156)	—	2,115
Intangible assets	707	4,373	—	5,079
Retirement benefit liabilities	2,992	(8)	(10)	2,973
Other accounts payable	6,359	(2,290)	—	4,068
Lease liabilities	2,259	(114)	—	2,145
Others	9,677	266	177	10,120
Total	¥ 65,235	¥ 4,163	¥ 160	¥ 69,557
Deferred tax liabilities				
Property, plant, and equipment	¥ (4,171)	¥ (95)	¥ —	¥ (4,266)
Intangible assets	(739)	735	—	(4)
Investment securities	(23,498)	14	98	(23,386)
Right-of-use assets	(2,204)	153	—	(2,052)
Others	(1)	1	—	—
Total	¥ (30,613)	¥ 808	¥ 98	¥ (29,708)
Net	¥ 34,622	¥ 4,971	¥ 257	¥ 39,850

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For the year ended March 31, 2025

<i>Millions of Yen</i>					
	Balance at April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Balance at March 31, 2025
Deferred tax assets					
Accrued bonuses	¥ 2,010	¥ (101)	¥ —	¥ 329	¥ 2,238
Accrued enterprise tax	1,529	(1,032)	—	—	498
Expenses for research and development commissions and others	39,483	(1,162)	—	16,501	54,822
Investment securities	35	(6)	(2)	—	27
Property, plant, and equipment	2,115	65	—	—	2,181
Intangible assets	5,079	6,322	—	127	11,528
Retirement benefit liabilities	2,973	3	(119)	0	2,857
Other accounts payable	4,068	(687)	—	771	4,152
Lease liabilities	2,145	(163)	—	949	2,931
Unused tax losses and unused tax credits	—	(2,507)	—	48,601	46,093
Others	10,120	1,014	(79)	301	11,356
Total	<u>¥ 69,557</u>	<u>¥1,746</u>	<u>¥ (200)</u>	<u>67,579</u>	<u>¥ 138,682</u>
Deferred tax liabilities					
Property, plant, and equipment	¥(4,266)	¥ (51)	¥ —	¥ (15)	¥ (4,332)
Intangible assets	(4)	6,971	—	(76,851)	(69,883)
Investment securities	(23,386)	434	6,796	—	(16,157)
Right-of-use assets	(2,052)	533	—	(1,170)	(2,689)
Others	—	3,690	—	(9,109)	(5,419)
Total	<u>¥(29,708)</u>	<u>¥ 11,577</u>	<u>¥ 6,796</u>	<u>(87,144)</u>	<u>¥ (98,479)</u>
Net	<u>¥ 39,850</u>	<u>¥ 13,323</u>	<u>¥ 6,596</u>	<u>¥ (19,566)</u>	<u>¥ 40,203</u>

Notes to Consolidated Financial Statements
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<i>Thousands of U.S. Dollars</i>					
	Balance at April 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Business Combinations	Balance at March 31, 2025
Deferred tax assets					
Accrued bonuses	\$ 13,401	\$ (676)	\$ –	\$ 2,195	\$ 14,920
Accrued enterprise tax	10,196	(6,877)	–	–	3,319
Expenses for research and development commissions and others	263,218	(7,744)	–	110,005	365,479
Investment securities	231	(41)	(10)	–	179
Property, plant, and equipment	14,102	436	–	–	14,537
Intangible assets	33,863	42,144	–	844	76,851
Retirement benefit liabilities	19,822	18	(794)	2	19,048
Other accounts payable	27,122	(4,582)	–	5,141	27,681
Lease liabilities	14,298	(1,086)	–	6,327	19,539
Unused tax losses and unused tax credits	–	(16,715)	–	324,004	307,289
Others	67,464	6,762	(528)	2,006	75,705
Total	<u>\$ 463,716</u>	<u>\$ 11,638</u>	<u>\$ (1,332)</u>	<u>\$ 450,524</u>	<u>\$ 924,547</u>
Deferred tax liabilities					
Property, plant, and equipment	\$ (28,441)	\$ (337)	\$ –	\$ (100)	\$ (28,878)
Intangible assets	(24)	46,476	–	(512,342)	(465,890)
Investment securities	(155,910)	2,893	45,304	–	(107,713)
Right-of-use assets	(13,677)	3,550	–	(7,797)	(17,924)
Others	–	24,598	–	(60,724)	(36,125)
Total	<u>\$(198,053)</u>	<u>\$ 77,181</u>	<u>\$ 45,304</u>	<u>\$(580,962)</u>	<u>\$(656,530)</u>
Net	<u>\$ 265,663</u>	<u>\$ 88,820</u>	<u>\$ 43,972</u>	<u>\$(130,438)</u>	<u>\$ 268,017</u>

Notes: 1. The differences between deferred tax expense and the amount recognized in profit or loss in the table above 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, 2024 in Japan is 30.6%. Additionally, the effective statutory tax rates used to calculate deferred tax assets and liabilities in Japan for the current consolidated fiscal year are 30.6% for those expected to be settled by March 31, 2026, and 31.5% for those expected to be settled on or after April 1, 2026.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥11,099 million and ¥17,414 million (\$116,095 thousand) as of March 31, 2024 and 2025, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences,

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

and it is certain that the temporary differences will not reverse in the foreseeable future.

The amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets is recognized in the statement of financial position is as follows. Deductible temporary differences, unused tax losses and unused tax credits are on a tax basis.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Deductible temporary differences	¥ 18	¥ 1,226	\$ 8,172
Unused tax losses *1	412	2,798	18,652
Unused tax credits *2	—	752	5,015
Total	¥ 430	¥ 4,776	\$ 31,840

*Note 1: The scheduled expiration of unused tax losses for which no deferred tax assets is recognized is as follows;

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
First year	¥ —	¥ —	\$ —
Second year	—	—	—
Third year	—	—	—
Fourth year	—	60	401
Fifth year and beyond	412	2,738	18,251
No expiration date	—	—	—
Total	¥ 412	¥ 2,798	\$ 18,652

*Note 2: The scheduled expiration of unused tax credits for which no deferred tax assets is recognized is as follows;

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
First year	¥ —	¥ —	\$ —
Second year	—	—	—
Third year	—	—	—
Fourth year	—	—	—
Fifth year and beyond	—	752	5,015
No expiration date	—	—	—
Total	¥ —	¥ 752	\$ 5,015

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Income Tax Expense

Details of income tax expense are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Current tax expense	¥ 40,447	¥ 21,077	\$ 140,515
Deferred tax expense	(4,753)	(11,915)	(79,431)
Total	¥ 35,694	¥ 9,163	\$ 61,084

Notes: 1. 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, 2024 and 2025. Overseas subsidiaries use the income tax rates of the countries in which they are located.

2. The "Act to Partially Amend the Income Tax Act, etc." (Act No. 13 of 2025) was enacted by the National Diet on March 31, 2025, and starting from the consolidated fiscal year beginning on or after April 1, 2026, the "Defense Special Corporation Tax" will be imposed. Consequently, for deferred tax assets and liabilities related to temporary differences expected to be settled in the consolidated fiscal years beginning on or after April 1, 2026, the statutory effective tax rate has been changed from 30.6% to 31.5%. As a result of this change, the deferred tax assets (net of deferred tax liabilities) for the current consolidated fiscal year increased by ¥428 million (\$2,854 thousand), corporate income tax recorded for the current consolidated fiscal year decreased by ¥903 million (\$6,018 thousand), and other components of equity decreased by ¥475 million (\$3,164 thousand).

3. The Group is assessing exposure to corporate income taxes arising from enacted or substantively enacted tax systems in order to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development (OECD). The exposure to Pillar Two income taxes is immaterial.

4. The Group reflects uncertainty in determining taxable income and related amounts when there is uncertainty about whether tax authorities will accept the tax treatment. There were no significant uncertainties regarding tax treatment in the previous or current consolidated fiscal years.

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(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, 2024	For the year ended March 31, 2025
Applicable tax rates	30.6%	30.6%
Permanent non-deductible items	0.1	0.6
Non-taxable dividends	(0.1)	(0.2)
Tax credit for research and development, etc.	(10.0)	(22.5)
Effect of assessment of recoverability of deferred tax assets	0.3	0.6
Effect of tax rate change	—	(1.7)
Difference in applicable tax rates for foreign subsidiaries	—	6.3
Tax effects related to investment in subsidiaries	—	1.5
Others	0.9	0.2
Average actual tax rates	21.8%	15.4%

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

18. Trade and Other Payables

Details of trade and other payables are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Notes payable	¥ 501	¥ 418	\$ 2,788
Trade accounts payable	10,240	14,589	97,262
Other accounts payable	44,499	61,429	409,527
Refund liabilities	5,450	12,893	85,953
Total	¥ 60,691	¥ 89,329	\$ 595,530

19. Borrowings

The detail of borrowings for each consolidated fiscal year is as follows. For details on the maturity balance of borrowings, please refer to Note "34 Financial Instruments (4) Liquidity Risk Management."

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Current liabilities			
Short-term borrowings	¥ —	¥ 30,000	\$ 200,000
Subtotal	¥ —	¥ 30,000	\$ 200,000
Non-current liabilities			
Long-term borrowings	¥ —	¥ 105,000	\$ 700,000
Subtotal	¥ —	¥ 105,000	\$ 700,000
Total	¥ —	¥ 135,000	\$ 900,000

Notes: 1. These are unsecured borrowings with financial covenants. If any of the following financial covenants are breached, the benefit of time for all obligations under this agreement may be lost:

(A) Maintain the amount of net assets in the consolidated balance sheet at the end of each fiscal period ending on or after March 2025 at no less than 75% of the greater of the amount of net assets at the end of the immediately preceding fiscal period or at the end of the fiscal period ending in March 2024.

(B) Do not record operating losses for two consecutive fiscal periods in the consolidated income statements for the fiscal period ending on or after March 2025 and the immediately preceding fiscal period.

2. The repayment deadline for long-term borrowings at the end of the current consolidated fiscal year is September 2029, and the weighted average interest rate on long-term borrowings is 1.01%.

Notes to Consolidated Financial Statements
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20. Other Financial Liabilities

Details of other financial liabilities are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Current liabilities			
Dividends payable	¥ 134	¥ 163	\$ 1,086
Deposits received	551	729	4,861
Other	1,588	590	3,930
Total	¥ 2,273	¥ 1,482	\$ 9,877
Non-current liabilities			
Other	¥ 0	¥ 0	\$ 2
Total	¥ 0	¥ 0	\$ 2

21. Assets Pledged as Collateral

Assets pledged as collateral are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Other current assets	¥ 7,500	¥ 7,500	\$ 50,000
Other non-current assets	—	1,000	6,667
Total	¥ 7,500	¥ 8,500	\$ 56,667

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

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Year Ended March 31, 2025

22. 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:

<i>Millions of Yen</i>					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Total
Balance at April 1, 2023	¥ 1,237	¥ 6,794	¥ 711	¥ 30	¥ 8,772
Acquisition	154	1,880	248	0	2,282
Depreciation	(241)	(2,246)	(378)	(24)	(2,889)
Other	(118)	276	(6)	0	153
Balance at March 31, 2024	¥ 1,032	¥ 6,704	¥ 576	¥ 6	¥ 8,317
Acquisition	153	1,736	792	1	2,682
Acquisition through business combinations	—	4,182	—	—	4,182
Depreciation	(200)	(2,664)	(336)	(5)	(3,205)
Impairment loss	—	(1,493)	—	—	(1,493)
Other	(133)	(228)	(4)	(0)	(365)
Balance at March 31, 2025	¥ 852	¥ 8,238	¥ 1,027	¥ 1	¥ 10,118

<i>Thousands of U.S. Dollars</i>					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture, and fixtures	Total
Balance at March 31, 2024	\$ 6,882	\$ 44,693	\$ 3,837	\$ 37	\$ 55,449
Acquisition	1,018	11,576	5,279	5	17,879
Acquisition through business combinations	—	27,881	—	—	27,881
Depreciation	(1,332)	(17,759)	(2,242)	(33)	(21,366)
Impairment loss	—	(9,955)	—	—	(9,955)
Other	(889)	(1,518)	(29)	(0)	(2,436)
Balance at March 31, 2025	\$ 5,679	\$ 54,919	\$ 6,845	\$ 9	\$ 67,452

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Lease liabilities

The maturity analysis of lease liabilities of the Group is described in “34. 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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Depreciation for right-of-use assets	¥ 2,889	¥ 3,205	\$ 21,366
Income from subleasing right-of-use assets	—	347	2,311

Note: The interest expenses on lease liabilities are described in “31. 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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Total cash outflow for leases	¥ 3,980	¥ 4,857	\$ 32,380

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

23. Other Liabilities

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Other current liabilities			
Accrued consumption taxes	¥ 2,425	¥ 261	\$ 1,743
Accrued salary and bonus	7,354	8,533	56,885
Accrued compensated vacation	4,171	4,401	29,341
Accrued expenses	1,968	6,416	42,777
Others	339	637	4,246
Total	¥ 16,257	¥ 20,249	\$ 134,992
Other non-current liabilities			
Compensated long-service benefit obligations	¥ 532	¥ 534	\$ 3,563
Others	48	56	372
Total	¥ 580	¥ 590	\$ 3,934

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

24. 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, overseas subsidiaries primarily adopt 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Funded type			
Defined benefit obligations	¥ 46,462	¥ 43,343	\$ 288,953
Fair value of plan assets (including retirement benefit trust)	(52,909)	(53,023)	(353,484)
Effect of asset ceiling	8,938	11,515	76,764
Subtotal	2,491	1,835	12,234
Unfunded type			
Defined benefit obligations	803	805	5,367
Subtotal	803	805	5,367
Net defined benefit liabilities (assets)	¥ 3,294	¥ 2,640	\$ 17,601
Retirement benefit liabilities stated in the consolidated statement of financial position	¥ 3,294	¥ 2,640	\$ 17,601

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

② Obligations under Defined Benefit Plans

Movements in the defined benefit obligations are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Opening balance of defined benefit obligations	¥ 48,768	¥ 47,264	\$ 315,095
Service cost	2,171	2,047	13,646
Interest expense	659	819	5,462
Remeasurements			
Actuarial losses (gains) due to changes in financial assumptions	(2,805)	(4,365)	(29,102)
Others	472	810	5,398
Benefits paid	(2,002)	(2,427)	(16,179)
Closing balance of defined benefit obligations	¥ 47,264	¥ 44,148	\$ 294,320

Notes: 1. The weighted-average payment years for the defined benefit obligations were 14.0 years and 13.2 years as of March 31, 2024 and 2025, 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

③ Plan Assets

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Opening balance of fair value of plan assets	¥ 49,998	¥ 52,909	\$ 352,724
Interest income	692	939	6,262
Remeasurements			
Return on plan assets	1,994	(763)	(5,087)
Contributions from employers	1,703	1,758	11,717
Benefits paid	(1,479)	(1,820)	(12,131)
Closing balance of fair value of plan assets	¥ 52,909	¥ 53,023	\$ 353,484

Note: The Group expects to make contributions of ¥1,773 million (\$11,820 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:

	<i>Millions of Yen</i>						<i>Thousands of U.S. Dollars</i>		
	March 31, 2024			March 31, 2025			March 31, 2025		
	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	¥ 3,963	¥ —	¥ 3,963	¥ 3,392	¥ —	¥ 3,392	\$ 22,615	\$ —	\$ 22,615
Overseas equity instruments	3,719	—	3,719	3,338	—	3,338	22,252	—	22,252
Debt instruments									
Domestic debt instruments	—	3,872	3,872	—	3,007	3,007	—	20,049	20,049
Overseas debt instruments	—	1,736	1,736	—	951	951	—	6,340	6,340
Life insurance general accounts	—	32,677	32,677	—	35,473	35,473	—	236,487	236,487
Others	—	6,941	6,941	—	6,861	6,861	—	45,740	45,740
Total	¥ 7,682	¥ 45,227	¥ 52,909	¥ 6,730	¥ 46,292	¥ 53,023	\$ 44,868	\$ 308,616	\$ 353,484

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Effect at the beginning of the year	¥ 4,580	¥ 8,938	\$ 59,586
Limit of interest income	65	162	1,083
Remeasurement of defined benefit plan			
Change in effect of asset ceiling	4,293	2,414	16,095
Effect at the end of the year	¥ 8,938	¥ 11,515	\$ 76,764

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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Service costs	¥ 2,171	¥ 2,047	\$ 13,646
Net interest	33	42	283
Expenses recognized in the consolidated statement of income	¥ 2,204	¥ 2,089	\$ 13,929

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.”

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

⑥ Significant Actuarial Assumptions

Significant actuarial assumptions are as follows:

	March 31, 2024	March 31, 2025
Discount rate (%)	1.8	2.4
Expected rate of salary increase (%)	2.7	2.7
Expected average remaining lives of current pensioners at age 60 at fiscal year end (years)	26.8	26.9
Expected average remaining lives, from age 60, of future pensioners at age 40 at fiscal year end (years)	28.4	28.5

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:

		<i>Millions of Yen</i>				<i>Thousands of U.S. Dollars</i>	
		March 31, 2024		March 31, 2025		March 31, 2025	
	Changes in principal assumptions	Increase	Decrease	Increase	Decrease	Increase	Decrease
Defined benefit obligations							
	0.5%						
Discount rate	increase/decrease	¥ (3,128)	¥ 3,367	¥ (2,743)	¥ 2,940	\$ (18,288)	\$ 19,603
Expected average remaining lives	1 year						
	increase/decrease	749	(710)	635	(603)	4,233	(4,021)

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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 ¥3,457 million and ¥4,036 million (\$26,903 thousand) as expenses for defined contribution plans for the years ended March 31, 2024 and 2025, respectively.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

25. 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)	<i>Millions of Yen</i>	
			Share capital	Capital reserves
Balance at April 1, 2023	1,500,000,000	517,425,200	¥ 17,358	¥ 17,080
Increase (decrease)	—	(18,732,400)	—	378
Balance at March 31, 2024	1,500,000,000	498,692,800	¥ 17,358	¥ 17,458
Increase (decrease)	—	—	—	—
Balance at March 31, 2025	1,500,000,000	498,692,800	¥ 17,358	¥ 17,458

<i>Thousands of U.S. Dollars</i>			
		Share capital	Capital reserves
	Balance at March 31, 2024	\$ 115,722	\$ 116,388
	Increase (decrease)	—	—
	Balance at March 31, 2025	\$ 115,722	\$ 116,388

Notes: 1. All shares issued by the Company are fully paid-up ordinary shares with no par value.

2. Decrease in the number of issued shares for the fiscal years ended March 31, 2024 is due to retirement of treasury shares.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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, 2023	29,091,218	¥ 54,161
Increase (decrease)	(45,872)	9,072
Balance at March 31, 2024	29,045,346	¥ 63,233
Increase (decrease)	(125,515)	(171)
Balance at March 31, 2025	28,919,831	¥ 63,063

	Amount (Thousands of U.S. Dollars)
Balance at March 31, 2024	\$ 421,556
Increase (decrease)	(1,138)
Balance at March 31, 2025	\$ 420,419

- Notes: 1. Changes in the number and amount of treasury shares for the year ended March 31, 2024 is 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, retirement of treasury shares, and disposal of treasury shares for restricted stock-based remunerations.
2. Changes in the number and amount of treasury shares for the year ended March 31, 2025 is due to increases in purchases of fractional unit shares, the return of restricted stock-based remunerations, disposal of treasury shares for restricted stock-based remunerations, and decreases in treasury shares due to exclusion from equity method.
3. Treasury shares held by associates as of March 31, 2024 were ¥34 million, and there is none at the end of current consolidated fiscal year ended March 31, 2025.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(3) Other Components of Equity

Changes in other components of equity are as follows:

<i>Millions of Yen</i>					
	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, 2023	¥ 2,173	¥ —	¥ 49,529	¥ —	¥ 51,701
Increase (decrease)					
Other comprehensive income	2,124	(402)	8,080	23	9,825
Transfer to retained earnings	—	—	(8,309)	(23)	(8,332)
Balance at March 31, 2024	¥ 4,297	¥ (402)	¥ 49,300	¥ —	¥ 53,194
Increase (decrease)					
Other comprehensive income	(17,128)	2,066	(6,458)	259	(21,261)
Transfer to retained earnings	—	—	(9,999)	(259)	(10,258)
Transfer to non-financial assets	—	(1,886)	—	—	(1,886)
Balance at March 31, 2025	¥ (12,831)	¥ (222)	¥ 32,843	¥ —	¥ 19,789

<i>Thousands of U.S. Dollars</i>					
	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, 2024	\$ 28,644	\$ (2,679)	\$ 328,664	\$ —	\$354,630
Increase (decrease)					
Other comprehensive income	(114,187)	13,773	(43,051)	1,727	(141,739)
Transfer to retained earnings	—	—	(66,661)	(1,727)	(68,388)
Transfer to non-financial assets	—	(12,576)	—	—	(12,576)
Balance at March 31, 2025	\$ (85,543)	\$ (1,482)	\$ 218,952	\$ —	\$ 131,927

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.”

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

26. Dividends

(1) Dividends Paid

Dividends paid are as follows:

For the year ended March 31, 2024

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 22, 2023	Ordinary shares	¥ 18,068	¥ 37.0	March 31, 2023	June 23, 2023
Board of Directors' meeting held on November 1, 2023	Ordinary shares	¥ 19,140	¥ 40.0	September 30, 2023	December 1, 2023

For the year ended March 31, 2025

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 20, 2024	Ordinary shares	¥ 18,786	¥ 40.0	\$ 125,239	\$ 0.27	March 31, 2024	June 21, 2024
Board of Directors' meeting held on October 31, 2024	Ordinary shares	¥ 18,788	¥ 40.0	\$ 125,255	\$ 0.27	September 30, 2024	December 2, 2024

(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, 2024

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 20, 2024	Ordinary Shares	¥ 18,786	¥ 40.0	March 31, 2024	June 21, 2024

For the year ended March 31, 2025

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 19, 2025	Ordinary shares	¥ 18,791	¥ 40.0	\$ 125,273	\$ 0.27	March 31, 2025	June 20, 2025

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

27 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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Revenue of goods and products	¥ 316,979	¥ 330,763	\$ 2,205,090
Royalty and others			
Opdivo Intravenous Infusion	97,933	113,042	753,610
Keytruda® from Merck & Co., Inc.	53,038	26,449	176,324
Lump-sum income from AstraZeneca UK Limited	17,032	—	—
Others	17,690	16,617	110,781
Subtotal	185,693	156,107	1,040,715
Total	¥ 502,672	¥ 486,871	\$ 3,245,805

Note: The Company and Bristol Myers Squibb (New Jersey, USA: “BMS”) signed an agreement with AstraZeneca UK Limited and MedImmune 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 24 July, 2023. The Company recorded the lump-sum income of approximately ¥17,032 million associated with the settlement of the litigation in “Royalty and others” for the year ended 31 March, 2024.

② Details of revenue by geographic area

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

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Contract balances

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

	<i>Millions of Yen</i>			<i>Thousands of U.S. Dollars</i>
	<u>April 1, 2023</u>	<u>March 31, 2024</u>	<u>March 31, 2025</u>	<u>March 31, 2025</u>
Receivables from contracts with customers				
Trade accounts receivable	¥ 108,364	¥ 129,012	¥ 128,127	\$ 854,181
Notes receivable	755	1,429	507	3,381
Total	<u>¥ 109,119</u>	<u>¥ 130,441</u>	<u>¥ 128,634</u>	<u>\$ 857,562</u>

Notes: 1. There were no material contract liabilities.

2. Revenue recognized relating to performance obligations satisfied in previous periods were ¥160,714 million and ¥147,532 million (\$983,549 thousand) for the years ended March 31, 2024 and 2025, respectively, and mainly represents royalty revenue.

(3) Transaction price allocated to the remaining performance obligations

There are no significant transactions with individual expected contract periods exceeding one year. Therefore, we use the practical expedient to omit disclosure of information regarding remaining performance obligations. Additionally, there are no significant amounts arising from customer contracts that are not included in the transaction price.

(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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

28. Selling, General, and Administrative Expenses

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Business planning expenses	¥ 3,694	¥ 3,776	\$ 25,175
Sales promotion expenses	24,019	30,651	204,339
Employee benefit expenses	31,876	39,464	263,093
Depreciation and amortization	2,881	3,452	23,012
Business consignment expenses	11,138	12,742	84,950

29. Employee Benefit Expenses

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Salary and bonus	¥ 43,558	¥ 57,683	\$ 384,556
Retirement benefit expenses (defined benefit plans)	2,171	2,047	13,646
Retirement benefit expenses (multiemployer pension plans)	22	23	153
Retirement benefit expenses (defined contribution plans)	3,457	4,036	26,903
Legal welfare expenses	2,640	3,785	25,233
Welfare expenses	2,459	4,029	26,863
Other employee benefit expenses	5,365	6,784	45,226
Total	¥ 59,672	¥ 78,387	\$ 552,580

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 “37. Related Parties.”

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

30. Other Income and Other Expenses

Details of other income and other expenses are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Other income			
Gain on sale of non-current assets	¥ 41	¥ 1	\$ 8
Insurance proceeds	247	340	2,265
Refunded consumption taxes	459	0	0
Subsidy income	142	155	1,031
Others	287	614	4,093
Total	¥ 1,176	¥ 1,110	\$ 7,398
Other expenses			
Impairment losses	¥ 51	¥ 1,981	\$ 13,208
Loss on disposal of non-current assets	159	215	1,436
Donations	3,614	2,278	15,185
Litigation costs, etc.	333	4	25
Others	186	268	1,788
Total	¥ 4,343	¥ 4,746	\$ 31,642

Notes: The company recorded a donation to Ono Pharma Oncology, Immunology, Neurology Research Foundation in “Donations” for the years ended March 31, 2024, and 2025.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

31. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
(Finance income)			
Interest income			
Financial assets measured at amortized cost	¥ 1,119	¥ 1,582	\$ 10,545
Financial assets measured at FVPL	12	9	63
Financial assets measured at FVOCI	—	635	4,234
Dividend income			
Financial assets measured at FVOCI	2,443	2,405	16,036
Profits or loss on marketable securities			
Financial assets measured at FVPL	—	49	326
Exchange gains	347	—	—
Others	105	93	620
Total	¥ 4,027	¥ 4,774	\$ 31,825
(Finance costs)			
Interest expenses			
Financial liabilities measured at amortized cost	¥ 0	¥ 1,178	\$ 7,852
Lease liabilities	92	230	1,534
Profits or losses on marketable securities			
Financial assets measured at FVPL	92	1,779	11,859
Net interest on employee benefits	33	42	283
Exchange losses	—	1,861	12,408
Others	13	227	1,517
Total	¥ 229	¥ 5,318	\$ 35,452

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

32. 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, 2024

<i>Millions of Yen</i>					
	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	¥ 11,689	¥ —	¥ 11,689	¥ (3,580)	¥ 8,109
Remeasurement of defined benefit plans	34	—	34	(10)	23
Share of net gain (loss) on financial assets measured at FVOCI of associates	(6)	—	(6)	2	(4)
Total	11,717	—	11,717	(3,589)	8,128
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	2,124	—	2,124	—	2,124
Net fair value gain (loss) on cash flow hedges	(9,222)	8,643	(579)	177	(402)
Total	(7,098)	8,643	1,545	177	1,722
Total other comprehensive income	¥ 4,619	¥ 8,643	¥ 13,262	¥ (3,412)	¥ 9,850

For the year ended March 31, 2025

<i>Millions of Yen</i>					
	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	¥ (8,724)	¥ —	¥ (8,724)	¥ 2,207	¥ (6,517)
Remeasurement of defined benefit plans	378	—	378	(119)	259
Share of net gain (loss) on financial assets measured at FVOCI of associates	(2)	—	(2)	1	(1)
Total	(8,348)	—	(8,348)	2,088	(6,259)
Items that may be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at FVOCI	79	2	81	(20)	61
Exchange differences on translation of foreign operations	(17,128)	—	(17,128)	—	(17,128)
Net fair value gain (loss) on cash flow hedges	(597)	2,742	2,145	(79)	2,066
Total	(17,646)	2,744	(14,902)	(99)	(15,001)
Total other comprehensive income	¥ (25,994)	¥ 2,744	¥ (23,250)	¥ 1,989	¥ (21,260)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

<i>Thousands of U.S. Dollars</i>					
	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	\$ (58,158)	\$ —	\$ (58,158)	\$ 14,711	\$ (43,447)
Remeasurement of defined benefit plans	2,522	—	2,522	(794)	1,727
Share of net gain (loss) on financial assets measured at FVOCI of associates	(14)	—	(14)	4	(9)
Total	(55,650)	—	(55,650)	13,921	(41,729)
Items that may be reclassified subsequently to profit or loss					
Net gain (loss) on financial assets measured at FVOCI	528	12	540	(133)	407
Exchange differences on translation of foreign operations	(114,187)	—	(114,187)	—	(114,187)
Net fair value gain (loss) on cash flow hedges	(3,981)	18,281	14,300	(528)	13,773
Total	(117,640)	18,293	(99,347)	(660)	(100,008)
Total other comprehensive income	\$(173,290)	\$ 18,293	\$ (154,997)	\$ 13,261	\$ (141,737)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

33. Earnings per Share

(1) Basic Earnings per Share

① Basic earnings per share are as follows:

	<i>Yen</i>		<i>U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Basic earnings per share	¥ 266.61	¥ 106.55	\$0.71

② Basis of Calculation of Basic Earnings per Share

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Profit for the year attributable to owners of the Company	¥ 127,977	¥ 50,047	\$ 333,647
Weighted-average number of ordinary shares outstanding (thousands of shares)	480,009	469,693	

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Diluted Earnings per Share

① Diluted earnings per share are as follows:

	<i>Yen</i>		<i>U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Diluted earnings per share	¥ 266.57	¥ 106.41	\$ 0.71

② Basis of Calculation of Diluted Earnings per Share

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Profit for the year attributable to owners of the Company	¥ 127,977	¥ 50,047	\$ 333,647
Adjustment to profit for the year attributable to owners of the Company	(13)	(59)	(394)
Profit for the year used in calculating diluted earnings per share	127,965	49,988	333,253
Weighted-average number of ordinary shares outstanding (thousands of shares)	480,009	469,693	
Increased number of ordinary shares by restricted stock-based remuneration system (thousands of shares)	30	75	
Weighted-average number of diluted ordinary shares outstanding (thousands of shares)	480,039	469,768	

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

34. 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, price fluctuation, and interest 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 primarily enters into foreign exchange contracts to mitigate the foreign exchange risk associated with settling payments in foreign currencies. Such transactions are the responsibility of the Accounting Department of the Company.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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 72% of "Revenue" in the consolidated statement of income. Trade receivables from the top five group companies as of March 31, 2024 and 2025 were ¥73,319 million and ¥87,229 million (\$581,529 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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:

	<i>Millions of Yen</i>	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Balance at the beginning of the year	¥ 5	¥ 5	\$ 32
Increase	0	1	4
Decrease (utilization)	—	—	—
Decrease (other)	(0)	(0)	(1)
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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Financial liabilities by maturity are as follows:

March 31, 2024

	<i>Millions of Yen</i>			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 60,691	¥ 60,691	¥ 60,691	¥ —
Lease liabilities	8,862	9,146	2,393	6,753
Other financial liabilities	2,273	2,273	2,273	0

March 31, 2025

	<i>Millions of Yen</i>			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 89,329	¥ 89,329	¥ 87,610	¥ 1,719
Lease liabilities	11,678	12,361	3,408	8,954
Borrowings	135,000	138,243	31,251	106,992
Other financial liabilities	1,482	1,484	1,407	77

	<i>Thousands of U.S. Dollars</i>			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	\$ 595,530	\$ 595,530	\$ 584,069	\$ 11,460
Lease liabilities	77,851	82,409	22,719	59,691
Borrowings	900,000	921,622	208,340	713,282
Other financial liabilities	9,879	9,891	9,377	514

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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.

2) Details of Forward Foreign Exchange Contracts by Currency

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

	March 31, 2024		March 31, 2025		
	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)
(Buy)					
U.S. Dollar	\$ —	¥ —	\$ 384	¥ (76)	\$ (504)
- Cash flow hedge included in the above	—	—	280	(197)	(1,314)
(Sell)					
U.S. Dollar	\$ 385	¥(1,588)	\$ 44	¥ (269)	\$ (1,794)
- Cash flow hedge included in the above	385	(1,588)	44	(269)	(1,794)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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:

	<i>Millions of Yen</i>				<i>Thousands of U.S. Dollars</i>	
	March 31, 2024		March 31, 2025		March 31, 2025	
	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)
U.S. Dollar	¥ (3,572)	¥ 1,599	¥ 4,293	¥ 1,393	\$ 28,618	\$ 9,285
Euro	—	(72)	—	(89)	—	(596)
British pound	236	(11)	—	40	—	266

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 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 ¥7,923 million and ¥5,520 million (\$ 36,797 thousand) as of March 31, 2024 and 2025, respectively, as a result of changes in fair value of the equity instruments designated as financial assets measured at FVOCI.

Notes to Consolidated Financial Statements

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③ Interest Rate Fluctuation Risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates (“()” indicates a loss). The Group is exposed to interest rate risk because we finance through borrowings from financial institutions.

Since the Group borrows funds at both fixed and variable interest rates, the variable rate borrowings are exposed to interest rate risk. The Group mitigate this risk by maintaining an appropriate mix of fixed and variable rate borrowings and by using interest rate swaps.

Interest Rate Sensitivity Analysis

Assuming a constant principal, the impact on the Group's profit before tax for the current fiscal year, if variable interest rates increase by 1%, is as follows:

	<i>Millions of Yen</i>	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Profit before tax	¥ —	¥ (680)	\$ (4,530)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(6) Hedge Accounting

① Hedging instruments

Details of hedging instruments designated as cash flow hedge are as follows. 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, 2024

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 Millions of Yen
				Assets (Millions of Yen)	Liabilities (Millions of Yen)	
Cash flow hedge	Foreign currency risk	Forward exchange contract (sell)	\$ 385	¥ —	¥ 1,588	¥ (9,251)
	Interest rate risk	Interest rate swap contract	\$ —	¥ —	¥ —	¥ —

Note: The average foreign exchange rate in foreign exchange contracts is ¥142.88 per U.S. dollar.

For the year ended March 31, 2025

Type of hedge	Risk classification	Hedging instrument	Notional amount (Millions of U.S. Dollars or Yen)	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 (buy)	\$ 280	¥ —	¥ 197	\$ —	\$ 1,314	¥ 1,676	\$ 11,172
	Foreign currency risk	Forward exchange contract (sell)	\$ 44	¥ —	¥ 269	\$ —	\$ 1,794	¥ (2,121)	\$(14,142)
	Interest rate risk	Interest rate swap contract	¥ 67,050	¥ —	¥ 123	¥ —	822	¥ (152)	\$ (1,011)

Note: The average foreign exchange rate in foreign exchange contracts is ¥148.84 per U.S. dollar.

The terms of the interest rate swap transactions are as follows; the received interest rate is 0.90%, while the paid interest rate is 0.98%.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

② Hedged items

For the year ended March 31, 2024

Type of hedge	Risk classification	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	Foreign currency risk	¥ 8,643	¥ 579

For the year ended March 31, 2025

Type of hedge	Risk classification	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	Foreign currency risk	¥ 827	\$ 5,515	¥ 197	\$ 1,314
	Interest rate swap contract	¥ 28	\$ 190	¥ 123	\$ 822

Notes to Consolidated Financial Statements
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- ③ Amounts that affected the consolidated statement of comprehensive income in association with cash flow hedges

For the year ended March 31, 2024

Type of hedge	Risk classification	Hedging instrument	Gains or losses on hedges recognized in other comprehensive income Millions of Yen	Amount transferred from cash flow hedge reserve to profit (loss) Millions of Yen	Amount transferred from cash flow hedge reserve to cost of non-financial assets Millions of Yen	Line item in profit or loss affected by the transfer
Cash flow hedge	Foreign currency risk	Forward exchange contract (sell)	¥ (9,222)	¥ (8,643)	¥ —	Revenue, etc.

For the year ended March 31, 2025

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)		Amount transferred from cash flow hedge reserve to cost of non-financial assets		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	Millions of Yen	Thousands of U.S. Dollars	
Cash flow hedge	Foreign currency risk	Forward exchange contract (buy)	¥ 1,676	\$ 11,172	¥ (13)	\$ (90)	¥ 1,886	\$ 12,576	R&D expenses
	Foreign currency risk	Forward exchange contract (sell)	¥ (2,121)	\$ (14,142)	¥ (2,700)	\$ (18,001)	¥ —	\$ —	Revenue
	Interest rate risk	Interest rate swap contract	¥ (152)	\$ (1,011)	¥ (28)	\$ (190)	¥ —	\$ —	Finance costs

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(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, 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.

Trade and other receivables

The fair value of receivables which are settled in a short period of time approximates the carrying amounts. For receivables which are settled in a long period of time, the fair value is calculated by discounting future cash flows using an interest rate that takes into account the period to maturity and credit risk for each receivable segmented by a certain period of time.

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.

- Derivatives

Derivatives primarily involve transactions related to forward exchange contracts and interest rate swaps. Their fair value is calculated based on observable market data provided by counterpart financial institutions.

Notes to Consolidated Financial Statements

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- 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.

- Borrowings

For borrowings with variable interest rates, the fair value is approximately equal to the carrying amount, as they quickly reflect market interest rates. Therefore, the carrying amount is used as the fair value. For borrowings with fixed interest rate, the fair value is calculated by discounting the total principal and interest using the rate expected for similar new borrowings.

- 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.

	<i>Millions of Yen</i>				<i>Thousands of U.S. Dollars</i>	
	<u>March 31, 2024</u>		<u>March 31, 2025</u>		<u>March 31, 2025</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
(Financial assets)						
Financial assets measured at amortized cost						
- Trade and other receivables	¥ 136,066	¥ 136,008	¥ 135,022	¥ 135,101	\$ 900,146	\$ 900,674
- Marketable securities and investment securities	220	219	240	237	1,599	1,577
- Other financial assets	203,454	202,768	—	—	—	—
(Financial liabilities)						
Financial liabilities measured at amortized cost						
- Borrowings	¥ —	¥ —	¥ 135,000	¥ 134,287	\$ 900,000	\$ 895,250

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

③ Fair Value Hierarchy

IFRS 13 *Fair Value Measurement* requires an entity to categorize 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.

Transfers between levels of fair value are recognized on the date of the event or change in circumstances that caused the transfer.

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:

<i>Millions of Yen</i>				
March 31, 2024				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	¥ —	¥ —	¥ 6,767	¥ 6,767
- Other financial assets	—	—	8,113	8,113
Financial assets measured at FVOCI				
- Investment securities	109,687	—	4,473	114,160
Total	¥ 109,687	¥ —	¥ 19,353	¥ 129,039
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	¥ —	¥ 1,588	¥ —	¥ 1,588
Total	¥ —	¥ 1,588	¥ —	¥ 1,588

Note: For the years ended March 31, 2024, the Group has not transferred any financial assets or liabilities between Levels 1, 2 and 3.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

<i>Millions of Yen</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	¥ —	¥ —	¥ 7,693	¥ 7,693
- Other financial assets	—	122	7,944	8,065
Financial assets measured at FVOCI				
- Marketable securities and investment securities	76,470	4,526	4,109	85,104
Total	¥ 76,470	¥ 4,647	¥ 19,745	¥ 100,862
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	¥ —	¥ 590	¥ —	¥ 590
Total	¥ —	¥ 590	¥ —	¥ 590

<i>Thousands of U.S. Dollars</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
- Marketable securities and investment securities	\$ —	\$ —	\$ 51,284	\$ 51,284
- Other financial assets	—	810	52,957	53,768
Financial assets measured at FVOCI				
- Marketable securities and investment securities	509,798	30,173	27,390	567,361
Total	\$ 509,798	\$ 30,983	\$ 131,632	\$ 672,413
(Financial liabilities)				
Financial liabilities measured at FVPL				
- Other financial liabilities	\$ —	\$ 3,930	\$ —	\$ 3,930
Total	\$ —	\$ 3,930	\$ —	\$ 3,930

Notes: 1) For the year ended March 31, 2025, the Group has not transferred any financial assets or liabilities between Levels 1, and 2. Due to the listing of certain securities, a transfer from Level 3 to Level 1 has been made in the current consolidated fiscal year. For more details, please refer to "3) Reconciliation of Financial Instruments Regularly Measured at Level 3".

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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:

<i>Millions of Yen</i>				
March 31, 2024				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Trade and other receivables	¥ —	¥ 136,008	¥ —	¥ 136,008
- Marketable securities and investment securities	—	219	—	219
- Other financial assets	—	202,768	—	202,768
Total	¥ —	¥ 338,995	¥ —	¥ 338,995
<i>Millions of Yen</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Trade and other receivable	¥ —	¥ 135,101	¥ —	¥ 135,101
- Marketable securities and investment securities	—	237	—	237
Total	¥ —	¥ 135,338	¥ —	¥ 135,338
(Financial liabilities)				
Financial liabilities measured at amortized cost				
- Borrowings	¥ —	¥ 134,287	¥ —	¥ 134,287
Total	¥ —	¥ 134,287	¥ —	¥ 134,287
<i>Thousands of U.S. Dollars</i>				
March 31, 2025				
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
- Trade and other receivable	\$ —	\$ 900,674	\$ —	\$ 900,674
- Marketable securities and investment securities	—	1,577	—	1,577
Total	\$ —	\$ 902,251	\$ —	\$ 902,251
(Financial liabilities)				
Financial liabilities measured at amortized cost				
- Borrowings	\$ —	\$ 895,250	\$ —	\$ 895,250
Total	\$ —	\$ 895,250	\$ —	\$ 895,250

Note: For the years ended March 31, 2024 and 2025, the Group has not transferred any financial assets or liabilities between Levels 1, 2, and 3.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Balance at the beginning of the year	¥ 14,631	¥ 19,353	\$ 129,018
Total gains or losses	794	(1,559)	(10,393)
Profit (loss)	24	(1,650)	(11,003)
Other comprehensive income	769	91	610
Purchase	4,505	3,345	22,300
Sale	(2)	(1)	(9)
Settlement	(575)	(864)	(5,762)
Transferred to Level 1 due to listing	—	(528)	(3,523)
Balance at the end of the year	¥ 19,353	¥ 19,745	\$ 131,632

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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

35. Share-based Payments

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

(1) 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, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Number of shares granted			
Tenure-based (shares)	15,300	23,100	
Performance-linked (shares)	30,900	40,300	
Fair value	¥ 2,767	¥ 2,115	\$ 14

Notes: 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.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) 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:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025
Restricted stock-based remuneration system			
Equity-settled	¥ 44	¥ 47	\$ 315
Cash-settled	101	145	965

Note: Carrying amount of liabilities arising from share-based transactions was ¥72 million and ¥131 million (\$874 thousand) for the fiscal year ended March 31, 2024 and 2025, respectively.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

36. Cash Flow Information

(1) Expenditure from acquisition of subsidiaries

The detail of assets and liabilities of subsidiaries over which control was obtained, as well as the consideration paid for gaining control of these subsidiaries, is as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2025	For the year ended March 31, 2025
Current assets	¥ 84,179	\$ 561,196
Non-current assets	322,155	2,147,698
Current liabilities	(15,069)	(100,458)
Non-current liabilities	(22,869)	(152,460)
Basis adjustment	1,886	12,576
Goodwill	22,822	152,150
Foreign currency translation adjustment	(10,970)	(73,136)
Total consideration paid (cash and cash equivalent)	¥ 382,135	\$ 2,547,566
Cash and cash equivalent of acquired subsidiaries	(15,433)	(102,883)
Basis adjustment	(1,886)	(12,576)
Expenditure from acquisition of subsidiaries	¥ 364,816	\$ 2,432,106

Note: This is due to the acquisition of Deciphera. For details of the business combinations, please refer to "38. Business Combinations".

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Changes in liabilities associated with financial activities

Changes in liabilities associated with financial activities are as follows:

	<i>Millions of Yen</i>		
	Long-term borrowings	Lease liabilities	Total
Balance at April 1, 2023	¥ —	¥ 9,168	¥ 9,168
Changes associated with cash flow	—	(2,645)	(2,645)
Non-cash changes			
New leases and modifications	—	2,282	2,282
Other	—	58	58
Balance at March 31, 2024	¥ —	¥ 8,862	¥ 8,862
Changes associated with cash flow	135,000	(3,173)	131,827
Business combinations	—	3,890	3,890
Non-cash changes			
New leases and modification	—	2,682	2,682
Other	—	(583)	(583)
Balance at March 31, 2025	¥ 135,000	¥ 11,678	¥ 146,678

	<i>Thousands of U.S. Dollars</i>		
	Long-term borrowings	Lease liabilities	Total
Balance at March 31, 2024	\$ —	\$ 59,081	\$ 59,081
Changes associated with cash flow	900,000	(21,155)	878,845
Business combinations	—	25,936	25,936
Non-cash changes			
New leases and modification	—	17,879	17,879
Other	—	(3,889)	(3,889)
Balance at March 31, 2025	\$ 900,000	\$ 77,851	\$ 977,851

- Notes: 1. Long-term borrowings include the current portion of long-term borrowings.
2. The business combinations in the current consolidated fiscal year is due to the acquisition of Deciphera. For more details, please refer to “38 Business Combinations”.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(3) Non-cash transactions

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>	
	For the year ended March 31, 2024	For the year ended March 31, 2025	For the year ended March 31, 2025	
Additions to right-of-use assets	¥ 2,282	¥ 2,682	\$ 17,879	

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

37. Related Parties

(1) Subsidiaries and Associates

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

			Proportion of voting rights held by the Group	
			March 31, 2024	March 31, 2025
			(%)	(%)
(Consolidated subsidiaries)				
Name	Primary business	Location		
Deciphera Pharmaceuticals, Inc	Pharmaceutical business	Massachusetts, the United States of America	—	100.0
Deciphera Pharmaceuticals, LLC	Pharmaceutical business	Massachusetts, the United States of America	—	100.0 (100.0)
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	80.0
Ono Venture Investment, Inc.	Pharmaceutical business	California, the United States of America	100.0	100.0
Ono Venture Investment Fund I, L.P. (Note 2)	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	100.0
michiteku Co., Ltd.	Pharmaceutical business	Chuo-ku, Tokyo	100.0	100.0

Others 12

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

- Notes: 1. A name in the segment information is written in the primary business column.
2. ONO PHARMA USA, INC. and Ono Venture Investment Fund I, L.P. are 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 due to substantial control.
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.
7. In the current consolidated fiscal year, the Company sold all shares of NAMICOS CORPORATION. Consequently, NAMICOS CORPORATION, which was accounted for using the equity method in the previous consolidated fiscal year, has been excluded from the scope of the equity method.

(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:

	<i>Millions of Yen</i>				<i>Thousands of U.S. Dollars</i>	
	For the year ended March 31, 2024		For the year ended March 31, 2025		For the year ended March 31, 2025	
Base remuneration	¥	257	¥	262	\$	1,746
Bonuses		125		137		912
Restricted stock remuneration		102		130		866
Total	¥	485	¥	529	\$	3,524

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

Notes to Consolidated Financial Statements

Year Ended March 31, 2025

38. Business Combinations

In April 2024, the Company and Deciphera Pharmaceuticals, Inc. (“Deciphera”) entered into a definitive merger agreement through a tender offer, followed by a merger of a wholly owned subsidiary of the Company with Deciphera, with Deciphera surviving as a wholly owned subsidiary of the Company (the “Acquisition”). The Acquisition was completed under the agreement on June 11, 2024 (New York City Time), making Deciphera a wholly owned subsidiary of the Company.

(1) Overview of the business combinations

1. Overview of the acquired company

Company name	Deciphera Pharmaceuticals, Inc.
Business description	R&D and Commercialization of pharmaceuticals

2. Acquisition date

June 11, 2024 (New York City Time)

3. Percentage of voting equity interest acquired

100%

4. Process of obtaining control of the acquired company

Acquisition of outstanding stock in cash

5. Main objectives of the Acquisition

The Company, as a global specialty pharma company, is committed to delivering innovative new drugs to patients around the world. As a part of our medium-term management plan, the Company aims to reinforce our pipeline and accelerate global development, as well as realize direct sales in the United States and Europe through our wholly owned subsidiary, Deciphera. In addition, the Company has designated oncology, immunological diseases, central nervous system diseases, and specialty areas with high unmet medical needs as priority research areas, and we accumulate disease know-how in each area to create new drugs that will bring innovation to medicine on-site. Through the Acquisition, the Company is pleased to welcome Deciphera with excellent research and development capabilities in oncology and commercial capabilities in Europe and the U.S., as a partner to enhance our pipeline with products (QINLOCK® and ROMVIMZA®) and accelerate our global expansion.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(2) Fair value of assets acquired, liabilities assumed and purchase consideration transferred at the acquisition date

	<i>Millions of Yen</i>		
	Initial provisional fair value	Revision	Fair value after provision
Cash and cash equivalents	¥ 15,433	¥ —	¥ 15,433
Trade and other receivables	6,729	—	6,729
Marketable securities	16,650	—	16,650
Inventories	4,478	37,339	41,816
Property, plant, and equipment	5,182	—	5,182
Intangible assets *2	—	315,036	315,036
Investment securities	1,156	—	1,156
Other assets	4,332	—	4,332
Trade and other payables	(8,941)	—	(8,941)
Lease liabilities	(3,890)	—	(3,890)
Other liabilities	(5,790)	249	(5,541)
Deferred tax liabilities	—	(19,566)	(19,566)
Fair value of assets acquired and liabilities assumed (Net)	35,338	333,059	368,396
Basis adjustments	1,886	—	1,886
Goodwill *3	344,911	(322,088)	22,822
Foreign currency translation adjustment	—	(10,970)	(10,970)
Total	¥ 382,135	¥ —	¥ 382,135
Total fair value of purchase consideration transferred	¥ 382,135	¥ —	¥ 382,135

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Thousands of U.S. Dollars

	Initial provisional fair value	Revision	Fair value after provision
Cash and cash equivalents	\$ 102,883	\$ —	\$ 102,883
Trade and other receivables	44,862	—	44,862
Marketable securities	110,998	—	110,998
Inventories	29,852	248,924	278,776
Property, plant, and equipment	34,548	—	34,548
Intangible assets *2	—	2,100,242	2,100,242
Investment securities	7,708	—	7,708
Other assets	28,877	—	28,877
Trade and other payables	(59,605)	—	(59,605)
Lease liabilities	(25,936)	—	(25,936)
Other liabilities	(38,602)	1,662	(36,939)
Deferred tax liabilities	—	(130,438)	(130,438)
Fair value of assets acquired and liabilities assumed (Net)	235,585	2,220,391	2,455,976
Basis adjustments	12,576	—	12,576
Goodwill *3	2,299,405	(2,147,255)	152,150
Foreign currency translation adjustment	—	(73,136)	(73,136)
Total	<u>\$ 2,547,566</u>	<u>\$ —</u>	<u>\$ 2,547,566</u>
Total fair value of purchase consideration transferred	<u>\$ 2,547,566</u>	<u>\$ —</u>	<u>\$ 2,547,566</u>

- Notes: 1. At the end of the third quarter of the current fiscal year, the fair value of identifiable assets and liabilities at the date of acquisition was determined and the allocation of consideration paid was completed.
2. Intangible assets consist of sales rights related to marketable products and in-process R&D expenses.
3. Goodwill mainly relates to expected future earning capacity. None of the recognized goodwill is expected to be deductible for tax purposes.
4. The acquisition date is considered to be June 30, 2024, and it is included within the scope of consolidation. Following the completion of the allocation of the purchase consideration, the foreign exchange fluctuations from June 11, 2024, to June 30, 2024, are recorded as a foreign currency translation adjustment.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

(3) Cash flow information

	<i>Millions of Yen</i>	<i>Thousands of U.S. Dollars</i>
Total fair value of purchase		
Consideration transferred	¥ 382,135	\$ 2,547,566
Cash and cash equivalents held by the acquiree	¥ (15,433)	\$ (102,883)
Basis adjustments	¥ (1,886)	\$ (12,576)
Payments for the acquisition of subsidiary	¥ 364,816	\$ 2,432,106

(4) Acquisition-related costs

3,382 million yen (\$22,549 thousand)

Acquisition-related costs have been recorded as “selling, general, and administrative expenses” in the consolidated statement of income for the fiscal year ended March 31, 2024, and for the nine months ended December 31, 2024.

(5) Impact on the consolidated statement of income

1. Revenue and profit for the year of the acquired company after the acquisition date that are recognized in the condensed interim consolidated statement of income for the fiscal year ended March 31, 2025

Revenue 26,109 million yen (\$174,059 thousand)

Profit for the period (loss) (29,999) million yen ((\$199,993) thousand)

The above quarterly gains (losses) include amortization of intangible assets recognized at the acquisition date and expensing of inventories evaluated at fair value.

2. Impact on revenue and profit for the period in the condensed interim consolidated statement of income for the fiscal year ended March 31, 2025, assuming that this business combination had been conducted at the beginning of the fiscal year (Unaudited information)

Revenue 34,552 million yen (\$230,346 thousand)

Profit for the year (loss) (35,353) million yen (\$235,684) thousand)

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

39. Commitments for Expenditure

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2024	March 31, 2025	March 31, 2025
Property, plant, and equipment	¥ 491	¥ 383	\$ 2,556
Intangible assets	—	115	766
Total	¥ 491	¥ 498	\$ 3,322

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 ¥8,349 million and ¥7,667 million (\$51,113 thousand) as of March 31, 2024 and 2025, 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.

40. Approval of Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2025, were approved by Toichi Takino, President, Representative Director, and Chief Operating Officer, on August 1, 2025.

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

41. Significant Subsequent Events

<License Agreement with Ionis Pharmaceuticals, Inc.>

The Company entered into a licensing agreement with Ionis Pharmaceuticals Inc., (hereinafter referred as "Ionis") on March 12, 2025, regarding "Sapablursen", a drug under development for the treatment of polycythemia vera (PV). Through this agreement, the Company have obtained exclusive rights to develop and commercialize "Sapablursen" worldwide.

As a part of the agreement, the Company will make an upfront fee of \$280 million, with up to a maximum of \$660 million in additional payments based on the achievement of development, regulatory and sales milestone. Additionally, the Company will pay to Ionis royalties in the mid-teens on annual net sales of "Sapablursen". This transaction is subject to the requirement of the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Act"). The Company submitted the required filings to the U.S. authorities (Department of Justice and Federal Trade Commission) on March 24, 2025, and the waiting period for this filing ended on April 24, 2025. Consequently, the agreement with Ionis became effective, and the upfront fee of \$280 million was recorded as intangible assets in our consolidated statement of financial position in April 2025.

<Establishment of a subsidiary>

On August 1, 2025, the Board of Directors of the Company resolved to establish Ono Global Reinsurance, Inc., as a wholly-owned subsidiary, with capital equal to 10% or more of the Company's capital, classifying it as a specified subsidiary.

(1) Purpose

In order to improve risk management systems, the Company will establish Ono Global Reinsurance, Inc., a subsidiary that underwrites non-life insurance of the Company and its group companies as reinsurance, for the purpose of establishing and operating stable insurance program.

(2) Outline of Ono Global Reinsurance, Inc.:

Company Name	Ono Global Reinsurance, Inc
Location	State of Hawaii, USA
Representative	Masaki Itoh, Managing Director
Establishment Date	December 2025 (planned)
Capital	¥10.0 billion (planned)
Business Activities	Reinsurance underwriting for the Company and its group companies

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

Relationship with the Company	Wholly-owned subsidiary
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(3) Future Outlook

Any impact of this matter on ONO's business results for the current fiscal year will be marginal. Should there be any events to be disclosed in the future, we will announce them in a timely manner.