

ONO PHARMACEUTICAL CO., LTD.
Notes to Consolidated Financial Statements (Income taxes)
Fiscal year ended March 31, 2024

16. Income Taxes

(1) Deferred Income Taxes

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	March 31, 2023	March 31, 2024	March 31, 2024
Deferred tax assets	¥ 35,604	¥ 40,863	\$ 270,614
Deferred tax liabilities	983	1,013	6,710
Net	¥ 34,622	¥ 39,850	\$ 263,904

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

For the year ended March 31, 2023

	<i>Millions of Yen</i>					
	Balance at March 31, 2022	Changes in Accounting Policies	Balance at April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2023
Deferred tax assets						
Accrued bonuses	¥ 1,785	¥ —	¥ 1,785	¥ 46	¥ —	¥ 1,832
Accrued enterprise tax	256	—	256	1,912	—	2,168
Expenses for research and development commissions and others	34,720	—	34,720	2,210	—	36,930
Investment securities	—	—	—	33	9	41
Property, plant, and equipment	2,258	—	2,258	13	—	2,271
Intangible assets	324	—	324	383	—	707
Retirement benefit liabilities	2,871	—	2,871	71	50	2,992
Other accounts payable	3,471	—	3,471	2,887	—	6,359
Lease liabilities	—	2,196	2,196	63	—	2,259
Others	7,540	(37)	7,503	2,173	—	9,677
Total	¥ 53,226	¥ 2,159	¥ 55,385	¥ 9,791	¥ 59	¥ 65,235
Deferred tax liabilities						
Property, plant, and equipment	¥ (4,248)	¥ —	¥ (4,248)	¥ 77	¥ —	¥ (4,171)
Intangible assets	(1,352)	—	(1,352)	613	—	(739)
Investment securities	(23,561)	—	(23,561)	(25)	88	(23,498)
Right-of-use assets	—	(2,159)	(2,159)	(45)	—	(2,204)
Others	—	—	—	(1)	—	(1)
Total	¥ (29,161)	¥ (2,159)	¥ (31,320)	¥ 619	¥ 88	¥ (30,613)
Net	¥ 24,064	¥ —	¥ 24,064	¥ 10,410	¥ 147	¥ 34,622

For the year ended March 31, 2024

Millions of Yen

	Balance at April 1, 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

Thousands of U.S. Dollars

	Balance at April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance at March 31, 2024
Deferred tax assets				
Accrued bonuses	\$ 12,130	\$ 1,182	\$ —	\$ 13,312
Accrued enterprise tax	14,360	(4,232)	—	10,128
Expenses for research and development commissions and others	244,570	16,905	—	261,475
Investment securities	273	3	(48)	229
Property, plant, and equipment	15,041	(1,033)	—	14,008
Intangible assets	4,681	28,958	—	33,639
Retirement benefit liabilities	19,812	(53)	(68)	19,691
Other accounts payable	42,110	(15,168)	—	26,942
Lease liabilities	14,959	(755)	—	14,204
Others	64,084	1,761	1,173	67,017
Total	\$ 432,020	\$ 27,569	\$ 1,057	\$ 460,645
Deferred tax liabilities				
Property, plant, and equipment	\$ (27,621)	\$ (632)	\$ —	\$ (28,253)
Intangible assets	(4,894)	4,870	—	(24)
Investment securities	(155,615)	92	646	(154,877)
Right-of-use assets	(14,597)	1,010	—	(13,587)
Others	(9)	9	—	—
Total	\$ (202,736)	\$ 5,349	\$ 646	\$ (196,741)
Net	\$ 229,283	\$ 32,917	\$ 1,703	\$ 263,904

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

2. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2023 and 2024 in Japan is 30.6%.
3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥7,580 million and ¥11,099 million (\$73,500 thousand) as of March 31, 2023 and 2024, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not reverse in the foreseeable future.
4. The Group has applied IAS 12 “Income Taxes” (revised May 2021) from the year ended March 31, 2024. This change in accounting policy has been applied retrospectively to related accounts for the year ended March 31, 2023.

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

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	For the year ended March 31, 2023	For the year ended March 31, 2024	For the year ended March 31, 2024
Deductible temporary differences	¥ —	¥ 18	\$ 118
Unused tax losses *	—	412	2,730
Total	¥ —	¥ 430	\$ 2,848

*Note: 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, 2023	For the year ended March 31, 2024	For the year ended March 31, 2024
First year	¥ —	¥ —	\$ —
Second year	—	—	—
Third year	—	—	—
Fourth year	—	—	—
Fifth year	—	412	2,730
No expiration date	—	—	—
Total	¥ —	¥ 412	\$ 2,730

(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, 2023	For the year ended March 31, 2024	For the year ended March 31, 2024
Current tax expense	¥ 41,020	¥ 40,447	\$ 267,862
Deferred tax expense	(10,401)	(4,753)	(31,477)
Total	¥ 30,619	¥ 35,694	\$ 236,385

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, 2023 and 2024. Overseas subsidiaries use the income tax rates of the countries in which they are located.

2. 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.

(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, 2023	For the year ended March 31, 2024
Applicable tax rates	30.6%	30.6%
Permanent non-deductible items	0.4	0.1
Non-taxable dividends	(0.1)	(0.1)
Tax credit for research and development, etc.	(10.2)	(10.0)
Effect of assessment of recoverability of deferred tax assets	—	0.3
Others	0.6	0.9
Average actual tax rates	21.3%	21.8%

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.