Annual Report 2014

Year ended March 31, 2014

ONO PHARMACEUTICAL CO.,LTD.

Dedicated to Man's Fight against Disease and Pain

Our corporate philosophy is the foundation upon which we continue at ONO PHARMACEUTICAL to work positively toward the development of original new drugs for the true benefit of patients and to meet unmet medical needs.

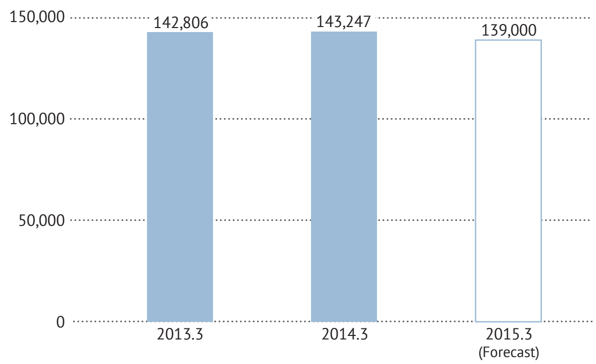
Contents

Financial Highlights

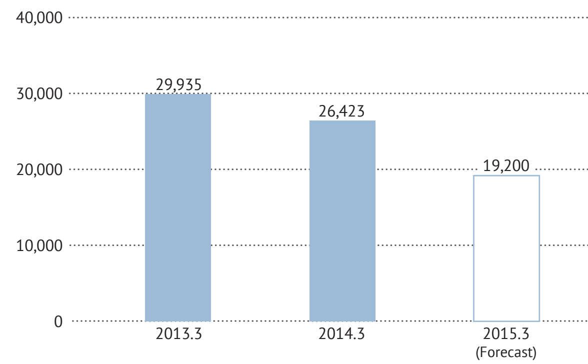
	2012.3 (JGAAP)	2013.3 (JGAAP)	2013.3 (IFRS)	Millions of Yen **2014.3 (IFRS)**	Thousands of U.S. Dollars **2014.3 (IFRS)**
Operating Results					
Net sales / Revenue	¥145,779	¥145,393	¥142,806	**¥143,247**	**$1,404,382**
R&D costs	44,383	45,441	44,768	**44,413**	**435,422**
Operating profit	37,904	31,921	29,935	**26,423**	**259,049**
Net income / Profit for the year attributable to owners of the parent company	24,361	24,120	22,919	**20,350**	**199,510**
Financial Position					
Total assets	436,414	455,573	475,068	**485,962**	**4,764,333**
Net assets / Total equity	400,968	423,291	442,542	**451,996**	**4,431,333**
Cash flows from operating activities	21,635	15,662	18,992	**28,422**	**278,647**
Cash flows from investing activities	(133)	7,170	4,365	**6,926**	**67,902**
Cash flows from financing activities	(19,073)	(18,847)	(19,372)	**(19,636)**	**(192,510)**
Amount per share				Yen	U.S. Dollars
Net income / Basic earnings	229.78	227.51	216.18	**191.96**	**1.88**
Net assets / Equity attributable to owners of the parent company	3,753.04	3,961.55	4,134.75	**4,222.19**	**41.39**
Cash dividends	180.00	180.00	180.00	**180.00**	**1.76**
Financial indicators					
Equity ratio (%)	91.2	92.2	92.3	**92.1**	
ROA (%)	9.4	7.6	7.1	**6.1**	
ROE (%)	6.2	5.9	5.3	**4.6**	
Payout ratio (%)	78.3	79.1	83.3	**93.8**	
Number of employees	2,754	2,807	2,807	**2,858**	

* U.S. Dollar amounts are translated at a rate of US$ 1 = ¥102. See Notes to consolidated financial statements.
* The International Financial Reporting Standards (IFRS) have been adopted from the fiscal year ended March 31, 2014.

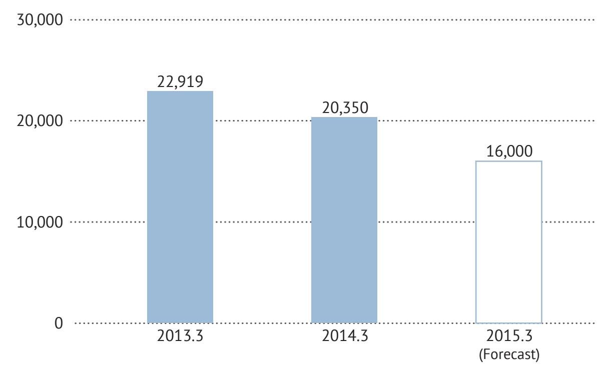
Revenue (Millions of Yen)



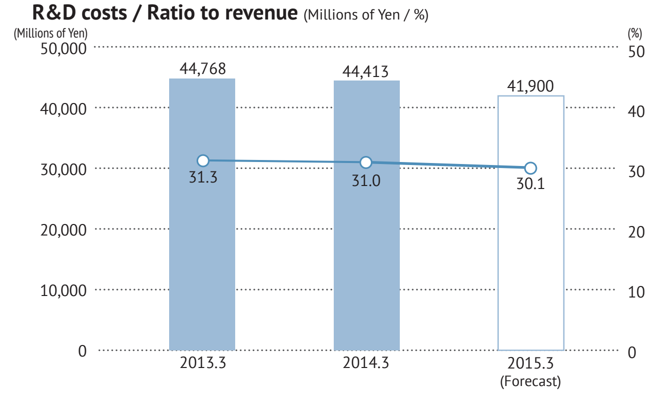
Operating profit (Millions of Yen)



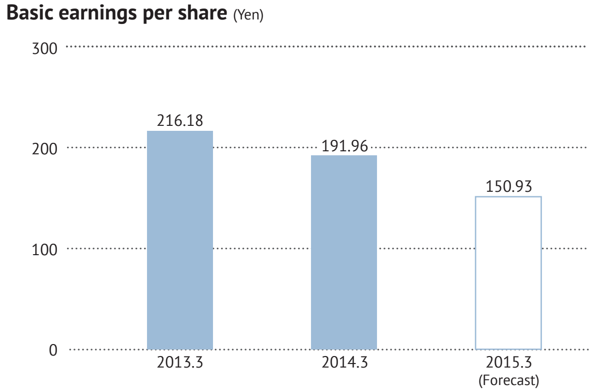
Profit for the year attributable to owners of the parent company (Millions of Yen)



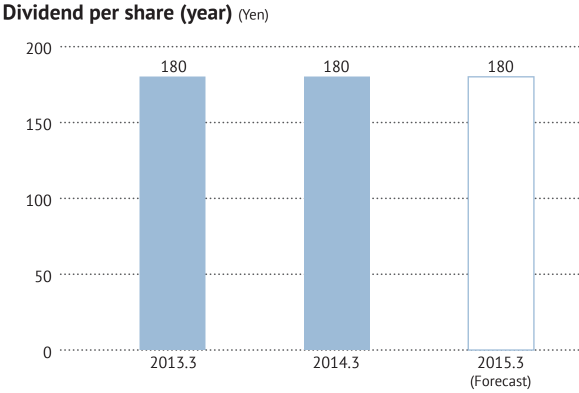
R&D costs / Ratio to revenue (Millions of Yen / %)



Basic earnings per share (Yen)



Dividend per share (year) (Yen)



Top Message

Aiming to create innovative drugs with our own development methods

Our corporate philosophy, "Dedicated to Man's Fight against Disease and Pain" is the foundation upon which all staff at ONO PHARMACEUTICAL unite and continue to work toward the development of innovative drugs for the true benefit of patients and to meet unmet medical needs.

Being a research-based pharmaceutical company specializing in ethical drugs, we have adopted a business model that pursues the take-up and development of promising new drug candidates from around the world as well as the creation of innovative pharmaceuticals, while focusing resources on the development of new drugs.

As we work hard in the areas of unmet medical needs at the medical care frontline, our drug development efforts are leveraging our technologies and know-how born out of our research efforts and are driving the production of novel pharmaceuticals in the areas in which we can demonstrate our strengths and make effective use of our genetic assets.

We are also actively driving research alliances with research institutes as well as strategic alliances for in-licensing of new drug candidates from pharmaceutical and bioventure companies around the world, to further improve our novel drug development capacity.

We at ONO intend to further raise our corporate social value as competitors in the global market by developing and marketing "drugs that deliver true benefit to patients."

G Sagara

Gyo Sagara
President, Representative Director, and CEO

Acting in accordance with consistently high ethical values

We are fully aware of our responsibilities as a pharmaceutical company handling medicines that support human life and work to further strengthen compliance to ensure we always act in accordance with high ethical values, as well as achieve strict compliance with laws and regulations.

Tackling a range of challenges for sustainable growth and realization of our corporate philosophy

The pharmaceutical industry is faced with a progressive decline in the success rate of drug discovery. R&D costs are mounting for pharmaceutical companies worldwide. In addition public policies are intent on curtailing medical costs through reforms of the healthcare system. We are certainly facing extremely challenging times. In this context, ONO is addressing the following current challenges.

1. Expanding the Development Pipeline

Vital to realizing sustained growth, we must expand our development pipeline and deliver new products to the market in a continuous stream. To that end, we are working to expand our development pipeline leading to successive new drug launches into the future by continuing to introduce attractive new drug candidates for the treatment of diseases that pose the greatest medical need, as well as new drug candidates that have the highest value in terms of corporate strategy and efficiency, taking into consideration existing products and the development pipeline, through vigorous licensing activities and by stepping up efforts to accelerate our drug discovery effort to develop original, breakthrough drugs using leading-edge technologies. We must also speed up the establishment of proof of concept for this expanded development pipeline, to lift the pace of drug discoveries.

2. Expanding Global Reach

We are pursuing global expansion for early launch of our original compounds by out-licensing to overseas partners and by progressing clinical developments overseas to enable delivery of the new drugs we develop to the world. We are working to enhance our overseas operations and are moving ahead to develop the personnel we anticipate for overseas business expansion in anticipation of the company marketing specialty products such as anticancer drugs.

3. Strengthening Corporate Infrastructure

We will focus our efforts on developing and bringing dynamism to our human resources for enhanced global competitiveness. We are also continuing to pursue realization of our innovation goals and to speedily deal with all kinds of changing circumstances by strengthening internal and external collaborative ties and enhancing diversification. We are also driving our corporate social responsibilities to a new level in accordance with our corporate philosophy and codes of conduct.

Basic Policy Concerning Dividends

Distribution of profits to all our shareholders is one of our key management policies, and we place great importance on the maintenance of stable dividends based on our business performance for each fiscal year.

Key Product Profiles

GLACTIV Tablets for the Treatment of Type 2 Diabetes

GLACTIV, a dipeptidyl-peptidase (DPP) 4 inhibitor, is an oral drug for treatment of type 2 diabetes. It regulates blood sugar levels in type 2 diabetes patients with the novel mechanism of action selectively inhibiting DPP-4, an enzyme which metabolites a gastrointestinal hormone, incretins. It thereby enhances the body's own insulin secretion ability in a glucose dependent manner and decreases glucagon release, signaling the liver to reduce its production of glucose.

FY 2013 Sales: 35.7 billion yen

RECALBON Tablets for the Treatment of Osteoporosis

RECALBON, a drug for the treatment of osteoporosis, is the first oral bisphosphonate discovered in Japan. It is one of the most potent bisphosphonates, rapidly preventing bone resorption, and is the first bisphosphonate that demonstrated significant effect in bone fracture prevention over placebo in Japanese osteoporosis patients. In September 2011, a Once Per 4 Weeks 50mg formulation was launched in addition to the Once-Daily 1mg formulation.

FY 2013 Sales: 11.1 billion yen

EMEND Capsules / PROEMEND for Intravenous Injection for the Treatment of Chemotherapy-induced Nausea and Vomiting

EMEND is the first selective neurokinin (NK) 1 receptor antagonist in the world. The drug is effective for chemotherapy-induced nausea and vomiting. In December 2011, the prodrug form of *EMEND Capsules*, *PROEMEND 150mg for Intravenous Injection* was launched.

FY 2013 Sales: 8.8 billion yen

STAYBLA Tablets for the Treatment of Overactive Bladder (OAB)

STAYBLA is a new anticholinergic, an antagonist selectively binding to M3 and M1 muscarinic receptors. It is available as standard tablets and as orally disintegrating (OD) tablets. By reducing the excessive contraction of the smooth muscle of the bladder, it is effective in symptoms associated with OAB including frequent urination, urinary incontinence, and urgency of urination.

FY 2013 Sales: 6.5 billion yen

RIVASTACH Patch for the Treatment of Alzheimer's Disease

RIVASTACH Patch is a transdermal patch for the treatment of Alzheimer's disease. It reduces the progression of deteriorating cognitive functions such as memory loss (forgetfulness) and disorientation (difficulty in recognizing time and place) by inhibiting acetylcholinesterase and thereby increasing the amount of acetylcholine in the brain and enhancing neurotransmission.

FY 2013 Sales: 6.4 billion yen

ORENCIA for Subcutaneous Injection for the Treatment of Rheumatoid Arthritis

ORENCIA is an injection for the treatment of rheumatoid arthritis. It inhibits secretion of cytokines by blocking the signal that activates T cells, resulting in the easing of joint inflammation.

ORENCIA was launched in August 2013.

FY 2013 Sales: 0.8 billion yen

FORXIGA Tablets for the Treatment of Type 2 Diabetes

FORXIGA is a therapy that reduces blood sugar by excreting excess blood glucose via urine through the inhibition of SGLT2, a transporter that acts to regulate reabsorption of glucose in the kidney tubules. It is an oral drug for the treatment of type 2 diabetes and improves high blood sugar after meals and fasting blood sugar levels, independently of insulin.

Launched in May 2014

OPALMON Tablets for the Treatment of Peripheral Circulatory Disorder

OPALMON is an orally administered prostaglandin-E_1 derivative for the treatment of ischemic symptoms accompanying thromboangiitis obliterans and subjective symptoms and walking disability associated with acquired lumbar spinal canal stenosis. It improves symptoms caused by peripheral circulatory disorder such as numbness, pain or coldness of the hands or feet.

FY 2013 Sales: 32.5 billion yen

Key Product Profiles

ONON Capsules for the Treatment of Bronchial Asthma and Allergic Rhinitis

ONON Capsules is a leukotriene receptor antagonist. Leukotriene is closely involved in the basic pathologies of bronchial asthma (airway inflammation, contraction, and hypersensitivity) and of allergic rhinitis. It relieves symptoms, namely coughing and breathlessness, and rhinitis symptoms, namely sneezing, runny or blocked nose.

FY 2013 Sales: 13.5 billion yen

FOIPAN Tablets for the Treatment of Chronic Pancreatitis and Postoperative Reflux Esophagitis

FOIPAN Tablets inhibits pancreatic enzymes which cause chronic pancreatitis and postoperative reflux esophagitis. It alleviates abdominal pain, nausea, abdominal distension and back pain due to the inflammation of the pancreas and relieves the symptoms and sensations after gastric operations, such as heartburn, backflow and cold or stinging feeling inside.

FY 2013 Sales: 8.0 billion yen

KINEDAK Tablets for the Treatment of Diabetic Peripheral Neuropathy

KINEDAK is the first aldose reductase inhibitor marketed in Japan. By blocking aldose reductase, which is activated under hyperglycemia, the drug reduces the production of sorbitol intraneural, which is involved in the development of neurological disorders associated with diabetes, and thereby alleviates accompanying symptoms such as numbness, pain and cramp in hands and feet and controls progress of the disease.

FY 2013 Sales: 7.4 billion yen

ONON Dry Syrup for the Treatment of Bronchial Asthma and Allergic Rhinitis

ONON Dry Syrup is a leukotriene receptor antagonist. Leukotriene is closely involved in the pathologies of bronchial asthma (airway inflammation, contraction, and hypersensitivity). It is a dry syrup formulation, suitable for use with children. In December 2011, the additional indication for allergic rhinitis was approved.

FY 2013 Sales: 6.9 billion yen

ONOACT for Intravenous Infusion for the Treatment of Tachyarrhythmia Intra-operative or Post-operative, or Tachyarrhythmia in Left Ventricular Dysfunction

ONOACT is a short-acting β_1 blocker that selectively blocks β_1 receptors mainly found in the heart, and thereby slows down the increase of heart rate that occurs during or after operations. *ONOACT* was approved in November 2013 for the additional indication of tachyarrhythmia in left ventricular dysfunction (heart failure).

FY 2013 Sales: 4.4 billion yen

ELASPOL for Injection for the Treatment of Acute Lung Injury Associated with Systemic Inflammatory Response Syndrome

ELASPOL is the world's first selective inhibitor of the neutrophil elastase. No medication is yet available for the direct treatment of lung function. This is a therapeutic drug for acute lung injury associated with systematic inflammatory response syndrome arising from the body's reaction to invasive operation or infection.

FY 2013 Sales: 3.5 billion yen

Bringing new drugs to everyone in the world — with our hopes

"Dedicated to Man's Fight against Disease and Pain"
is ONO's corporate philosophy as a pharmaceutical company dedicated to the development of new drugs, a philosophy to which all our divisions, all our people, dedicate themselves with passion and conviction in our R&D, manufacturing, marketing and all the other divisions' efforts, so that we can bring innovative drugs as soon as we possibly can to patients throughout the world.

This is ONO PHARMACEUTICAL's corporate philosophy and the words that were engraved in 1968 on the stone monument at the Minase Research Institute, the hub of our drug discovery and research.
It was in 1717 when Ichibei Fushimiya set up his apothecary in Doshomachi, Osaka, which later evolved into ONO PHARMACEUTICAL. Since then, ONO has dedicated itself to the business of developing and selling pharmaceutical products. Throughout this almost 300-year history, ONO has never wavered in its effort at grappling with disease and pain.
ONO will remain true to our corporate philosophy, clearly engraved in stone and in mind, pursuing our passion for the discovery of original and innovative drugs.
ONO will rely on this commitment that has sustained us for nearly three centuries, combined with the technology and knowhow we have against disease.
Ours is a relentless quest for the development of drugs that deliver true benefit to the health of individuals and genuine contribution to the good of society.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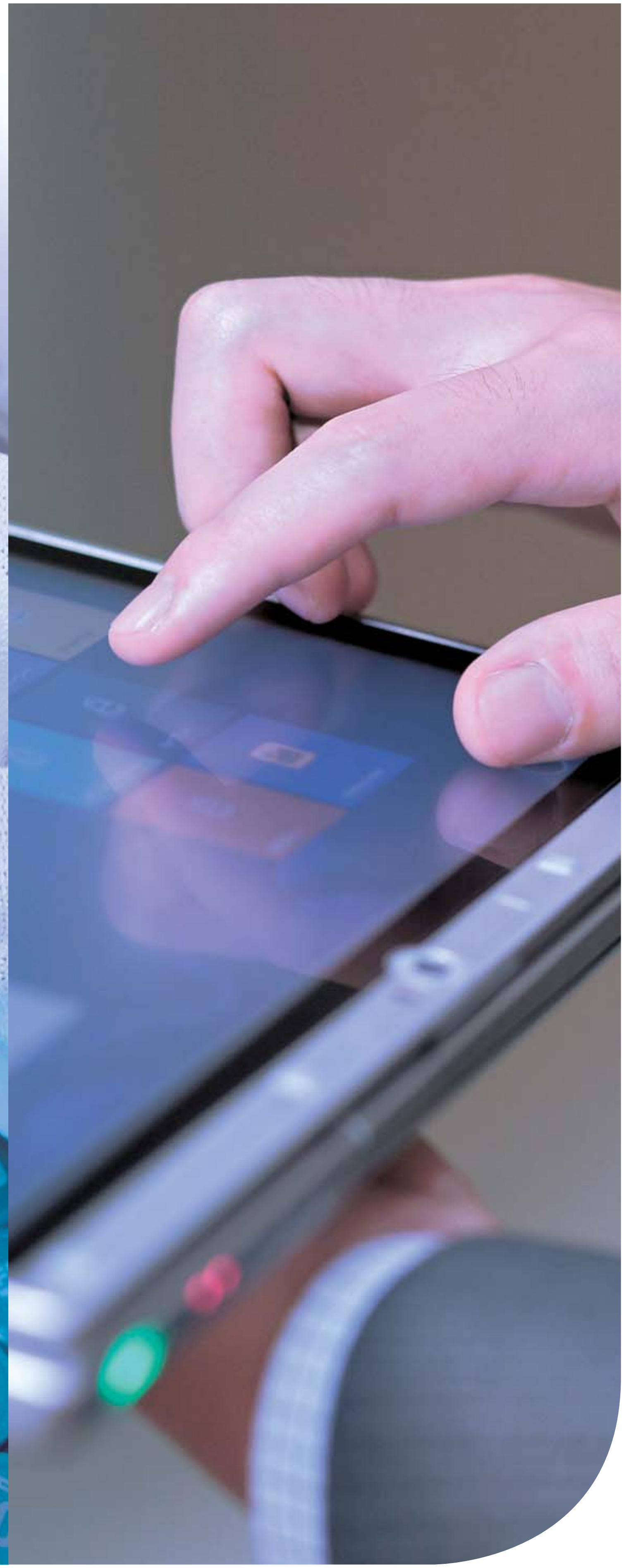


Research & Development

Combining Our Proprietary Technologies with Cutting Edge Science for Distinctive Approach to Drug Discovery

ONO is tackling the diseases that remain unconquered as yet and addressing areas that are high in healthcare needs where patient satisfaction of treatment is still low. ONO's discovery research aims to identify and develop innovative and breakthrough pharmaceutical products.

Our Mission in Research and Development

Deliver our contribution to society by developing drugs that truly benefit patients

Research

In the course of our research we have amassed a library of compounds that act on diverse targets and we have pursued our original path in drug discovery using Compound-Orient, enabling us to identify those compounds that are effective against disease or that support treatment.

Our key aim is to discover innovative drugs for the benefit of patients worldwide through our open innovation approach, which combines our own original drug discovery methods with cutting-edge science and technologies acquired through alliances with Japanese and overseas biopharmaceutical companies, such as the establishment of Orientem Innovation®, a new form of research network based on alliance with industry and academia.

We have established a Translational Medicine Center that brings together the functions necessary to bridge the gap between basic research and clinical development in an effort to enable quicker decision making in development and shorten the period from commencement of drug development to establishment of efficacy and safety.

Clinical Development

We are advancing mutual use of results from multinational clinical trials and other overseas studies to enable more rapid development of new drugs on a global scale.

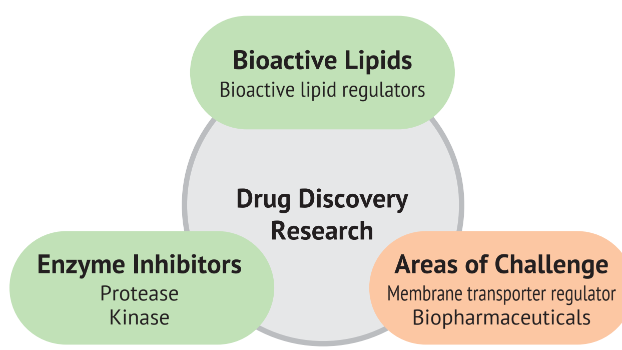
Leveraging Our Know-how to Produce Novel and Innovative Drugs

Bioactive lipids and enzyme inhibitors are areas of ONO's strengths within our drug discovery research where we can use the technologies and know-how accumulated through research into prostaglandins/leukotrienes and enzyme inhibitors. We are engaged in drug discovery research involving bioactive lipid signal mediators and protease/kinase inhibitors.

In the areas of new challenge, we are utilizing know-how developed through neuroscience research and gene assets obtained through genome research as we resolutely take on the challenge in new areas involving modulators of membrane transport system such as ion-channels and transporters as well as biotechnology based medicines.

We are driving R&D forward across all these areas, utilizing world-leading knowledge and technologies, making strides to improve the likelihood of success in discovering novel drugs and the efficiency of drug discovery research.

Target Domains for Drug Discovery Research



A Research Structure Combining Knowledge with Technology

The development of innovative drugs is driven by the spirit of challenge and motivation of individual scientists and their ability to think along new paths. We set out high but clear targets to enhance such motivation and creative thinking among its researchers.

Our research organization is based on project teams where members converge from different departments, bringing cutting-edge expertise from contrasting backgrounds. The interaction within the teams stimulates and mutually enhances our research achievements.

Drug discovery research coordinates the efforts of three laboratories: the Minase Research Institute, the Tsukuba Research Institute and the Fukui Research Institute. State-of-the-art facilities for genomics and metabolomics technologies, X-ray crystallography, high-throughput synthesis and high-throughput screening are fully deployed in our efficient and speedy discovery research efforts.

The Tsukuba Research Institute

The Institute, in alliance with academic and research institutions, undertakes analysis of disease-causing substances and exploratory research for new compounds that can control these substances, as well as research to verify the pharmacokinetics of discovered compounds.

The Fukui Research Institute

The Institute works with safety of compounds as well as mass production and cost reduction for the clinical and commercial supply of pharmaceutical substances.

The Minase Research Institute

The Institute engages in medicinal chemistry research, research investigating the properties and efficacy of compounds and formulations research to enable assurance of their quality and functions as pharmaceutical products.

Research & Development

EUROPE

ONO PHARMA UK LTD

In-/out- licensing partners

Novartis Pharma AG (Switzerland)
Helsinn Healthcare, S.A. (Switzerland)
PAION AG (Germany)
Les Laboratoires Servier (France)
Merck KGaA (Germany)
Bial (Portugal)

Marketing Alliances

AstraZeneca (UK)

Drug Discovery Alliances

Evotec AG (Germany)
Xention Limited (UK)
BioFocus DPI Limited (UK)
Scil Proteins GmbH (Germany)
Domain Therapeutics S.A. (France)

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KOREA

ONO PHARMA KOREA CO., LTD.

Vigorous Overseas Expansion

We have commenced work to build an operations base in Asia enabling us to market some specialty products such as anticancer drugs overseas. We have established ONO PHARMA KOREA CO., LTD., a wholly owned subsidiary of ONO in Seoul, South Korea in December 2013.
ONO PHARMA KOREA CO., LTD will support ongoing marketing of our existing products to our partners and is planning to market some specialty products by ourselves.
We are also moving ahead with enhancement of our overseas operations for global business expansion to enable us to deliver the new drugs we develop to patients throughout the world.

Framework Aimed at Accelerated Clinical Development

While our clinical development efforts are based in Japan, we have established nerve centers for clinical development within the overseas subsidiaries - ONO PHARMA USA, INC. (OPUS) and ONO PHARMA UK LTD. (OPUK). Both subsidiaries are strongly pursuing overseas clinical development of our new drug candidates. We are driving clinical development on a global footing with energy and determination to deliver new drugs that meet the needs of frontline healthcare as soon as we possibly can, for the sake of patients suffering from disease throughout the world, for example through our strong contributions to the global clinical development efforts embracing Asia alongside Europe and America. And our efforts to accelerate development include further enhancement of our development framework in oncology area, one of our strategic areas, through the establishment of the Oncology Clinical Development Planning Department in 2013.

*Main Partners (as of August 4, 2014)

JAPAN

ONO PHARMACEUTICAL CO., LTD.
(HEAD OFFICE)

In-/out- licensing partners

Sumitomo Dainippon Pharma Co., Ltd.
Kissei Pharmaceutical Co., Ltd.
Astellas Pharma Inc.
KYORIN Pharmaceutical Co., Ltd.
OncoTherapy Science, Inc.
Meiji Seika Pharma Co., Ltd.

NORTH AMERICA

ONO PHARMA USA, INC.

In-/out- licensing partners

Merck & Co., Inc.
Bristol-Myers Squibb Company
Kadmon Corporation, LLC
Onyx Pharmaceuticals, Inc.
Amgen Inc.
Valeant Pharmaceuticals North America

Drug Discovery Alliances

Array BioPharma Inc.
Locus Pharmaceuticals, Inc.
BioSeek LLC
Receptos Inc.

Open Innovation

By "open innovation," we mean active utilization of world-leading technologies and the "seeds" of breakthrough drug discoveries identified at biopharmaceutical companies as well as academic and research institutions across the globe. Even before this term came into use, we have long been driving drug discovery through the adoption of world-leading technologies and knowledge.

We are engaged in drug discovery collaborations with Array BioPharma Inc., Locus Pharmaceuticals, Inc., BioSeek LLC and Receptos Inc. of the USA; Xention Limited and BioFocus DPI Limited of the UK; Evotec AG and Scil Proteins GmbH of Germany; as well as Domain Therapeutics S.A. of France. All these collaborations are ongoing in aid of drug discovery efforts for innovative drug candidates in various domains.

We have also established Orientem Innovation®, a new form of research network in alliance with industry and academia to provide new compounds we have identified to universities and research institutions at an earlier stage and to find pharmaceutical uses for those compounds more rapidly than in the past. The first Orientem Innovation® project was launched in March 2014 when we concluded a research alliance agreement with Tohoku University and The University of Tokyo for research into new bioactive lipids. We will continue to drive similar initiatives into the future, both in Japan and overseas.

Vigorous activities for Licensing Initiatives

We continue to forge ahead with licensing activities to introduce new drug candidates with the aim of introducing compounds attractive for diseases with high therapeutic need, and compounds that have high value in terms of corporate strategy and efficiency, while taking into consideration the development pipeline and existing products. Our aim is to expand the development pipeline so as to provide a continuous stream of new market launches. We are simultaneously directing efforts into out-licensing to overseas alliance companies so that patients around the world can use the new drugs we discover.

In 2013, we acquired exclusive licenses for development and marketing in Japan of a drug for the treatment of symptom reemergence due to levodopa "wearing-off" in Parkinson's disease from Bial of Portugal; and a drug for treatment of pheochromocytoma from Valeant Pharmaceuticals North America. We also concluded an agreement with AstraZeneca of the UK for co-promotion in Japan of a drug for treatment of type 2 diabetes (an SGLT2 inhibitor) and launched co-promotion in March 2014.

We have moved ahead with our licensing activities energetically since 2010, forming alliances for the introduction and marketing of 10 new drug candidate compounds, as well as out-licensing the drugs we discovered, resulting in consistent enhancement of our development pipeline.

Status of Development Pipeline

New Drugs in Development (As of August 4, 2014)

New Drugs in Development in Japan

Product (Development Code)	Proposed Indication	Pharmacological Action, etc.	Development Stage PI	PII	PIII	Filed	
OPALMON Tablets (OP-1206·α-CD)	Thromboangitis obliterans, lumbar spinal canal stenosis (Stability-improved formulation)	Blood vessel dilation	→	→	→	→	Co-development with Sumitomo Dainippon Pharma Co., Ltd.
ONOACT for Intravenous Infusion 150 mg (ONO-1101)	Post operative tachyarrhythmia under monitoring hemodynamics, Tachyarrhythmia in low cardiac function (High content formulation)	Short acting beta 1 blocker	→	→	→	→	In-house
PROEMEND for Intravenous Infusion (ONO-7847) / MK-0517	Chemotherapy-induced nausea and vomiting in pediatric patients	Neurokinin 1 receptor antagonist	→	→	→		In-licensed from Merck & Co., Inc., USA
RIVASTACH Patch (ONO-2540) / ENA713D	Alzheimer's disease (Additional dosing regimen)	Dual inhibitor of AChE and BuChE	→	→	→		Co-development with Novartis Pharma AG
OPDIVO for Intravenous Infusion (ONO-4538) / BMS-936558	Renal cell cancer	Human anti-human PD-1 monoclonal antibody	→	→	→		In-house
ORENCIA IV (ONO-4164IV) / BMS-188667IV	Juvenile rheumatoid arthritis	T-cell activation inhibitor	→	→	→		Co-development with Bristol-Myers Squibb Company
ORENCIA IV (ONO-4164IV) / BMS-188667IV	Lupus nephritis	T-cell activation inhibitor	→	→	→		Co-development with Bristol-Myers Squibb Company
ONO-7057 / Carfilzomib	Multiple myeloma	Proteasome inhibitor	→	→	→		In-licensed from Onyx Pharmaceuticals, Inc.
ONO-2745 / CNS 7056	General anesthetic	Short acting $GABA_A$ receptor modulator	→	→	→		In-licensed from PAION AG
ONO-7165 / EMD531444	Non-small cell lung cancer	Therapeutic cancer peptide vaccine targeting the tumor antigen MUC-1	→	→			Co-development with Merck KGaA, Germany
ONO-7643 / RC-1291	Cancer anorexia / cachexia	Ghrelin mimetic	→	→			In-licensed from Helsinn Healthcare, S.A.
OPDIVO for Intravenous Infusion (ONO-4538) / BMS-936558	Esophageal cancer	Human anti-human PD-1 monoclonal antibody	→	→			In-house
OPDIVO for Intravenous Infusion (ONO-4538) / BMS-936558	Non-small cell lung cancer	Human anti-human PD-1 monoclonal antibody	→	→			In-house
ONO-1162 / Ivabradine	Chronic heart failure	If channel inhibitor	→	→			In-licensed from Les Laboratoires Servier
ONO-5163 / AMG-416	Secondary hyperparathyroidism	Calcium sensing receptor agonist	→	→			In-licensed from Amgen Inc.
ONO-6950	Bronchial asthma	Leukotriene receptor antagonist	→				In-house
ONO-7056 / Salirasib	Solid tumor	Ras signal inhibitor	→				In-licensed from Kadmon Corporation, LLC
ONO-7268MX1	Hepatocellular carcinoma	Therapeutic cancer peptide vaccines	→				In-licensed from OncoTherapy Science, Inc.
ONO-7268MX2	Hepatocellular carcinoma	Therapeutic cancer peptide vaccines	→				In-licensed from OncoTherapy Science, Inc.
ONO-2160 / CD	Parkinson's disease	Levodopa pro-drug	→				In-house
ONO-4053	Allergic rhinitis	Prostaglandin D2 receptor antagonist	→				In-house
ONO-2370 / Opicapone	Parkinson's disease	Long acting COMT inhibitor	→				In-licensed from Bial

New Drugs in Development Overseas

Product (Development Code)	Proposed Indication	Pharmacological Action, etc.	Development Stage PI	PII	PIII	Filed	
ONO-4538 / BMS-936558	Renal cell cancer	Human anti-human PD-1 monoclonal antibody	→	→	→		Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Non-small cell lung cancer	Human anti-human PD-1 monoclonal antibody	→	→	→		Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Melanoma	Human anti-human PD-1 monoclonal antibody	→	→	→		Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Head and neck cancer	Human anti-human PD-1 monoclonal antibody	→	→	→		Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Glioblastoma	Human anti-human PD-1 monoclonal antibody	→	→			Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Diffuse large B cell lymphoma	Human anti-human PD-1 monoclonal antibody	→	→			Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Follicular lymphoma	Human anti-human PD-1 monoclonal antibody	→	→			Out-licensed to Bristol-Myers Squibb Company
ONO-6950	Bronchial asthma	Leukotriene receptor antagonist	→	→			In-house
ONO-4053	Allergic rhinitis	Prostaglandin D2 receptor antagonist	→	→			In-house
ONO-2952	Irritable bowel syndrome	Translocator protein antagonist	→	→			In-house
ONO-9054	Glaucoma, ocular hypertension	Prostaglandin receptor (FP/EP3) agonist	→	→			In-house
ONO-4538 / BMS-936558	Solid tumors (triple negative breast cancer, stomach cancer, pancreatic cancer, small cell lung cancer, bladder cancer)	Human anti-human PD-1 monoclonal antibody	→	→			Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Colon cancer	Human anti-human PD-1 monoclonal antibody	→	→			Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Hepatocellular carcinoma	Human anti-human PD-1 monoclonal antibody	→				Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Chronic myeloid leukemia	Human anti-human PD-1 monoclonal antibody	→				Out-licensed to Bristol-Myers Squibb Company
ONO-4538 / BMS-936558	Hepatitis C	Human anti-human PD-1 monoclonal antibody	→				Out-licensed to Bristol-Myers Squibb Company
ONO-4059	B-cell lymphoma	Bruton's tyrosine kinase (Btk) inhibitor	→				In-house
ONO-8055	Underactive bladder	Prostaglandin receptor (EP2/EP3) agonist	→				In-house
ONO-8539	Gastroesophageal reflux disease	Prostaglandin receptor (EP1) antagonist	→				In-house
ONO-1266	Portal hypertension	S1P receptor antagonist	→				In-house
ONO-4232	Acute heart failure	Prostaglandin receptor (EP4) agonist	→				In-house

Marketing

True Value of Drugs Enhanced by Proper Drug Information Supply, Gathering and Feedback

Even if a drug is an excellent product, it is of no value unless it can be used correctly in medical treatment and can be delivered to those who are suffering from disease. Moreover, drugs could determine life or death. It is of paramount importance that accurate information is supplied appropriately. Our Medical Representatives (MRs) shoulder this all-important role of communicating drug information.

The MRs visit medical practitioners to provide and gather information on proper drug usage, as well as drug efficacy and safety.

The mission of MRs is to contribute to society by providing healthcare support in collaboration with medical practitioners for the benefit of patient treatment, in accordance with high ethical standards.

Information Sharing Framework Architecture

MRs not only provide information but also uphold the importance of exchanging information with medical practitioners to ascertain whether our drugs truly benefit each individual patient and their family members throughout the course of the patient's treatment.

ONO's information-sharing framework enables MRs to share the valuable information they gather from the frontline of healthcare across the company. Our proprietary MR support website carries a wide variety of information, notably the Product Q&A, a resource based on analysis of all information gathered to date, as well as safety information, promotional materials, information on academic societies, conferences and research papers, and information on sponsored seminars. The architecture or our framework allows all MRs to access this useful information at all times from their tablet devices. And all MRs also carry smartphones with functions that enable them to receive useful, timely information and also to instantly find selection- and combination-based drug interactions. The framework thereby allows us to respond rapidly to the needs of frontline healthcare.

Relaying Up-to-date Drug Information to the Frontline of Medical Care

Medical technology undergoes daily advance and the same is true of pharmaceutical products. It is one of the roles of drug manufacturers to relay as quickly as possible up-to-date information about such drugs and to provide opportunities for information exchange. We are actively engaged in the provision of information by organizing symposiums and seminars in conjunction with academic conferences held in Japan and through workshops and lectures in regions. We are also putting a high priority on engaging in efforts to utilize IT, for example through web-based seminars and by dispersing information about diseases through our website.

We are also planning to appoint specialist MRs dedicated to the area of cancer treatment, in anticipation of the launch of new products in that highly specialized field, and we are moving ahead with construction of a framework that enables rapid responses to the high-level demands of specialists in academia and specialist institutions.

On-site training at the Frontline of Medical Care — Placing Importance on the Views of Patients and Family Members

We are continuing to enhance training programs for MRs as we increase the investment in our MRs, for the sake of their development. It goes without saying that we provide our MRs with training in our products and related diseases, but more than that, they do on-site training at medical institutions to enable them to identify the needs of patients and family members and so, to deliver drugs that truly benefit patients. Our MRs are currently engaged in real interaction with patients, their family members, and medical practitioners and caregivers in specialist institutions for dementia, diabetes, and cancer. They are learning a lot through this work and are putting what they learn to good use.

All our MRs complete the "Dementia Supporter Training course," which aims to "get the facts straight on dementia, support people with dementia and their family members, and to carry on improving the everyday amenity of our communities for all members of society." Our MRs are active supporters. We are also running the Fureai Tsunagaru Exhibition (Friendship Exhibition), a project to display paintings and calligraphy by dementia sufferers created in medical institutions on our dementia treatment website Egao to Kokoro de Tsunagaru Ninchisho (Dementia: Connecting through our Hearts and Smiles) and in the lobby of our head office, to help foster joy among dementia sufferers and their family members and a sense of fulfillment among medical practitioners.

ONO enjoys the support of medical institutions for these efforts. The practical experience that cannot be gained through only the theoretical study energizes our MRs, and is incorporated into marketing work that distinguishes ONO Pharmaceutical Medical Representatives from the rest, aiming to truly benefit patients and place importance on the views of patients and family members.

Manufacturing

For the Stable Supply of Drugs that Can Be Used with Peace of Mind

Drugs are used to protect precious life. We who are involved in the manufacture of drugs share the mission of delivering drugs whose quality is assured and that can be used by patients with peace of mind.
At Ono, all divisions involved in manufacturing cooperate closely with each other, we consistently uphold a sense of responsibility and high ethical values, perform duties that are a matter of course as a matter of course, and continuously sustain maximum efforts toward the stable supply of drugs whose quality is assured.

Production System Optimization

Ono continually reviews production systems and invests in suitable plant and equipment for further optimization of marketed products, while keeping in mind the timing of marketing, quantities and product features relevant to the production system structure for products destined for market launch.

Quality Assurance

Ono delivers only products that have been ascertained to have assured quality, through the information on safety and efficacy, visual inspection and production/testing record checks for all products.

Productivity Improvement

Ono strives to improve productivity, driving labor-saving initiatives such as automation of production processes, as well as carefully examining cost structures, from pharmaceutical substance to pharmaceutical production, by coordinating these efforts with the formulation and synthesis research efforts at our Research Institutes.

Human Resources Development

We invest efforts in developing our human resources, through specialist training for the people concerned with production, passing skills from veteran technicians to young employees, and training in anticipation of globalization.

Risk Management

Ono has established a risk management system aimed at maintaining stable drug supply. Our system includes mechanisms for coping with power failure caused by disaster, such as equipping production centers with independent electric power plant.

Production Centers with Established High Quality and Productivity

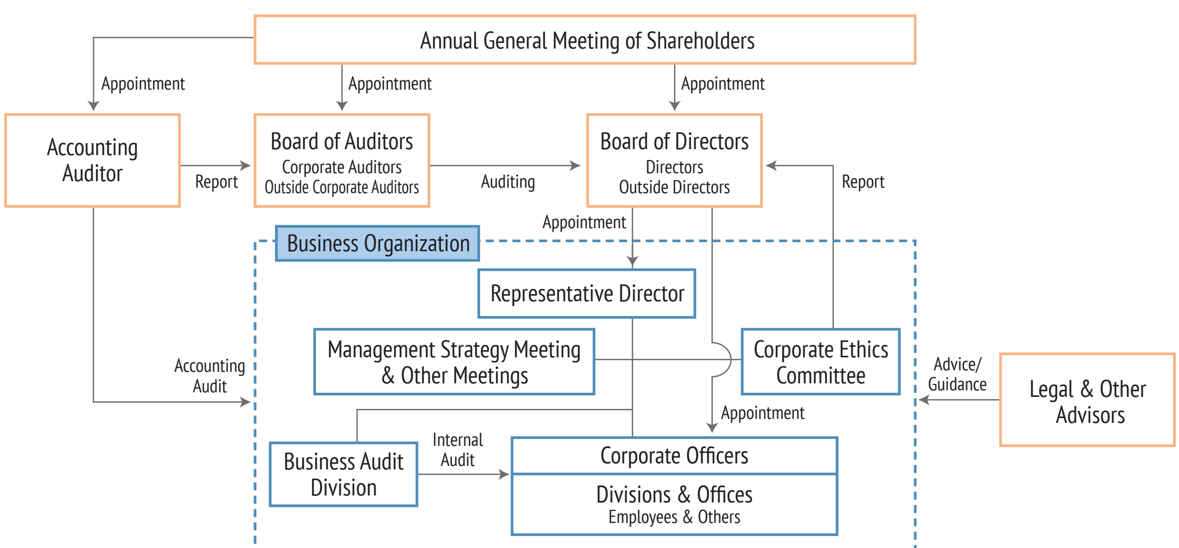
Ono's production centers in Shizuoka and Osaka are GMP compliant manufacturing plants. (GMP is a set of standards relating to the manufacturing control and quality control of pharmaceuticals.) Our key production center, Fujiyama Plant was constructed in Fujinomiya City, Shizuoka Prefecture in 1975. Since then, its facilities have been continually improved and expanded so that today the plant boasts computer-controlled manufacturing facilities. In 1999, a large-scale injection manufacturing plant was newly constructed within the grounds of the Fujiyama Plant, equipped with high-performance automation facilities. In 2009, we added a solid formulation manufacturing plant equipped with state-of-the-art manufacturing facilities, and in May 2014 we completed an injection line equipped with manufacturing facilities to handle highly active and antibody drugs, and facilities that can handle new drugs through development.
The injection manufacturing plant is equipped with high-performance facilities that comply not only with Japanese, but also European and USA GMP standards and its software is world-class. We use computers to give all the necessary operational commands in the manufacturing process, to check such operations, and to gather and record data. Industrial robots are used in all the processes from the receiving of pharmaceutical substances to the dispatch of finished products. The solid formulation manufacturing plant utilizes high-speed, high-performance machinery for thorough quality assurance.

Corporate Governance

Highly Transparent Management and Strict Upholding of Corporate Ethics Enhance Corporate Value

To enhance corporate value, Ono believes that our important management tasks are not only in achieving strict compliance with laws and regulations, but also in improving transparency in corporate management and in strengthening the function of management control.
To this end, Ono has adopted an Auditor-based (Board) organizational framework as a part of endeavors to bolster corporate governance focusing on enhancement of the functions of the Board of Directors and the Board of Auditors.
The Board of Directors aims to boost corporate dynamism, expedite decision-making and endeavors to ensure that the Board is comprised of the appropriate number of directors. Also, from June 2013, to ensure operational management remains sound, administration remains surefooted and improvements are made, Ono invited two outside directors with expert knowledge and depth of experience onto the Board for further enhancement of corporate governance.
Important matters related to operational management and executive decisions are discussed and made in various meetings. The Management Strategy Meeting is attended by the Directors and Corporate Officers, who variously take responsibility for each division, up to the President and Representative Director, as well as the managers of those divisions. The Directors and Corporate Officers also variously preside over meetings according to the significance and details of the management issues at hand, to deliberate and make executive decisions on those issues. We strive to achieve appropriate operational management, that takes into consideration provision for supervisory functions by employing such checks and balances.
Furthermore, Ono also includes attendance at Management Strategy Meetings and inspection of the Board minutes within the scope of the Auditors' work.
Introduction of the Corporate Officer System seeks to enhance operational management functions while allowing members of the Board of Directors to participate directly in important operational management as Corporate Officers, to implement continuous and stable business operations.
Meanwhile, the Board of Auditors fulfills its role through its members (four) attending the Board of Directors meeting and other key meetings, and auditing the execution of duties by directors via reports from directors and discussions thereof.
As to outside corporate auditors, a lawyer and a certified public accountant are on the Board, providing audit from objective and expert perspectives.
With regard to our system of internal control, the Board of Directors meeting held on May 9, 2006 resolved that "a system for ensuring appropriateness of the company's operations" should be in place. To this end, such a system was created and is constantly under review, so as to strengthen and improve operational compliance as well as overall internal control. Furthermore, we adopt a firm stance fighting against any antisocial force or organizations that may threaten social order or security.

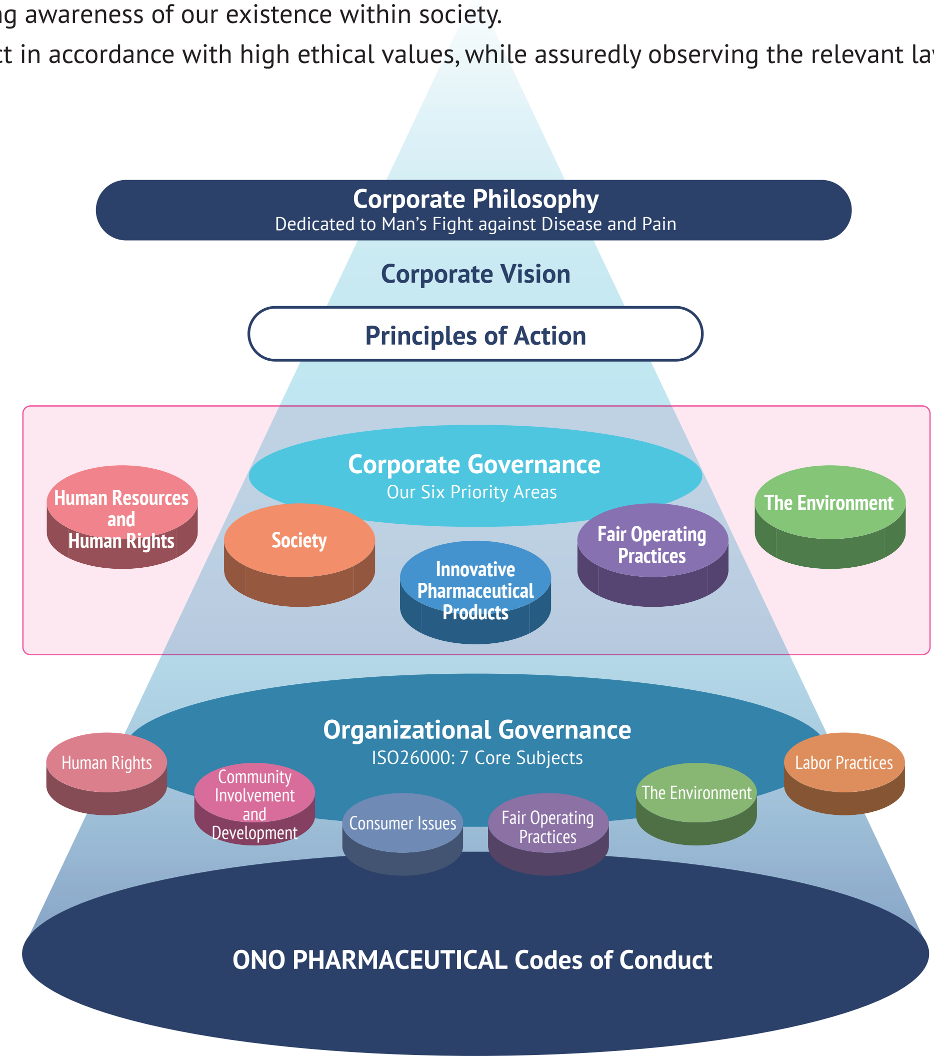
Corporate Governance Structure



Corporate Social Responsibility

Defining six priority areas for CSR activities, in accordance with our corporate philosophy and Codes of Conduct, and contributing to sustainable social development through our business activities

ONO has established an unbroken history in the pharmaceutical industry since foundation in 1717.
We are confident that this is the result of the community's high evaluation of our sincere efforts in the development of new drugs that are safer and more effective, under our corporate philosophy "Dedicated to Man's Fight against Disease and Pain."
We will continue doing our best to develop new drugs that truly benefit patients, taking a global perspective and a moderate approach to the advancement of our business activities, while maintaining awareness of our existence within society.
All employees act in accordance with high ethical values, while assuredly observing the relevant laws and statutes.



✻ISO26000: The international standard on social responsibility for organizations, published by the ISO (International Organization for Standardization, based in Geneva) in November 2010

Our Six Priority Areas

The ONO PHARMACEUTICAL Codes of Conduct indicates the ideal state of the company based on high ethical values, and declare we will strive to maintain fair and proper social relations, while complying with the laws and statutes and acting with respect for the human rights of every person, in every aspect of our business activities.
Our Codes of Conduct lies at the foundation of our CSR management, having cross checked them against the 7 Core Subjects of ISO26000 to define Six Priority Areas for the CSR activities that would be expected of us.
Based on Corporate Governance, we have defined and concentrated on the other priority areas to be Innovative Pharmaceutical Products, Human Resources and Human Rights, The Environment, Fair Operating Practices and Society. We are putting these into operation and carrying out our responsibility for keeping stakeholders informed by disclosing information about these efforts.

Corporate Governance

ONO is improving transparency in corporate management to enhance corporate value by strengthening management control functions as well as observing corporate ethics.

- Corporate Governance details can be found on page 21.

Innovative Pharmaceutical Products

We are driving innovative drug discovery by combining our proprietary drug discovery methods with cutting edge technology from Japan and overseas and are putting our efforts into licensing activities aimed at introducing new drug candidate compounds for diseases with high medical need. We are also working on clinical development with our global framework and are working to accelerate development.

- R&D details can be found on pages 12 to 15.

The Environment

Cognizant of our corporate social responsibilities in respect of the environment, we are making efforts towards realization of a rich global environment through our environmentally conscious activities across all areas of our business operations. We are promoting environmental efforts, working to understand environmental issues, with the involvement of all our employees.

- Formulating environmental guidelines and an environmental self-regulating action plan
- Designing an environmental management and promotion system, led by the Environment Management Committee
- Ongoing environmental protection activities based on establishment of specific action targets
- Designing an environmental management system in conformity with ISO14001 in our production locations

Corporate Social Responsibility

Fair Operating Practices

We are working to strengthen compliance by providing our employees with thoroughgoing training based on our Codes of Conduct, so as to establish and maintain sound, fair and transparent relations with medical practitioners and trading partners as well as government and administrative bodies.

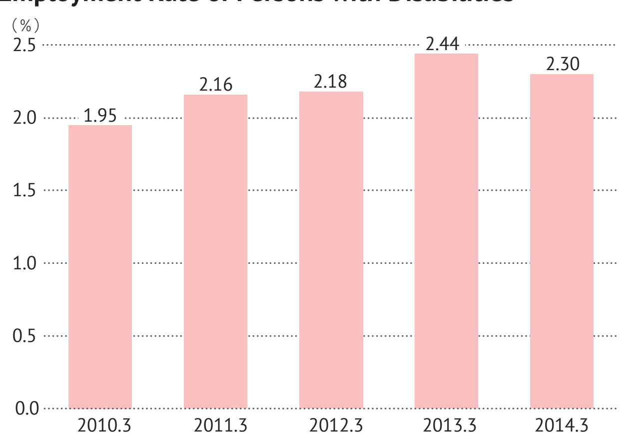
- Establishing a compliance development system as well as basic guidelines and standards for our activities
- Disclosing information in accordance with transparency guidelines
- Drawing attention to and thoroughly training employees for the prevention of corruption and bribery
- Ethical considerations in R&D
- Promoting CSR procurement activities by establishing procurement and trading regulations

Human Resources and Human Rights

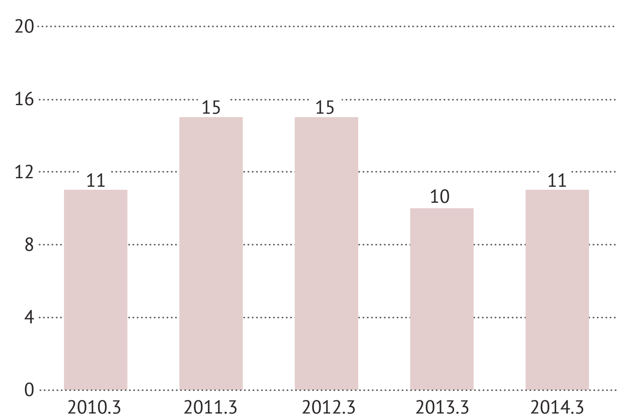
Believing that “People make the company,” we positively support forward-looking efforts without fear of failure, and support the cultivation of each and every person’s skills and capacities, as we advance efforts in the areas of safety and health and cultivation of workplace environments in which the company and employees can work together for mutual benefit, and in which each person can demonstrate their capabilities to the fullest. We also value a society where human rights are respected. Our goal is to be a company in which there is no discrimination based on race, nationality, ethnicity, gender, age, religion, belief or philosophy, academic background, disability or illness, regardless of whether it is in or outside the company.

- Enhancing the education and training system
- Enhancing the employment system for cultivation of employee-friendly workplaces
- Promotion of safe and healthy working environment
- Actively employing people with disabilities
- Acting for occupational health and safety

Employment Rate of Persons with Disabilities



Numbers of Industrial Accidents



Society

We are raising our social value by consistently and wholeheartedly pursuing the development of pharmaceuticals that truly benefit patients. We always engage with the community seriously and with sincerity and conduct ourselves in harmony with the community as a local corporate citizen.

- Engaging with the community by supporting people with disabilities as well as through cleanup and firefighting activities
- Offering workplace learning to educational institutions for people with disabilities
- Disseminating information through the internet about diseases and treatments
- Giving presentations etc. aimed at students
- Establishing endowed courses
- Operating a medical research foundation as a contribution to health and welfare

The 2013 CSR Report, on the ONO PHARMACEUTICAL website, covers our CSR efforts in detail.
The 2014 CSR Report is planned for release in September this year.
http://www.ono.co.jp./eng/csr/csr.html

Financial Section

Financial Review

The following is a summary of the consolidated business results for the fiscal year ended March 31, 2014.

Area of Business

ONO PHARMACEUTICAL CO., LTD. and its subsidiaries are engaged in the pharmaceuticals business.
(See Notes 2 & 6 of the Notes to Consolidated Financial Statements.)

Results for Fiscal Year Ended March 31, 2014

The Japanese economy showed signs of improvement in the current consolidated fiscal year, particularly in consumer spending and corporate profits, owing to various measures to boost the economy introduced by the government and the Bank of Japan: the economy was on a slow recovery trend.
In the domestic pharmaceutical market, the success rate for launch of new drugs has been declined and R&D costs has been further padded, additionally, the strengthening of measures to control healthcare costs continued, particularly through the permeation of measures to promote the use of generics. Thereby, being a research-based pharmaceutical company, challenging business conditions continued.
Under such circumstances, the Group directed efforts into improving efficiencies across all management areas, while seeking to enhance dissemination of scientific information centered on key products and further strengthening our R&D system, including our utilization of cutting-edge knowledge and technology. The Group's business results for the current consolidated fiscal year are as follows.
The Group has adopted International Financial Reporting Standards (IFRS) commencing the consolidated financial statements for the year ended March 31, 2014, therefore, results appear as IFRS-based figures.

	Millions of Yen	Thousands of U.S. Dollars
Revenue	¥ 143,247	$ 1,404,382
Operating profit	26,423	259,049
Profit for the year (attributable to owners of the parent company)	20,350	199,510

Revenue

Revenue totaled ¥143,247 million (US$1,404,382 thousand), which was an increase of ¥441 million (US$4,324 thousand), up 0.3% over the previous consolidated fiscal year.

- We continued to provide information actively through lectures, seminars and briefings and sales of key new products did increase, however, the permeation of generic promotion measures meant a decrease in sales of long-term listed products.
- Sales of our key new products increased. Glactiv Tablets for the treatment of type 2 diabetes increased 2.6% over the previous fiscal year to ¥35.7 billion (US$349,676 thousand). Recalbon Tablets for the treatment of osteoporosis increased 45.0% over the previous fiscal year to ¥11.1 billion (US$108,804 thousand). Combined figures for Emend Capsules and Proemend for Intravenous Injection for the treatment of chemotherapy-induced nausea and vomiting increased 10.5% over the previous fiscal year to ¥8.8 billion (US$85,833 thousand). Rivastach Patch for the treatment of Alzheimer's disease increased 63.8% over the previous fiscal year to ¥6.4 billion (US$62,667 thousand).
- Onoact for Intravenous infusion for the treatment of tachyarrhythmia intra-operative or post-operative was approved in November 2013 for the additional indication of tachyarrhythmia in left ventricular dysfunction (heart failure) and sales were up 18.8% over the previous fiscal year to ¥4.4 billion (US$42,971 thousand). Sales of ORENCIA for Subcutaneous Injection for the treatment of rheumatoid arthritis, which was launched in August 2013, reached ¥0.8 billion (US$7,814 thousand).
- Sales of the main long-term listed products were down. Sales of Opalmon Tablets for the treatment of peripheral circulatory disorder were down 4.2% over the previous fiscal year to ¥32.5 billion (US$318,775 thousand). Onon Capsules for the treatment of bronchial asthma and allergic rhinitis was down 16.6% over the previous fiscal year to ¥13.5 billion (US$132,039 thousand). Kinedak Tablets for the treatment of diabetic peripheral neuropathy was down 14.5% over the previous fiscal year to ¥7.4 billion (US$72,696 thousand).

Profit and Loss

Operating profit for the current consolidated fiscal year was ¥26,423 million (US$259,049 thousand), a decrease of ¥3,512 million (US$34,431 thousand), or 11.7% year on year. Profit before tax was down 10.7%, or ¥3,543 million (US$34,735 thousand), from the previous consolidated fiscal year to ¥29,458 million (US$288,804 thousand).

- Cost of sales was up 4.0%, or ¥1,268 million (US$12,431 thousand), from the previous consolidated fiscal year to ¥32,747 million (US$321,049 thousand).
- R&D costs were down 0.8%, or ¥350 million (US$3,431 thousand), from the previous consolidated fiscal year to ¥44,413 million (US$435,422 thousand).
- Selling, general and administrative expenses were up 7.1%, or ¥2,550 million (US$25,000 thousand), from the previous consolidated fiscal year to ¥38,381 million (US$376,284 thousand) owing to an increase in pharmacovigilance costs and depreciation expenses associated with computer and software investment.
- With the drawdown of deferred tax assets following abolition of the special corporate tax for reconstruction one year ahead of schedule, profit for the year (attributable to owners of the parent company) was down 11.2%, or ¥2,569 million (US$25,186 thousand), from the previous consolidated fiscal year to ¥20,350 million (US$199,510 thousand).

Consolidated Cash Flows

Cash and cash equivalents balance at the end of the consolidated fiscal year was up ¥15,781 million (US$154,716 thousand) from last year's figure of ¥89,117 million (US$873,696 thousand). The main factors were cash flows from financing activities ending in a negative balance of ¥19,636 million (US$192,510 thousand) due to dividend payments but cash flows from operating activities ending in a positive cash flow balance of ¥28,422 million (US$278,647 thousand), and cash flows from investing activities ending in a positive cash flow balance of ¥6,926 million (US$67,902 thousand). The final result was a 17.7% increase from the previous consolidated fiscal year to ¥104,898 million (US$1,028,412 thousand).

■ Cash Flows from Operating Activities

Cash flows from operating activities for the current consolidated fiscal year ended in a positive cash flow balance of ¥28,422 million (US$278,647 thousand), with an increase in income from the previous year of ¥9,430 million (US$92,451 thousand). The main factors were profit before tax of ¥29,458 million (US$288,804 thousand), depreciation and amortization costs of ¥5,109 million (US$50,088 thousand), an increase in inventories of ¥1,038 million (US$10,176 thousand), and income taxes paid of ¥10,862 million (US$106,490 thousand).

■ Cash Flows from Investing Activities

Cash flows from investing activities for the current consolidated fiscal year ended in a positive balance of ¥6,926 million (US$67,902 thousand), with an increase in income of ¥2,561 million (US$25,108 thousand) compared to the previous year. The main factors were income of ¥20,173 million (US$197,775 thousand) attributable to the margin between investment security purchases and sales/redemptions, but on the other hand, payments for purchases of tangible fixed assets amounting to ¥5,816 million (US$57,020 thousand) and payments for purchases of intangible assets of ¥7,041 million (US$69,029 thousand).

■ Cash Flows from Financing Activities

Cash flows from financing activities for the current consolidated fiscal year ended in a negative balance of ¥19,636 million (US$192,510 thousand), an increase in expenditure of ¥264 million (US$2,588 thousand from the previous year). The main factor was dividends paid to owners of the parent company of ¥19,073 million (US$186,990 thousand).

Investment in Plant and Equipment

Plant and equipment investment during the current consolidated fiscal year totaled ¥7,492 million (US$73,451 thousand). This included investment in enhancement and maintenance of manufacturing facilities (¥4,431 million, US$43,441 thousand) and business facilities (¥1,363 million, US$13,363 thousand); and investment in maintenance of research facilities (¥1,698 million US$16,647 thousand) .

Voluntary adoption of International Financial Reporting Standards (IFRS)

The Group voluntarily adopted International Financial Reporting Standards (IFRS), replacing the conventional Japan Generally Accepted Accounting Principles, for consolidated financial statements in the business year ending on March 31, 2014.
The Group has been facilitating business development such as research and development and licensing activities globally in the USA, Europe and Asian regions as well as in Japan. Additionally, foreign investors remain a large proportion of all investors, accounting for about 30% of the total shareholders as at March 31, 2014. Considering this situation, we have decided to voluntarily adopt IFRS to disclose financial information based on international standards, improve comparability and enhance convenience of stakeholders including shareholders, investors and business partners.

Consolidated Statement of Financial Position

Year ended March 31, 2014

Assets	Notes	Millions of Yen			Thousands of U.S. Dollars [Note 2(5)]
		IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Current assets:					
Cash and cash equivalents	7, 33	¥ 85,067	¥ 89,117	¥ 104,898	$ 1,028,412
Trade and other receivables	8, 33	42,605	43,385	42,240	414,118
Marketable securities	9, 33	39,715	40,022	22,295	218,578
Other financial assets	10, 33	1,000	1,000	905	8,873
Inventories	12	18,514	23,195	24,232	237,569
Other current assets	11	678	721	958	9,392
Total current assets		187,578	197,439	195,527	1,916,931
Noncurrent assets:					
Property, plant and equipment	13	53,929	55,781	59,147	579,873
Intangible assets	14	20,029	18,869	22,690	222,451
Investment securities	9, 20, 33	168,170	179,640	188,360	1,846,667
Investments in associates	15	933	1,001	1,008	9,882
Other financial assets	10, 33	5,549	5,568	5,913	57,971
Deferred tax assets	16	18,450	13,415	9,853	96,598
Retirement benefit assets	23	4,072	1,050	905	8,873
Other noncurrent assets	11	2,278	2,303	2,559	25,088
Total noncurrent assets		273,410	277,628	290,434	2,847,392
Total assets		¥ 460,988	¥ 475,068	¥ 485,962	$ 4,764,333

Liabilities and Equity	Notes	Millions of Yen IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	Thousands of U.S. Dollars [Note 2(5)] March 31, 2014
Current liabilities:					
Trade and other payables	17, 33	¥ 9,479	¥ 9,007	¥ 10,836	$ 106,235
Borrowings	18, 21, 33	463	472	508	4,980
Other financial liabilities	19, 33	889	1,092	846	8,294
Income taxes payable		8,876	5,606	4,303	42,186
Provisions	24	933	834	1,063	10,422
Other current liabilities	22	11,450	9,931	10,264	100,627
Total current liabilities		32,090	26,942	27,820	272,745
Noncurrent liabilities:					
Borrowings	18, 21, 33	222	484	468	4,588
Other financial liabilities	19, 33	13	14	17	167
Retirement benefit liabilities	23	2,313	3,467	3,945	38,676
Provisions	24	85	86	87	853
Deferred tax liabilities	16	846	898	1,002	9,824
Other noncurrent liabilities	22	579	634	626	6,137
Total noncurrent liabilities		4,058	5,584	6,146	60,255
Total liabilities		36,147	32,526	33,966	333,000
Equity:					
Share capital	25	17,358	17,358	17,358	170,176
Capital reserves	25	17,080	17,080	17,080	167,451
Treasury shares	25	(59,221)	(59,231)	(59,274)	(581,118)
Other components of equity	25	(7,688)	8,198	15,626	153,196
Retained earnings	25	453,401	454,946	456,809	4,478,520
Equity attributable to owners of the parent company		420,930	438,351	447,599	4,388,225
Non-controlling interests		3,911	4,190	4,397	43,108
Total equity		424,841	442,542	451,996	4,431,333
Total liabilities and equity		¥ 460,988	¥ 475,068	¥ 485,962	$ 4,764,333

Consolidated Statement of Income

Year ended March 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(5)]
		For the year ended March 31, 2013	**For the year ended March 31, 2014**	**For the year ended March 31, 2014**
Revenue	6	¥ 142,806	¥ 143,247	$ 1,404,382
Cost of sales		(31,479)	(32,747)	(321,049)
Gross profit		111,328	110,500	1,083,333
Selling, general and administrative expenses	27	(35,831)	(38,381)	(376,284)
Research and development costs		(44,763)	(44,413)	(435,422)
Other income	29	354	338	3,314
Other expenses	29	(1,153)	(1,620)	(15,882)
Operating profit		29,935	26,423	259,049
Finance income	30	3,029	3,107	30,461
Finance costs	30	(10)	(76)	(745)
Share of profit from investments in associates	15	46	4	39
Profit before tax		33,001	29,458	288,804
Income tax expense	16	(9,811)	(8,910)	(87,353)
Profit for the year		23,190	20,548	201,451
Profit for the year attributable to:				
Owners of the parent company		22,919	20,350	199,510
Non-controlling interests		270	198	1,941
Profit for the year		¥ 23,190	¥ 20,548	$ 201,451
		Yen		U.S. Dollars [Note 2(5)]
Earnings per share:				
Basic earnings per share	32	¥ 216.18	¥ 191.96	$ 1.88
Diluted earnings per share	32	–	–	–

Consolidated Statement of Comprehensive Income

Year ended March 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(5)]
		For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Profit for the year		¥ 23,190	¥ 20,548	$ 201,451
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net gain on financial assets measured at fair value through other comprehensive income	31, 33	15,107	7,106	69,667
Remeasurement of defined benefit plans	31	(1,859)	596	5,843
Share of net gain (loss) on financial assets measured at fair value through other comprehensive income of investments in associates	15, 31	16	3	29
		13,264	7,706	75,549
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	31	344	323	3,167
Net fair value gain on cash flow hedges	31	–	6	59
		344	330	3,235
Total other comprehensive income		13,608	8,036	78,784
Total comprehensive income for the year		36,798	28,584	280,235
Comprehensive income for the year attributable to:				
Owners of the parent company		36,514	28,374	278,176
Non-controlling interests		283	210	2,059
Total comprehensive income for the year		¥ 36,798	¥ 28,584	$ 280,235

Consolidated Statement of Changes in Equity

Year ended March 31, 2014

		Millions of Yen							
		Equity attributable to owners of the parent company							
	Notes	Share capital	Capital reserves	Treasury shares	Other components of equity	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at April 1, 2012		¥ 17,358	¥ 17,080	¥ (59,221)	¥ (7,688)	¥ 453,401	¥ 420,930	¥ 3,911	¥ 424,841
Profit for the year						22,919	22,919	270	23,190
Other comprehensive income	31				13,595		13,595	13	13,608
Total comprehensive income for the year		–	–	–	13,595	22,919	36,514	283	36,798
Purchase of treasury shares	25			(10)			(10)		(10)
Cash dividends	26					(19,083)	(19,083)	(4)	(19,088)
Transfer from other components of equity to retained earnings	25				2,291	(2,291)	–		–
Total transactions with the owners		–	–	(10)	2,291	(21,374)	(19,093)	(4)	(19,097)
Balance at March 31, 2013		¥ 17,358	¥ 17,080	¥ (59,231)	¥ 8,198	¥ 454,946	¥ 438,351	¥ 4,190	¥ 442,542
Profit for the year						20,350	20,350	198	20,548
Other comprehensive income	31				8,023		8,023	12	8,036
Total comprehensive income for the year		–	–	–	8,023	20,350	28,374	210	28,584
Purchase of treasury shares	25			(43)			(43)		(43)
Cash dividends	26					(19,083)	(19,083)	(3)	(19,086)
Transfer from other components of equity to retained earnings	25				(595)	595	–		–
Total transactions with the owners		–	–	(43)	(595)	(18,487)	(19,126)	(3)	(19,129)
Balance at March 31, 2014		¥ 17,358	¥ 17,080	¥ (59,274)	¥ 15,626	¥ 456,809	¥ 447,599	¥ 4,397	¥ 451,996

		Thousands of U.S. Dollars [Note 2(5)]							
		Equity attributable to owners of the parent company							
	Notes	Share capital	Capital reserves	Treasury shares	Other components of equity	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at March 31, 2013		$ 170,176	$ 167,451	$ (580,696)	$ 80,373	$ 4,460,255	$ 4,297,559	$ 41,078	$ 4,338,647
Profit for the year						199,510	199,510	1,941	201,451
Other comprehensive income	31				78,657		78,657	118	78,784
Total comprehensive income for the year		–	–	–	78,657	199,510	278,176	2,059	280,235
Purchase of treasury shares	25			(422)			(422)		(422)
Cash dividends	26					(187,088)	(187,088)	(29)	(187,118)
Transfer from other components of equity to retained earnings	25				(5,833)	5,833	–		–
Total transactions with the owners		–	–	(422)	(5,833)	(181,245)	(187,510)	(29)	(187,539)
Balance at March 31, 2014		$ 170,176	$ 167,451	$ (581,118)	$ 153,196	$ 4,478,520	$ 4,388,225	$ 43,108	$ 4,431,333

Consolidated Statement of Cash Flows

Year ended March 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(5)]
		For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Cash flows from operating activities				
Profit before tax		¥ 33,001	¥ 29,458	$ 288,804
Depreciation and amortization		4,765	5,109	50,088
Impairment losses		2,931	2,016	19,765
Interest and dividend income		(2,576)	(2,584)	(25,333)
Interest expense		8	14	137
Increase in inventories		(4,681)	(1,038)	(10,176)
Decrease (increase) in trade and other receivables		(777)	1,156	11,333
Increase (decrease) in trade and other payables		(825)	997	9,775
Increase in retirement benefit liabilities		496	515	5,049
Decrease in retirement benefit assets		793	1,035	10,147
Other		(1,582)	(93)	(912)
Subtotal		31,553	36,585	358,676
Interest received		963	667	6,539
Dividends received		1,786	2,046	20,059
Interest paid		(8)	(14)	(137)
Income taxes paid		(15,302)	(10,862)	(106,490)
Net cash provided by operating activities		18,992	28,422	278,647
Cash flows from investing activities				
Purchases of property, plant and equipment		(5,224)	(5,816)	(57,020)
Proceeds from sales of property, plant and equipment		0	7	69
Purchases of intangible assets		(2,383)	(7,041)	(69,029)
Purchases of investments		(43,015)	(31,353)	(307,382)
Proceeds from sales and redemption of investments		55,005	51,526	505,157
Other		(17)	(398)	(3,902)
Net cash provided by investing activities		4,365	6,926	67,902
Cash flows from financing activities				
Dividends paid to owners of the parent company		(19,056)	(19,073)	(186,990)
Dividends paid to non-controlling interests		(4)	(3)	(29)
Repayments of long-term borrowings		(400)	(515)	(5,049)
Proceeds from long-term borrowings		300	–	–
Net decrease in short-term borrowings		(203)	(2)	(20)
Purchases of treasury shares		(9)	(42)	(412)
Net cash used in financing activities		(19,372)	(19,636)	(192,510)
Net increase in cash and cash equivalents		3,985	15,712	154,039
Cash and cash equivalents at the beginning of the year	7	85,067	89,117	873,696
Effects of exchange rate changes on cash and cash equivalents		65	69	676
Cash and cash equivalents at the end of the year	7	¥ 89,117	¥ 104,898	$ 1,028,412

Notes to Consolidated Financial Statements

Year ended March 31, 2014

Note 1

Reporting Entity

Ono Pharmaceutical Co., Ltd. (the "Company") is a stock company incorporated in Japan. The addresses of its registered head office and principal business locations are disclosed on the Company's website (URL http://www.ono.co.jp/eng/index.html).
The consolidated financial statements of the Company were closed at year-end of March 31, 2014 and comprise the Company, its subsidiaries and equity interests in associates (collectively, the "Group"). The Group manufactures and sells medical and general pharmaceutical products. The business descriptions and principal activities of the Group are described in Note 6. Segment Information.

Note 2

Basis of Preparation

(1) Statements of Compliance to and First-time Adoption of International Financial Reporting Standards

Pursuant to the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the Company qualifies as a "Specified Company" prescribed in Article 1-2 of the Ordinance, and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").
The Group has adopted IFRS for the first time effective the current fiscal year, which commenced on April 1, 2013 and ended on March 31, 2014. The date of transition to IFRS (the "IFRS transition date") is April 1, 2012. Upon transition to IFRS, the Group has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). An explanation of how the transition to IFRS has affected the financial position, operating results and cash flows of the Group is described in Note 40. First-time Adoption of IFRS.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Early Applying of New Accounting Standards

The Group has early applied IFRS 9 *Financial Instruments* (revised in October 2010) ("IFRS 9") from the IFRS transition date (April 1, 2012).
IFRS 9 replaces International Accounting Standard ("IAS") No. 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), and applies two measurement classifications for financial instruments: financial instruments at amortized cost or at fair value. For financial assets measured at fair value, change in fair value should be recognized in profit or loss. However, change in fair value of investments in the equity instruments other than those held for trading are allowed to recognize in other comprehensive income.

(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 Japan using the rate of ¥102 to $1, the approximate rate of exchange at March 31, 2014. 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 million yen and one thousand U.S. dollars have been rounded to the nearest million yen and one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

Note 3

Significant Accounting Policies

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements (including the consolidated statement of financial position at the IFRS transition date).

(1) Basis of Consolidation

§1. Subsidiaries

A subsidiary refers to an entity that is controlled by the Group. Control is obtained when all of the following criteria are met:

- The Group has power over the investee;
- The Group has rights to variable returns from its involvement with the investee; and
- The Group has the ability to affect the amount of variable returns through its power over the investee

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes in any of the three elements of control listed as above.

Even if the Group does not have a majority of voting rights, the Group concludes to have 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 until the date the Group loses control of the subsidiary. 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.

Changes in ownership interest in a subsidiary without a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests of the Group are adjusted to reflect the changes in their respective percentage interests in the subsidiary. If there is a difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, the difference is recognized directly in equity as equity attributable to owners of the parent company.

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.

The closing date of all subsidiaries is the same as that of the Company.

§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 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.

The closing date of all associates is the same as that of the Company.

§3. Business Combinations

Business combinations are accounted for by applying the acquisition method.

At the acquisition date, identifiable assets acquired and liabilities assumed, excluding the certain items required under IFRS, are recognized at their fair values on the acquisition date.

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

The acquiree's identifiable assets and liabilities are measured at their fair values at the acquisition date.

(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 functional currency using spot exchange rates as of the closing date, while income and expenses are translated into Japanese yen 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.

As the Group has applied the exemption provision under IFRS 1 applicable at election, the cumulative amount of translation differences prior to the IFRS transition date was transferred to retained earnings.

(3) Financial Instruments

§1. Financial Assets

(i) Initial Recognition and Measurement

Financial assets are classified as either financial assets measured at fair value or financial assets measured at amortized cost. For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss ("FVTPL") or as measured at fair value through other comprehensive income ("FVTOCI"), except for equity instruments held for trading purpose, which must be measured at FVTPL. Such designations are applied consistently.

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 time frame generally established by regulation or convention in the marketplace.

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 asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 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.

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, the carrying amounts of the financial assets measured at amortized cost are calculated using the effective interest method, less impairment loss when necessary.

Financial Assets Measured at FVTPL

Financial assets (other than the financial assets measured at FVTOCI) that do not meet the above conditions for the classification of financial assets measured at amortized cost are classified to financial

assets measured at FVTPL.
Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized as expenses when they are incurred. Financial assets measured at FVTPL are measured at fair value after initial recognition and any changes in fair value are recognized in profit or loss for the year.

Financial Assets Measured at FVTOCI
Equity instruments designated to be measured at FVTOCI are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, they are measured at fair value, and any changes in fair value are included in "Net gain on financial assets measured at FVTOCI" in other components of equity. When financial assets measured at FVTOCI are derecognized, the accumulated amounts of net gain (loss) on the financial assets are immediately transferred to retained earnings. However, dividends on financial assets measured at FVTOCI are recognized in profit or loss for the year as finance income.

(ii) 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.

§2. Impairment of Financial Assets
Financial assets measured at amortized cost are assessed on the reporting date as to whether there is objective evidence that the asset may be impaired. Evidence of impairment includes financial difficulties, default or delinquency of the debtor or an indication that the debtor may go bankrupt.
When there is objective evidence that a financial asset is impaired, an impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted by the original effective interest rate.

§3. 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 by 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.

§4. 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.

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

§6. Hedge Accounting

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

Cash flow hedge accounting is as follows:

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

Amounts recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss in the same line as the recognized hedged item. However, in cases where the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when a hedging instrument expires or 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.

§7. Fair Value of Financial Instruments

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

(4) Cash and Cash Equivalents

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

(5) 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 first-in, first-out (FIFO) 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 Leased Assets)

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

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

Property, plant and equipment, other than non-depreciable assets such as land, 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 fiscal year and any changes are treated as changes in accounting estimates and applied prospectively.
As the Group has applied the exemption provision under IFRS 1 applicable at election, the Group uses fair value at the IFRS transition date as the deemed cost.

(7) Impairment of Property, Plant and Equipment

During each fiscal year, the Group determines whether there is any indication of impairment on each asset. If any indication of impairment exists, the recoverable amount of the asset or cash-generating unit to which the asset belongs is estimated.
The recoverable amount is computed at the higher of fair value less costs to sell or value in use of the asset or cash-generating unit. If the carrying amount of an asset or 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 pre-tax discount rate that reflects the time value of money and the risks inherent to the asset, etc. For the calculation of an asset's fair value less costs to sell, an appropriate evaluation model is used based on available fair value indices.
An impairment loss recognized in prior years is assessed as to whether there is any indication that the impairment loss for an asset or cash generating unit may have decreased or may no longer exist. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount, net of accumulated depreciation that would have been determined if no impairment losses had been recognized in prior years.

(8) Intangible Assets

§1. Intangible Assets Acquired Separately

The Group applies the cost model for 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 still not 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: 8-15 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 fiscal year, and any changes are treated as changes in accounting estimates and applied prospectively.

§2. Internally-generated Intangible Assets (Research and Development Costs Internally-generated)

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

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

Due to the risks and uncertainties relating 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" at the time incurred.

§3. Impairment of Intangible Assets

Intangible assets with indefinite useful lives or intangible assets are still not available for use are not subject to amortization and are tested for impairment individually or on a cash-generating unit basis, at the end of each fiscal year or whenever any indication of impairment exists.

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

The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell or its value in use. The value in use is computed by discounting the estimated future cash flows to the present value.

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

(9) Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the Group. All other leases are classified as operating leases.

In finance lease transactions, leased assets and lease obligations are carried at the lower of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Leased assets and lease obligations are presented as property, plant and equipment and borrowings, respectively in the consolidated statement of financial position. Leased assets are depreciated using the straight-line method over their estimated useful lives or lease terms whichever is shorter. Lease payments are apportioned between the finance costs and the repayments of the lease obligations based on the interest method and finance costs are recognized as an expense in the consolidated statement of income.

In operating lease transactions, lease payments are recognized as an expense over the lease terms in the consolidated statement of income. Contingent rents are recognized as an expense in the period when they are incurred.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with IFRIC Interpretation (IFRIC) 4 *Determining Whether an Arrangement Contains a Lease*.

(10) Employee Benefits

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

§1. Defined Benefit Plans

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

§2. Defined Contribution Plans
Expenses for defined contribution plans are recognized as an expense when they are paid.

(11) Provisions
The Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, it is probable that it will be required to settle the obligation and a reliable estimate can be made .
Where time value of money is material, a provision is measured at the present value of estimated expenditures required to settle the obligation. The present value is computed using a pre-tax discount rate that reflects the time value of money and the risks inherent to the liabilities.

(12) Revenue
The Group measures revenue at fair value of the consideration received or receivable less discounts, rebates and taxes such as consumption tax.

§1. Sale of Goods
The Group sells medical and general pharmaceutical products. Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing involvement nor effective control over the goods, it is probable that the future economic benefits associated with the transaction will flow to the Group, and the economic benefits and the costs in respect of the transaction can be measured reliably.

§2. Royalty Income
The Group has license agreements with third parties permitting product manufacturing and use of technology. Royalty income attributable to the agreements is recognized on an accrual basis in accordance with the substance of the relevant license agreements.

§3. Interest Income
Interest income is recognized using the effective interest method.

§4. Dividend Income
Dividend income is recognized when the shareholder's right to receive payment is established.

(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 that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and tax losses can be utilized. Deferred tax liabilities are principally recognized for all taxable temporary differences.

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

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

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.

(14) Treasury Shares

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

(15) Earnings per Share

Basic earnings per share are calculated by dividing profit and loss for the year attributable to owners of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares for the period. Diluted earnings per share have not been calculated because no potentially dilutive shares of ordinary shares are outstanding.

Note 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 revaluated by management. The effect of revisions to the accounting estimates and assumptions are recognized in the period of the revision and future periods.

The estimates and assumptions that have a significant effect on the amounts recognized in the Group's consolidated financial statements are as follows:

- Impairment of property, plant and equipment, and intangible assets
  With regard to property, plant and equipment and intangible assets, if there is any indication that the recoverable amount of an asset is less than its carrying amount, the Group performs an impairment test.
  Important factors that trigger the impairment test to be performed include significant changes adversely affecting the results of past or projected business performance, significant changes in the usage of acquired assets or changes in overall business strategy, and significant deteriorations in industry trends and economic trends.
  The impairment is determined based on the higher of the fair value less costs to sell or the value in use measured based on the valuation of risk-adjusted future cash flows discounted at an appropriate rate. Future cash flows are estimated based on business forecasts. There is a possibility that a future event may result in changes in assumptions used in such impairment tests and may affect future operating results of the Group.
- Recoverability of deferred tax assets
  Deferred tax assets are recognized on temporary differences between the carrying amounts of assets and

liabilities for accounting purposes and the corresponding tax bases, using the effective tax rate applied to the temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized to recover the deferred tax assets.

- Actuarial assumptions for retirement benefit accounting
  The Group has a number of retirement benefit plans, including defined benefit plans. The Group calculates the present value of the 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. The Group obtains advice 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, there is a possibility that these assumptions may be affected by changes in uncertain future economic conditions. In cases where the assumptions need to be revised, the revision may have a material impact on amounts recognized in the consolidated financial statements.

Note 5

Standards and Interpretations Issued but Not Yet Applied

The Group has not elected early application of the following new and revised standards and interpretations, except for IFRS 9 *Financial Instruments* (revised in October 2010), that have been issued but not come into effect. The major new standards, interpretations, and amendments issued as of the date of the approval for the consolidated financial statements that may impact the Group are as follows. The Group is currently evaluating the potential impact of applying these standards on its consolidated financial statements, which is currently not available.

IFRS		Mandatory application (from the year beginning)	To be applied by the Group	Subject of new standard / amendment
IAS 32	*Financial Instruments: Presentation*	January 1, 2014	March 31, 2015	Offsetting of financial assets and financial liabilities
IAS 36	*Impairment of Assets*	January 1, 2014	March 31, 2015	Disclosures related to recoverable amount for non-financial assets
IFRIC 21	*Levies*	January 1, 2014	March 31, 2015	Clarification of accounting treatment for levies
IFRS 15	*Revenue from Contracts with Customers*	January 1, 2017	March 31, 2018	Issuance of a single and comprehensive model for accounting treatment for revenue from contracts with customers
IFRS 9	*Financial Instruments*	–	–	Revision of hedge accounting

Note 6

Segment Information

(1) Reportable Segments

Based on the Group's corporate philosophy, "Dedicated to Man's 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 businesses). Accordingly, the segment information is omitted herein.

(2) Details of Revenue

Details of "Revenue" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Circulatory and respiratory drugs	¥ 68,058	¥ 62,002	$ 607,863
Metabolic pharmaceutical drugs and vitamins	45,017	48,972	480,118
Digestive system drugs	16,783	16,722	163,941
Urinary drugs	5,882	5,934	58,176
Nervous system drugs	3,355	5,807	56,931
Chemical therapy, hormone drugs and others	964	837	8,206
Others	2,745	2,972	29,137
Total	¥ 142,806	¥ 143,247	$ 1,404,382

(3) Geographical Areas

Revenue from external customers by geographic area is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Japan	¥ 140,418	¥ 141,180	$ 1,384,118
Europe	539	377	3,696
Asia	1,849	1,689	16,559
Total	¥ 142,806	¥ 143,247	$ 1,404,382

Note: Revenue is segmented on the basis of the place of destination for sales.

(4) Major Customers

Revenue from major customers is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Mediceo Corporation	¥ 33,446	¥ 33,699	$ 330,382
Suzuken Co., Ltd.	24,802	25,600	250,980
Toho Pharmaceutical Co., Ltd.	18,803	19,335	189,559
Alfresa Corporation	18,631	17,247	169,088

Note 7

Cash and Cash Equivalents

Details of "Cash and cash equivalents" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Cash and cash equivalents)				
Cash and deposits	¥ 19,960	¥ 23,261	¥ 19,999	$ 196,069
Short-term investments	65,107	65,856	84,899	832,343
Cash and cash equivalents in the consolidated statement of financial position	¥ 85,067	¥ 89,117	¥ 104,898	$ 1,028,412
Cash and cash equivalents in the consolidated statement of cash flows	¥ 85,067	¥ 89,117	¥ 104,898	$ 1,028,412

Note 8

Trade and Other Receivables

Details of "Trade and other receivables" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Notes receivable	¥ 699	¥ 523	¥ 517	$ 5,069
Trade accounts receivable	37,016	36,683	35,938	352,333
Other accounts receivable	4,896	6,185	5,791	56,775
Allowance for doubtful accounts	(6)	(6)	(6)	(59)
Net total	¥ 42,605	¥ 43,385	¥ 42,240	$ 414,118

Notes: 1. Amounts shown in the consolidated statement of financial position are net of the allowance for doubtful accounts.
2. The credit risk management and fair value of "Trade and other receivables" are described in Note 33. Financial Instruments.
3. The Group discounts certain notes receivable resulting from export transactions to financial institutions before maturity. The Group incurs payment obligations to these financial institutions for these notes in the event of a default. These discounted notes continue to be presented in "Trade and other receivables." In addition, the carrying amounts of the discounted notes are presented as borrowings (current). The carrying amounts of the discounted notes are ¥250 million on the IFRS transition date, and ¥47 million and ¥45 million ($441 thousand) as of March 31, 2013 and 2014, respectively.

Note 9

Marketable Securities and Investment Securities

(1) Details

Details of marketable securities and investment securities are as follows:

Classification			Millions of Yen			Thousands of U.S. Dollars
			IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Marketable securities	Financial assets measured at FVTPL	Bonds	¥ 194	¥ –	¥ –	$ –
	Financial assets measured at amortized cost	Bonds	39,521	40,022	22,295	218,578
	Total		¥ 39,715	¥ 40,022	¥ 22,295	$ 218,578
Investment securities	Financial assets measured at FVTOCI	Stock	¥ 74,977	¥ 99,089	¥ 114,244	$ 1,120,039
	Financial assets measured at FVTPL	Bonds	3,000	1,502	–	–
		Other	2,383	936	897	8,794
	Financial assets measured at amortized cost	Bonds	87,810	78,114	73,219	717,833
	Total		¥ 168,170	¥ 179,640	¥ 188,360	$ 1,846,667

Notes: 1. Stocks are designated as financial assets measured at FVTOCI because they are held mainly to strengthen business relationships and for the purpose of improving long-term corporate value.
2. Bonds meeting the qualifying criteria to be measured at amortized cost are designated as financial assets measured at amortized cost, while other bonds are designated as financial assets measured at FVTPL.

(2) Major Holdings of Listed Issues and Fair Value

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

IFRS transition date (April 1, 2012)	
Description	Millions of Yen
NISSIN FOODS HOLDINGS CO., LTD.	¥ 7,615
SANTEN PHARMACEUTICAL CO., LTD.	5,762
T&D Holdings, Inc.	5,471
DAIICHI SANKYO COMPANY, LIMITED	4,345
Kurita Water Industries Ltd.	2,941
Astellas Pharma Inc.	2,252
Sumitomo Dainippon Pharma Co., Ltd.	1,884
YAKULT HONSHA CO., LTD.	1,879
Nissan Chemical Industries, Ltd.	1,846
HISAMITSU PHARMACEUTICAL CO., INC.	1,760
JGC CORPORATION	1,577
KYORIN Holdings, Inc.	1,512
NIPPON KAYAKU CO., LTD.	1,442
OBAYASHI CORPORATION	1,404
KISSEI PHARMACEUTICAL CO., LTD.	1,372
Otsuka Holdings Co., Ltd.	1,149
KOKUYO CO., LTD.	1,148
DAIKIN INDUSTRIES, LTD.	1,142
SUMITOMO CHEMICAL COMPANY, LIMITED	1,011
SUZUKEN CO., LTD.	1,002
Mitsubishi Tanabe Pharma Corporation	982
OSAKA GAS CO., LTD.	959
Alfresa Holdings Corporation	915
Tokio Marine Holdings, Inc.	899
TOPPAN PRINTING CO., LTD.	847
MEIJI Holdings Co., Ltd.	780
MEDIPAL HOLDINGS CORPORATION	778
FUJIMOTO CHEMICALS CO., LTD.	753
MIURA CO., LTD.	748
KIKKOMAN CORPORATION	686

March 31, 2013	
Description	Millions of Yen
NISSIN FOODS HOLDINGS CO., LTD.	¥ 10,789
SANTEN PHARMACEUTICAL CO., LTD.	7,254
T&D Holdings, Inc.	6,481
DAIICHI SANKYO COMPANY, LIMITED	5,229
Sumitomo Dainippon Pharma Co., Ltd.	3,770
Astellas Pharma Inc.	3,351
Carna Biosciences, Inc.	3,001
Kurita Water Industries Ltd.	2,987
DAIKIN INDUSTRIES, LTD.	2,711
Nissan Chemical Industries, Ltd.	2,692
YAKULT HONSHA CO., LTD.	2,513
HISAMITSU PHARMACEUTICAL CO., INC.	2,304
KYORIN Holdings, Inc.	2,218
NIPPON KAYAKU CO., LTD.	1,980
OBAYASHI CORPORATION	1,750
KISSEI PHARMACEUTICAL CO., LTD.	1,676
Otsuka Holdings Co., Ltd.	1,548
JGC CORPORATION	1,463
Mitsubishi Logistics Corporation	1,416
SUZUKEN CO., LTD.	1,375
KOKUYO CO., LTD.	1,341
Mitsubishi Tanabe Pharma Corporation	1,223
Alfresa Holdings Corporation	1,207
OSAKA GAS CO., LTD.	1,196
KIKKOMAN CORPORATION	1,188
MEDIPAL HOLDINGS CORPORATION	965
MEIJI Holdings Co., Ltd.	942
OKAMURA CORPORATION	894
TOPPAN PRINTING CO., LTD.	886
TOHO HOLDINGS CO., LTD.	869

Notes to Consolidated Financial Statements

March 31, 2014		
Description	Millions of Yen	Thousands of U.S. Dollars
NISSIN FOODS HOLDINGS CO., LTD.	¥ 11,453	$ 112,284
SANTEN PHARMACEUTICAL CO., LTD.	8,525	83,578
DAIKIN INDUSTRIES, LTD.	7,025	68,873
T&D Holdings, Inc.	7,000	68,627
DAIICHI SANKYO COMPANY, LIMITED	5,007	49,088
Astellas Pharma Inc.	4,053	39,735
Nissan Chemical Industries, Ltd.	3,680	36,078
Sumitomo Dainippon Pharma Co., Ltd.	3,523	34,539
YAKULT HONSHA CO., LTD.	3,421	33,539
Kurita Water Industries Ltd.	3,247	31,833
OBAYASHI CORPORATION	2,263	22,186
JGC CORPORATION	2,208	21,647
KISSEI PHARMACEUTICAL CO., LTD.	2,167	21,245
HISAMITSU PHARMACEUTICAL CO., INC.	2,091	20,500
NIPPON KAYAKU CO., LTD.	1,978	19,392
KYORIN Holdings, Inc.	1,902	18,647
Alfresa Holdings Corporation	1,596	15,647
SUZUKEN CO., LTD.	1,569	15,382
Otsuka Holdings Co., Ltd.	1,448	14,196
MEIJI Holdings Co., Ltd.	1,405	13,775
KOKUYO CO., LTD.	1,403	13,755
KIKKOMAN CORPORATION	1,396	13,686
Mitsubishi Tanabe Pharma Corporation	1,221	11,971
Mitsubishi Logistics Corporation	1,165	11,422
OKAMURA CORPORATION	1,154	11,314
MEDIPAL HOLDINGS CORPORATION	1,145	11,225
OSAKA GAS CO., LTD.	1,129	11,069
FUJIFILM Holdings Corporation	1,105	10,833
SUMITOMO CHEMICAL COMPANY, LIMITED	1,094	10,725
MAEDA CORPORATION	1,032	10,118

(3) Dividends Received

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Stock held at year-end	¥ 1,761	¥ 1,903	$ 18,657
Stock disposed of during the year	25	–	–
Total	¥ 1,786	¥ 1,903	$ 18,657

(4) Financial Assets Measured at FVTOCI Disposed of During the Year

Fair value at the date of sale of financial assets measured at FVTOCI that were disposed of during the year, and cumulative (pre-tax) gains or loss are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Fair value at the date of sale	¥ 1,273	¥ –	$ –
Cumulative gains or losses	(670)	–	–

Notes: 1. The Group sold the investments as a result of a reconsideration of its business relationships.
2. The Group transferred cumulative gains or losses (net of tax) of ¥(431) million from other components of equity to retained earnings for the year ended March 31, 2013.

Note 10

Other Financial Assets

Details of "Other financial assets" are as follows:

	Classification	Millions of Yen			Thousands of U.S. Dollars
		IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Current assets)					
Time deposits	Financial assets measured at amortized cost	¥ 1,000	¥ 1,000	¥ 800	$ 7,843
Other	–	0	–	105	1,029
Total		¥ 1,000	¥ 1,000	¥ 905	$ 8,873
(Noncurrent assets)					
Insurance reserve fund	Financial assets measured at FVTPL	¥ 5,549	¥ 5,568	¥ 5,913	$ 57,971
Total		¥ 5,549	¥ 5,568	¥ 5,913	$ 57,971

Note 11

Other Assets

Details of “Other current assets” and “Other noncurrent assets” are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Other current assets)				
Prepaid expenses	¥ 406	¥ 550	¥ 613	$ 6,010
Advance payments	53	1	150	1,471
Other	218	170	195	1,912
Total	¥ 678	¥ 721	¥ 958	$ 9,392
(Other noncurrent assets)				
Lease deposits	¥ 681	¥ 769	¥ 779	$ 7,637
Long-term prepaid expenses	68	20	276	2,706
Other	1,529	1,514	1,503	14,735
Total	¥ 2,278	¥ 2,303	¥ 2,559	$ 25,088

Note 12

Inventories

Details of “Inventories” are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Merchandise and finished goods	¥ 13,211	¥ 16,028	¥ 18,408	$ 180,471
Work in process	2,578	4,100	2,406	23,588
Raw materials and supplies	2,725	3,067	3,418	33,510
Total	¥ 18,514	¥ 23,195	¥ 24,232	$ 237,569

Note: Inventories recognized as an expense for the years ended March 31, 2013 and 2014 amounted to ¥30,239 million and ¥31,385 million ($307,696 thousand), respectively. In addition, the write-downs of inventories recognized as an expense for the years ended March 31, 2013 and 2014 were ¥171 million and ¥227 million ($2,225 thousand), respectively.

Note 13

Property, Plant and Equipment

(1) Schedule of Movements

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

Cost

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at April 1, 2012	¥ 18,230	¥ 66,588	¥ 17,874	¥ 22,675	¥ 262	¥ 125,629
Acquisition	942	492	826	1,161	2,697	6,118
Transfer	–	652	548	171	(1,371)	–
Sale or disposal	–	(296)	(201)	(912)	–	(1,410)
Exchange differences on translation of foreign operations	–	6	–	15	0	21
Other	–	(4)	–	–	(151)	(155)
Balance at March 31, 2013	¥ 19,172	¥ 67,438	¥ 19,046	¥ 23,110	¥ 1,438	¥ 130,203
Acquisition	862	835	436	475	5,240	7,848
Transfer	–	901	290	559	(1,750)	–
Sale or disposal	(3)	(225)	(525)	(620)	–	(1,373)
Exchange differences on translation of foreign operations	–	14	–	26	0	40
Other	–	–	–	–	(168)	(168)
Balance at March 31, 2014	¥ 20,031	¥ 68,962	¥ 19,247	¥ 23,550	¥ 4,760	¥ 136,550

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2013	$ 187,961	$ 661,157	$ 186,725	$ 226,569	$ 14,098	$ 1,276,500
Acquisition	8,451	8,186	4,275	4,657	51,373	76,941
Transfer	–	8,833	2,843	5,480	(17,157)	–
Sale or disposal	(29)	(2,206)	(5,147)	(6,078)	–	(13,461)
Exchange differences on translation of foreign operations	–	137	–	255	0	392
Other	–	–	–	–	(1,647)	(1,647)
Balance at March 31, 2014	$ 196,382	$ 676,098	$ 188,696	$ 230,882	$ 46,667	$ 1,338,725

Accumulated depreciation and accumulated impairment losses

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at April 1, 2012	¥ –	¥ (40,093)	¥ (14,769)	¥ (16,837)	¥ –	¥ (71,700)
Depreciation	–	(1,925)	(603)	(1,397)	–	(3,925)
Impairment losses	–	(58)	–	(5)	–	(63)
Sale or disposal	–	256	197	820	–	1,273
Exchange differences on translation of foreign operations	–	(0)	–	(7)	–	(7)
Other	–	–	–	–	–	–
Balance at March 31, 2013	¥ –	¥ (41,820)	¥ (15,176)	¥ (17,426)	¥ –	¥ (74,422)
Depreciation	–	(1,933)	(726)	(1,473)	–	(4,132)
Impairment losses	–	(114)	(3)	(18)	–	(134)
Sale or disposal	–	188	513	595	–	1,297
Exchange differences on translation of foreign operations	–	(1)	–	(10)	–	(11)
Other	–	–	–	–	–	–
Balance at March 31, 2014	¥ –	¥ (43,680)	¥ (15,391)	¥ (18,332)	¥ –	¥ (77,403)

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2013	$ –	$ (410,000)	$ (148,784)	$ (170,843)	$ –	$ (729,627)
Depreciation	–	(18,951)	(7,118)	(14,441)	–	(40,510)
Impairment losses	–	(1,118)	(29)	(176)	–	(1,314)
Sale or disposal	–	1,843	5,029	5,833	–	12,716
Exchange differences on translation of foreign operations	–	(10)	–	(98)	–	(108)
Other	–	–	–	–	–	–
Balance at March 31, 2014	$ –	$ (428,235)	$ (150,892)	$ (179,725)	$ –	$ (758,853)

Carrying amount

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at April 1, 2012	¥ 18,230	¥ 26,495	¥ 3,104	¥ 5,838	¥ 262	¥ 53,929
Balance at March 31, 2013	19,172	25,618	3,871	5,684	1,438	55,781
Balance at March 31, 2014	20,031	25,282	3,856	5,219	4,760	59,147

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2014	$ 196,382	$ 247,863	$ 37,804	$ 51,167	$ 46,667	$ 579,873

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. Commitments related to property, plant and equipment purchases are described in Note 37. Commitments for Expenditure.

(2) Assets Held under Finance Leases

The carrying amounts of leased assets held under finance leases, which are included in items of property, plant and equipment as of April 1, 2012, and March 31, 2013 and 2014, are as follows:

	Millions of Yen			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at April 1, 2012	¥ –	¥ 418	¥ 1	¥ 419
Balance at March 31, 2013	41	626	1	667
Balance at March 31, 2014	227	558	0	785

	Thousands of U.S. Dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at March 31, 2014	$ 2,225	$ 5,471	$ 0	$ 7,696

(3) Impairment Losses

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

The Group recorded impairment losses for property, plant and equipment of ¥63 million and ¥134 million ($1,314 thousand) for the years ended March 31, 2013 and 2014, respectively, which are included in "Other expenses" in the consolidated statement of income.

Impairment losses recognized for the years ended March 31, 2013 and 2014 represent reductions in the carrying amounts of assets to be disposed of and idle assets not expected to be used in the future to their recoverable amounts. The recoverable amounts were measured at fair value less costs to sell. The recoverable amounts of assets to be disposed of were considered to be zero.

Note 14

Intangible Assets

(1) Schedule of Movements

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

Cost

	Millions of Yen			
	Patents and licenses	Software	Other	Total
Balance at April 1, 2012	¥ 17,567	¥ 5,095	¥ 1,980	¥ 24,641
Acquisition	1,704	181	769	2,653
Transfer	–	262	(262)	–
Disposal	–	(127)	(22)	(149)
Exchange differences on translation of foreign operations	–	1	–	1
Other	–	–	(98)	(98)
Balance at March 31, 2013	¥ 19,270	¥ 5,412	¥ 2,366	¥ 27,048
Acquisition	5,528	378	1,008	6,913
Transfer	–	434	(434)	–
Disposal	(1,917)	(19)	(146)	(2,082)
Exchange differences on translation of foreign operations	–	1	–	1
Other	–	–	(207)	(207)
Balance at March 31, 2014	¥ 22,881	¥ 6,205	¥ 2,587	¥ 31,674

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2013	$ 188,922	$ 53,059	$ 23,196	$ 265,176
Acquisition	54,196	3,706	9,882	67,775
Transfer	–	4,255	(4,255)	–
Disposal	(18,794)	(186)	(1,431)	(20,412)
Exchange differences on translation of foreign operations	–	10	–	10
Other	–	–	(2,029)	(2,029)
Balance at March 31, 2014	$ 224,324	$ 60,833	$ 25,363	$ 310,529

Accumulated amortization and accumulated impairment losses

	Millions of Yen			
	Patents and licenses	Software	Other	Total
Balance at April 1, 2012	¥ (823)	¥ (2,803)	¥ (986)	¥ (4,612)
Amortization	(295)	(531)	(14)	(840)
Disposal	–	121	20	141
Impairment losses	(2,865)	–	(3)	(2,868)
Exchange differences on translation of foreign operations	–	(1)	–	(1)
Balance at March 31, 2013	¥ (3,982)	¥ (3,214)	¥ (983)	¥ (8,180)
Amortization	(295)	(670)	(13)	(977)
Disposal	1,917	14	123	2,054
Impairment losses	(1,880)	–	–	(1,880)
Exchange differences on translation of foreign operations	–	(1)	–	(1)
Balance at March 31, 2014	¥ (4,240)	¥ (3,871)	¥ (874)	¥ (8,984)

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2013	$ (39,039)	$ (31,510)	$ (9,637)	$ (80,196)
Amortization	(2,892)	(6,569)	(127)	(9,578)
Disposal	18,794	137	1,206	20,137
Impairment losses	(18,431)	–	–	(18,431)
Exchange differences on translation of foreign operations	–	(10)	–	(10)
Balance at March 31, 2014	$ (41,569)	$ (37,951)	$ (8,569)	$ (88,078)

Carrying amount

	Millions of Yen			
	Patents and licenses	Software	Other	Total
Balance at April 1, 2012	¥ 16,744	¥ 2,292	¥ 994	¥ 20,029
Balance at March 31, 2013	15,288	2,198	1,383	18,869
Balance at March 31, 2014	18,641	2,335	1,714	22,690

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2014	$ 182,755	$ 22,892	$ 16,804	$ 222,451

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 ¥14,767 million, ¥13,605 million and ¥17,253 million ($169,147 thousand) as of April 1, 2012, March 31, 2013 and 2014, 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 the conditions available for use until the phase where they obtain marketing approvals from related authorities and are finally made into products.

3. Commitments related to intangible asset purchases are described in Note 37. Commitments for Expenditure.

(2) Individually Significant Intangible Assets

§1. Details and Carrying Amounts

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

Item	Details	Millions of Yen			Thousands of U.S. Dollars
		IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Patents and licenses	In-process research and development costs acquired separately	¥ 14,767	¥ 13,605	¥ 16,218	$ 159,000
	Sales licenses	1,977	1,683	2,423	23,755

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

	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014
In-process research and development costs acquired separately	ONO-7643/RC-1291	ONO-7643/RC-1291	ONO-7643/RC-1291
	ONO-3849/ Methylnaltrexone bromide	ONO-3849/ Methylnaltrexone bromide	ONO-7056/Salirasib
	ONO-3951/Asimadoline	ONO-7056/Salirasib	ONO-7057/Carfilzomib
	ONO-7056/Salirasib	ONO-7057/Carfilzomib	ONO-5163/AMG-416
	ONO-7057/Carfilzomib	ONO-5163/AMG-416	ONO-1162/Ivabradine
	ONO-5163/KAI-4169	ONO-1162/Ivabradine	ONO-2370/BIA9-1067
	ONO-1162/Ivabradine	–	–
Sales licenses	Recalbon	Recalbon	Recalbon
	Staybla	Staybla	Staybla
	Rivastach	Rivastach	Rivastach
	–	–	Forxiga

§2. Remaining Amortization Period

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

Item	Details	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014
Patents and licenses	In-process research and development costs acquired separately	–	–	–
	Sales licenses (years)	6.90	5.94	9.26

Note: The average remaining amortization periods of in-process research and development costs acquired separately are not presented because they are not yet available for use.

(3) Impairment Losses

Intangible assets are grouped into the smallest cash-generating unit(s) generating largely independent cash inflows. In addition, patents and licenses are grouped separately by cash-generating units based on products and developed goods, which are the smallest group of units generating largely independent cash inflows.

Impairment losses on intangible assets are as follows:

Item	Details	Millions of Yen		Thousands of U.S. Dollars
		For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Patents and licenses	In-process research and development costs acquired separately	¥ 2,865	¥ 1,880	$ 18,431
Other	Facility rights	3	–	–

Notes: 1. Impairment losses on patents and licenses were attributable to reviews of recoverable amounts as a result of the suspension of new drug development, changes in development status, etc. The recoverable amount of an asset is calculated based on value in use. The Group's discount rate used in calculating value in use was 6.5% for the years ended March 31, 2013 and 2014, based on the pre-tax weighted average cost of capital.

2. Impairment losses on patents and licenses recognized for the years ended March 31, 2013 and 2014, representing impairment losses on separately acquired in-process research and development costs were recorded in "Research and development costs," while other impairment losses were recorded in "Other expenses" in the consolidated statement of income.

Note 15

Investments in Associates

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Net income from continuing operations attributable to the Group	¥ 46	¥ 4	$ 39
Other comprehensive income attributable to the Group	16	3	29
Total comprehensive income attributable to the Group	¥ 62	¥ 7	$ 69

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

Note 16

Income Taxes

(1) Deferred Income Taxes

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

For the year ended March 31, 2013

	Millions of Yen			
	IFRS transition date April 1, 2012	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2013
(Deferred tax assets)				
Accrued bonuses	¥ 1,590	¥ 52	¥ –	¥ 1,642
Accrued enterprise tax	786	(251)	–	535
Expenses for research and development commissions and others	10,402	1,623	–	12,025
Property, plant and equipment	4,072	(2)	–	4,070
Intangible assets	183	133	–	316
Retirement benefit liabilities	4,086	(492)	1,028	4,622
Other	1,526	267	(0)	1,793
Total	¥ 22,645	¥ 1,330	¥ 1,028	¥ 25,003
(Deferred tax liabilities)				
Property, plant and equipment	¥ (3,880)	¥ (35)	¥ –	¥ (3,915)
Intangible assets	(1,409)	1,043	–	(367)
Investment securities	277	(311)	(8,153)	(8,186)
Other	(29)	10	–	(18)
Total	¥ (5,041)	¥ 707	¥ (8,153)	¥ (12,486)

For the year ended March 31, 2014

	Millions of Yen			
	March 31, 2013	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2014
(Deferred tax assets)				
Accrued bonuses	¥ 1,642	¥ (59)	¥ –	¥ 1,583
Accrued enterprise tax	535	(123)	–	412
Expenses for research and development commissions and others	12,025	922	–	12,947
Property, plant and equipment	4,070	1	–	4,071
Intangible assets	316	68	–	384
Retirement benefit liabilities	4,622	(199)	(330)	4,094
Other	1,793	81	0	1,873
Total	¥ 25,003	¥ 690	¥ (330)	¥ 25,364
(Deferred tax liabilities)				
Property, plant and equipment	¥ (3,915)	¥ 236	¥ –	¥ (3,679)
Intangible assets	(367)	(325)	–	(691)
Investment securities	(8,186)	8	(3,930)	(12,108)
Other	(18)	(12)	(4)	(34)
Total	¥ (12,486)	¥ (93)	¥ (3,933)	¥ (16,513)

For the year ended March 31, 2014

	Thousands of U.S. Dollars			
	March 31, 2013	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2014
(Deferred tax assets)				
Accrued bonuses	$ 16,098	$ (578)	$ –	$ 15,520
Accrued enterprise tax	5,245	(1,206)	–	4,039
Expenses for research and development commissions and others	117,892	9,039	–	126,931
Property, plant and equipment	39,902	10	–	39,912
Intangible assets	3,098	667	–	3,765
Retirement benefit liabilities	45,314	(1,951)	(3,235)	40,137
Other	17,578	794	0	18,363
Total	$ 245,127	$ 6,765	$ (3,235)	$ 248,667
(Deferred tax liabilities)				
Property, plant and equipment	$ (38,382)	$ (2,314)	$ –	$ (36,069)
Intangible assets	(3,598)	(3,186)	–	(6,775)
Investment securities	(80,255)	78	(38,529)	(118,706)
Other	(176)	(118)	(39)	(333)
Total	$ (122,412)	$ (912)	$ (38,559)	$ (161,892)

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

2. The effective statutory tax rates used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2013 in Japan are 38% for expected reversals up to March 31, 2015 and 35.6% for expected reversals on or after April 1, 2015. In addition, the effective statutory tax rate used to calculate deferred tax assets and liabilities as of March 31, 2014 in Japan is 35.6%.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥365 million, ¥860 million and ¥1,323 million ($12,971 thousand) as of April 1, 2012, March 31, 2013 and 2014, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences and it is certain the temporary differences will not reverse in the foreseeable future.

4. The amounts of tax credit carryforwards, which are not recognized as deferred tax assets, were ¥540 million, ¥1,959 million and ¥1,470 million ($14,412 thousand) as of April 1, 2012, March 31, 2013 and 2014, respectively.

(2) Income Tax Expense

Details of "Income tax expense" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Current tax expense	¥ 11,837	¥ 9,530	$ 93,431
Deferred tax expense	(2,026)	(620)	(6,078)
Total	¥ 9,811	¥ 8,910	$ 87,353

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 approximately 38.0% for the years ended March 31, 2013 and 2014. Overseas subsidiaries use the income tax rates of the countries in which they are located.

2. The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and the Special Reconstruction Corporation Tax is no longer applied effective for fiscal years beginning on or after April 1, 2014. In line with this revision, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the year ended March 31, 2014, was changed from 38.0% to 35.6% for temporary differences expected to reverse in the year beginning on April 1, 2014.
As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥1,155 million ($11,324 thousand), while income taxes increased by ¥1,156 million ($11,333 thousand).

3. Current tax expense includes benefits on temporary differences arising from previously unrecognized tax credits that were utilized to reduce income taxes.
As a result, income taxes decreased by ¥91 million and ¥13 million ($127 thousand) for the years ended March 31, 2013 and 2014, respectively.

(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, 2013	For the year ended March 31, 2014
Applicable tax rates	38.00 %	38.00 %
Permanent non-deductible items	2.16	2.18
Non-taxable dividends	(1.03)	(1.32)
Tax credit for research and other	(9.54)	(12.39)
Effect of change in tax rates	–	3.93
Other	0.14	(0.15)
Average actual tax rates	29.73 %	30.25 %

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

Note 17

Trade and Other Payables

Details of "Trade and other payables" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Notes payable	¥ 401	¥ 604	¥ 764	$ 7,490
Trade accounts payable	4,796	2,892	3,320	32,549
Other accounts payable	4,282	5,511	6,752	66,196
Total	¥ 9,479	¥ 9,007	¥ 10,836	$ 106,235

Note 18

Borrowings

(1) Details

Details of borrowings are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Current liabilities)				
Short-term borrowings	¥ 250	¥ 47	¥ 45	$ 441
Current portion of long-term borrowings	2	102	101	990
Short-term lease obligations	212	323	362	3,549
Total	¥ 463	¥ 472	¥ 508	$ 4,980
(Noncurrent liabilities)				
Long-term borrowings	¥ 11	¥ 135	¥ 27	$ 265
Long-term lease obligations	211	350	441	4,324
Total	¥ 222	¥ 484	¥ 468	$ 4,588

Notes: 1. Short-term borrowings are export documentary bills discounted with financial institutions before maturity.
2. Long-term borrowings, including the current portion, consist of unsecured loans from financial institutions with no financial covenants attached. The average interest rate of 1.5% for long-term borrowings is calculated based on the applicable outstanding balance at March 31, 2014.

(2) Repayment Terms

The maturities of long-term borrowings are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
More than 1 year to 2 years	¥ 147	¥ 345	¥ 113	$ 1,108
More than 2 years to 3 years	66	97	154	1,510
More than 3 years to 4 years	2	4	15	147
More than 4 years to 5 years	2	4	15	147
More than 5 years	5	35	171	1,676
Total	¥ 222	¥ 484	¥ 468	$ 4,588

Note 19

Other Financial Liabilities

Details of "Other financial liabilities" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Current liabilities)				
Dividends payable	¥ 98	¥ 103	¥ 90	$ 882
Deposits received	790	962	756	7,412
Other	–	27	–	–
Total	¥ 889	¥ 1,092	¥ 846	$ 8,294
(Noncurrent liabilities)				
Other	¥ 13	¥ 14	¥ 17	$ 167
Total	¥ 13	¥ 14	¥ 17	$ 167

Note 20

Assets Pledged as Collateral

Assets pledged as collateral are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Investment securities	¥ 988	¥ 1,985	¥ 1,990	$ 19,510
Total	¥ 988	¥ 1,985	¥ 1,990	$ 19,510

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

Note 21

Lease Transactions

(1) Finance Leases

Lessee

Details of future minimum lease payments under finance lease contracts and their present value are as follows:

	Millions of Yen			Thousands of U.S. Dollars	Millions of Yen			Thousands of U.S. Dollars
	Minimum lease payments				Present value of minimum lease payments			
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
1 year or less	¥ 213	¥ 327	¥ 374	$ 3,667	¥ 212	¥ 323	¥ 362	$ 3,549
More than 1 year to 5 years	212	325	301	2,951	211	319	270	2,647
More than 5 years	–	37	203	1,990	–	31	171	1,676
Total	¥ 424	¥ 690	¥ 878	$ 8,608	¥ 423	¥ 672	¥ 803	$ 7,873

Notes: 1. Lease transactions classified as finance leases of the Group are buildings and structures, machinery and vehicles and tools, furniture and fixtures and these lease contracts do not include renewal options, purchase options, contingent rents or escalation clauses, and there are no restrictions, such as additional borrowings and additional lease contract.

2. Future finance costs included in minimum lease payments were in the amounts of ¥2 million, ¥18 million and ¥75 million ($735 thousand) as of April 1, 2012, March 31, 2013 and 2014, respectively.

(2) Operating Leases

Lessee

§1. Non-Cancelable Operating Lease Contracts

Details of future minimum lease payments under non-cancellable operating lease contracts are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
1 year or less	¥ 143	¥ 151	¥ 190	$ 1,863
More than 1 year to 5 years	226	424	463	4,539
More than 5 years	193	169	114	1,118
Total	¥ 562	¥ 743	¥ 767	$ 7,520

Note: The Group engages in office rental, etc. classified as operating leases under IAS 17. Certain lease contracts include renewal options. The lease contracts do not include contingent rents or escalation clauses, and there are no restrictions, such as additional borrowings and additional lease contracts, in the contracts.

§2. Operating Lease Contracts Recognized as Expenses

Minimum lease payments based on operating lease contracts recognized as expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Minimum lease payments	¥ 240	¥ 214	$ 2,098

Lessor

§1. Non-Cancelable Operating Lease Contracts

Details of future minimum lease receipts based on non-cancellable operating lease contracts are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
1 year or less	¥ 2	¥ 2	¥ 2	$ 20
More than 1 year to 5 years	8	8	8	78
More than 5 years	22	20	16	157
Total	¥ 32	¥ 30	¥ 26	$ 255

Note: The Group engages in land rental, etc. classified as operating leases under IAS 17.

Note 22

Other Liabilities

Details of "Other current liabilities" and "Other noncurrent liabilities" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Other current liabilities)				
Accrued consumption taxes	¥ 974	¥ 80	¥ 568	$ 5,569
Accrued salary and bonus	4,256	4,388	4,486	43,980
Accrued compensated vacation	1,258	1,402	1,585	15,539
Accrued expenses	4,962	4,061	3,621	35,500
Other	0	0	3	29
Total	¥ 11,450	¥ 9,931	¥ 10,264	$ 100,627
(Other noncurrent liabilities)				
Compensated long-service benefit obligations	¥ 456	¥ 494	¥ 495	$ 4,853
Other	123	140	131	1,284
Total	¥ 579	¥ 634	¥ 626	$ 6,137

Note 23

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 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, two overseas subsidiaries apply defined contribution plans and two domestic subsidiaries participate in employees' pension fund plans (multi-employer pension plans) in addition to lump-sum payment plans.

(1) Defined Benefit Plans

§1. Defined Benefit Plan Liabilities and Assets

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

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
(Contributory)				
Defined benefit obligations	¥ 39,062	¥ 42,954	¥ 43,389	$ 425,382
Fair value of plan assets (including retirement benefit trust)	(41,121)	(40,901)	(40,798)	(399,980)
Subtotal	(2,059)	2,052	2,591	25,402
(Non-contributory)				
Defined benefit obligations	300	365	449	4,402
Subtotal	300	365	449	4,402
Net defined benefit liability (asset)	¥ (1,759)	¥ 2,417	¥ 3,040	$ 29,804
Retirement benefit liabilities stated in the consolidated statement of financial position	¥ 2,313	¥ 3,467	¥ 3,945	$ 38,676
Retirement benefit assets stated in the consolidated statement of financial position	(4,072)	(1,050)	(905)	(8,873)

§2. Obligations under Defined Benefit Plans

Movements in the defined benefit obligations are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Opening balance of defined benefit obligations	¥ 39,362	¥ 43,318	$ 424,686
Service cost	1,394	1,593	15,618
Interest cost	702	623	6,108
Remeasurements			
Actuarial losses (gains) due to changes in financial assumptions	2,705	(703)	(6,892)
Other	314	178	1,745
Benefits paid	(1,159)	(1,170)	(11,471)
Closing balance of defined benefit obligations	¥ 43,318	¥ 43,838	$ 429,784

Notes: 1. The weighted average payment years for the defined benefit obligations as of April 1, 2012, March 31, 2013 and 2014, were 17.4 years, 17.3 years and 17.3 years, respectively.

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

§3. Plan Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Opening balance of fair value of plan assets	¥ 41,121	¥ 40,901	$ 400,990
Interest income	771	597	5,853
Remeasurement			
Return on plan assets	132	401	3,931
Contributions from employers	–	–	–
Benefits paid	(1,122)	(1,101)	(10,794)
Closing balance of fair value of plan assets	¥ 40,901	¥ 40,798	$ 399,980

Note: The Group expected to make contributions of ¥156 million ($1,529 thousand) to the defined benefit corporate pension plans in the following year as of March 31, 2014. For the years ended March 31, 2013 and 2014, there were no contributions from employers to the defined corporate pension benefit plans as the contribution to the defined benefit corporate pension plans was reclassified from employee retirement benefit trusts.

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

	Millions of Yen									Thousands of U.S. Dollars		
	IFRS transition date April 1, 2012			March 31, 2013			March 31, 2014			March 31, 2014		
	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	Assets with active market prices	Assets without active market prices	Total
(Equity instruments)												
Domestic equity instruments	¥ 1,051	¥ –	¥ 1,051	¥ 1,268	¥ –	¥ 1,268	¥ 1,399	¥ –	¥ 1,399	$ 13,716	$ –	$ 13,716
Overseas equity instruments	641	–	641	796	–	796	983	–	983	9,637	–	9,637
(Debt instruments)												
Domestic debt instruments	–	13,943	13,943	–	11,471	11,471	–	9,092	9,092	–	89,137	89,137
Overseas debt instruments	–	352	352	–	450	450	–	578	578	–	5,667	5,667
General accounts at life insurance companies	–	24,695	24,695	–	26,449	26,449	–	27,827	27,827	–	272,814	272,814
Other	–	439	439	–	467	467	–	919	919	–	9,010	9,010
Total	¥ 1,692	¥ 39,429	¥ 41,121	¥ 2,064	¥ 38,838	¥ 40,901	¥ 2,382	¥ 38,416	¥ 40,798	$ 23,353	$ 376,627	$ 399,980

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 stipulated in the terms of defined benefit corporate pension plans and lump-sum payments.
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, and, 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 Company's status and systems or operating environment surrounding the Company.

§4. Profit and Loss on Defined Benefit Plans

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Service costs	¥ 1,394	¥ 1,593	$ 15,618
Net interest	(68)	26	255
Expenses recognized in the consolidated statement of income	¥ 1,326	¥ 1,619	$ 15,873

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

§5. Significant Assumptions Used for the Actuarial Valuations

The significant assumptions used for the purposes of the actuarial valuations are as follows:

	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014
Discount rate (%)	1.9	1.4	1.6
Expected rate of salary increase (%)	3.4	3.4	3.4
Expected average remaining lives of current pensioners at age 60 at year end (years)	24.7	24.8	24.9
Expected average remaining lives from age 60, of future pensioners at age 40 at year end (years)	26.4	26.5	26.5

§6. Sensitivity Analysis

The sensitivity analysis represents the effects of changes in significant actuarial assumptions on the present value of the defined benefit obligations. The effect of any changes in index on defined benefit obligations as of March 31, 2014 is as follows:

	Changes in principal assumptions	Millions of Yen		Thousands of U.S. Dollars	
		Increase	Decrease	Increase	Decrease
(Defined benefit obligations)					
Discount rate	0.5% increase/decrease	¥ (3,496)	¥ 3,984	$ (34,275)	$ 39,059
Expected average remaining lives	1 year increase/decrease	643	(665)	6,304	(6,520)

Notes: 1. The analysis is based on the assumption that other factors remain constant.
2. Based on provisions of Transition-First Time Adopters in IAS 19, the sensitivity analysis as of April 1, 2012 and March 31, 2013 was omitted.

(2) Multi-Employer Pension Plans

Two domestic consolidated subsidiaries have joined the employees' pension fund (multi-employer pension plans). The plans are integrated-type defined benefit plans, 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 post-employment expenses in the same manner as defined contribution plans. The contributions for each fiscal year presented are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Contributions	¥ 41	¥ 43	$ 422

Notes: 1. At each year end, the Group expected to make contributions for the following annual reporting periods of ¥41 million, ¥43 million, ¥45 million ($441 thousand) as of April 1, 2012, March 31, 2013 and 2014, respectively, in the following fiscal periods.
2. Funded status of pension plans
The aggregate funded status of plan assets for the entire plan is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Plan assets	¥ 239,856	¥ 231,281	¥ 257,829	$ 2,527,735
Benefit obligations for purposes of pension financing calculations	363,315	338,375	354,525	3,475,735
Net total	¥ (123,459)	¥ (107,094)	¥ (96,695)	$ (947,990)

3. Share of Contributions.
Share of contributions by the Group in the plan as a whole is as follows:

IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014
0.3191%	0.3447%	0.3475%

(3) Defined Contribution Plans

The Group recognized ¥2,098 million and ¥2,222 million ($21,784 thousand) as expenses for defined contribution plans for the years ended March 31, 2013 and 2014, respectively.

Note 24

Provisions

(1) Details

Details of "Provisions" are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Provision for asset retirement obligations	¥ 53	¥ 54	¥ 55	$ 539
Provision for sales rebates	924	822	1,025	10,049
Others	41	44	70	686
Total	¥ 1,018	¥ 920	¥ 1,151	$ 11,284
Current liabilities	¥ 933	¥ 834	¥ 1,063	$ 10,422
Noncurrent liabilities	85	86	87	853

(2) Changes

Schedules of changes in "Provisions" are as follows:

	Millions of Yen			
	Provision for asset retirement obligations	Provision for sales rebates	Others	Total
Balance at April 1, 2012	¥ 53	¥ 924	¥ 41	¥ 1,018
Added to provisions	–	822	12	834
Interest cost on discounted provisions due to passage of time	1	–	–	1
Settled	–	(924)	(9)	(933)
Reversed	–	–	–	–
Balance at March 31, 2013	¥ 54	¥ 822	¥ 44	¥ 920
Added to provisions	–	1,025	38	1,063
Interest cost on discounted provisions due to passage of time	1	–	–	1
Settled	–	(822)	(12)	(834)
Reversed	–	–	–	–
Balance at March 31, 2014	¥ 55	¥ 1,025	¥ 70	¥ 1,151

	Thousands of U.S. Dollars			
	Provision for asset retirement obligations	Provision for sales rebates	Others	Total
Balance at March 31, 2013	$ 529	$ 8,059	$ 431	$ 9,020
Added to provisions	–	10,049	373	10,422
Interest cost on provisions due to passage of time	10	–	–	10
Settled	–	(8,059)	(118)	(8,176)
Reversed	–	–	–	–
Balance at March 31, 2014	$ 539	$ 10,049	$ 686	$ 11,284

Notes: 1. Provision for asset retirement obligations is recognized and measured based on estimated asbestos removal costs related to buildings, production facilities and others in compliance with the "Ordinance on Prevention of Health Impairment due to Asbestos" and others. The expected timing of future outflows of economic benefits is more than one year from the end of each fiscal year.

2. Provision for sales rebates is recognized and measured based on the estimated future sales rebate payments to authorized distributors, determined by multiplying trade accounts receivable at year end by a rebate rate based on historical experience to provide for such payments. The expected timing of future outflows of economic benefits is within one year from the end of each fiscal year.

3. Other provisions are recognized and measured based on the estimated disposal costs of PCB contaminated facilities. The expected timing of future outflows of economic benefits is more than one year from the end of each fiscal year. In addition, a provision for sales returns is recognized and measured based on the historical experience for losses incurred by future returns of merchandise and finished goods. The expected timing of future outflows of economic benefits is within one year from the end of each fiscal year.

Note 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)	Millions of Yen	
			Share capital	Capital reserves
Balance at April 1, 2012	300,000,000	117,847,500	¥ 17,358	¥ 17,080
Increase (decrease)	–	–	–	–
Balance at March 31, 2013	300,000,000	117,847,500	¥ 17,358	¥ 17,080
Increase (decrease)	–	–	–	–
Balance at March 31, 2014	300,000,000	117,847,500	¥ 17,358	¥ 17,080

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Thousands of U.S. Dollars	
			Share capital	Capital reserves
Balance at March 31, 2013	300,000,000	117,847,500	$ 170,176	$ 167,451
Increase (decrease)	–	–	–	–
Balance at March 31, 2014	300,000,000	117,847,500	$ 170,176	$ 167,451

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

(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, 2012	11,828,952	¥ 59,221
Increase (decrease)	2,058	10
Balance at March 31, 2013	11,831,010	¥ 59,231
Increase (decrease)	5,536	43
Balance at March 31, 2014	11,836,546	¥ 59,274

	Number of shares (Shares)	Amount (Thousands of U.S. Dollars)
Balance at March 31, 2013	11,831,010	$ 580,696
Increase (decrease)	5,536	422
Balance at March 31, 2014	11,836,546	$ 581,118

Notes: 1. Increases in the number and amount of treasury shares are due to purchases of fractional unit shares.
2. Treasury shares held by associates as of April 1, 2012, March 31, 2013 and 2014 were ¥18 million, ¥19 million and ¥20 million ($196 thousand), respectively.

(3) Other Components of Equity

Changes in "Other Components of Equity" are as follows:

	Millions of Yen				
	Exchange differences on translation of foreign operations	Net fair value gain (loss) on cash flow hedges	Net gain (loss) on financial assets measured at FVTOCI	Remeasurement of defined benefit plans	Total
Balance at April 1, 2012	¥ –	¥ –	¥ (7,688)	¥ –	¥ (7,688)
Increase (decrease)					
(Other comprehensive income)	344	–	15,110	(1,859)	13,595
Transfer to retained earnings	–	–	431	1,859	2,291
Other increase (decrease)	–	–	–	–	–
Balance at March 31, 2013	¥ 344	¥ –	¥ 7,854	¥ –	¥ 8,198
Increase (decrease)					
(Other comprehensive income)	323	6	7,097	596	8,023
Transfer to retained earnings	–	–	1	(596)	(595)
Other increase (decrease)	–	–	–	–	–
Balance at March 31, 2014	¥ 668	¥ 6	¥ 14,952	¥ –	¥ 15,626

	Thousands of U.S. Dollars				
	Exchange differences on translation of foreign operations	Net fair value gain (loss) on cash flow hedges	Net gain (loss) on financial assets measured at FVTOCI	Remeasurement of defined benefit plans	Total
Balance at March 31, 2013	$ 3,373	$ –	$ 77,000	$ –	$ 80,373
Increase (decrease)					
(Other comprehensive income)	3,167	59	69,578	5,843	78,657
Transfer to retained earnings	–	–	10	(5,843)	(5,833)
Other increase (decrease)	–	–	–	–	–
Balance at March 31, 2014	$ 6,549	$ 59	$ 146,588	$ –	$ 153,196

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

2. Net fair value gain (loss) on cash flow hedges is the portion determined to be effective 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 are recognized in "Other comprehensive income" when it is incurred, and immediately transferred from "Other components of equity" to "Retained earnings."

Note 26

Dividends

(1) Dividends Paid

Dividends paid are as follows:

For the year ended March 31, 2013

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 28, 2012	Ordinary shares	¥ 9,542	¥ 90	March 31, 2012	June 29, 2012
Board of Directors' meeting held on November 5, 2012	Ordinary shares	9,542	90	September 30, 2012	December 3, 2012

For the year ended March 31, 2014

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 26, 2013	Ordinary shares	¥ 9,541	¥ 90	$ 93,539	$ 1	March 31, 2013	June 27, 2013
Board of Directors' meeting held on November 5, 2013	Ordinary shares	9,541	90	93,539	1	September 30, 2013	December 2, 2013

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

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

For the year ended March 31, 2013

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 26, 2013	Ordinary shares	¥ 9,541	¥ 90	March 31, 2013	June 27, 2013

For the year ended March 31, 2014

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 27, 2014	Ordinary shares	¥ 9,541	¥ 90	$ 93,539	$ 1	March 31, 2014	June 30, 2014

Note 27

Selling, General and Administrative Expenses

Details of "Selling, general and administrative expenses" are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Business planning expenses	¥ 4,675	¥ 4,816	$ 47,216
Sales promotion expenses	1,053	964	9,451
Employee benefit expenses	17,136	18,076	177,216
Depreciation and amortization	1,137	1,481	14,520
Others	11,829	13,045	127,892
Total	¥ 35,831	¥ 38,381	$ 376,284

Note 28

Employee Benefit Expenses

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Salary and bonus	¥ 26,395	¥ 27,926	$ 273,784
Retirement benefit expenses (Defined benefit plans)	1,394	1,593	15,618
Retirement benefit expenses (Multi-employer pension plans)	41	43	422
Retirement benefit expenses (Defined contribution plans)	2,098	2,222	21,784
Legal welfare expenses	1,252	1,424	13,961
Other welfare expenses	1,233	1,376	13,490
Other employee benefit expenses	1,977	1,999	19,598
Total	¥ 34,390	¥ 36,583	$ 358,657

Note: The employee benefit expenses above include remuneration of key management personnel. Remuneration of key management personnel is described in Note 36. Related Parties.

Note 29

Other Income and Other Expenses

Details of “Other income” and “Other expenses” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
(Other income)			
Rent	¥ 44	¥ 44	$ 431
Gain on sale of noncurrent assets	1	2	20
Insurance proceeds	175	195	1,912
Others	134	97	951
Total	¥ 354	¥ 338	$ 3,314
(Other expenses)			
Impairment losses	¥ 66	¥ 134	$ 1,314
Loss on disposal of noncurrent assets	46	40	392
Donations	997	1,204	11,804
Others	43	242	2,373
Total	¥ 1,153	¥ 1,620	$ 15,882

Note 30

Finance Income and Finance Costs

Details of “Finance income” and “Finance costs” are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
(Finance income)			
Interest income			
Financial assets measured at amortized cost	¥ 728	¥ 483	$ 4,735
Financial assets measured at FVTPL	62	55	539
Dividend income			
Financial assets measured at FVTPL	–	143	1,402
Financial assets measured at FVTOCI	1,786	1,903	18,657
Gains and losses on marketable securities			
Financial assets measured at FVTPL	192	–	–
Net interest on employee benefits	68	–	–
Exchange gains	71	164	1,608
Others	122	359	3,520
Total	¥ 3,029	¥ 3,107	$ 30,461
(Finance costs)			
Interest expenses			
Financial liabilities measured at amortized cost	¥ 8	¥ 14	$137
Gains and losses on marketable securities			
Financial assets measured at FVTPL	–	35	343
Net interest on employee benefits	–	26	255
Others	2	1	10
Total	¥ 10	¥ 76	$ 745

Note 31

Other Comprehensive Income

(1) 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, 2013

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVTOCI	¥ 23,458	¥ –	¥ 23,458	¥ (8,351)	¥ 15,107
Remeasurement of defined benefit plans	(2,887)	–	(2,887)	1,028	(1,859)
Share of net gain (loss) on financial assets measured at FVTOCI of associates	25	–	25	(9)	16
Sub-total	20,596	–	20,596	(7,332)	13,264
(Items that may be reclassified to profit or loss)					
Exchange differences on translation of foreign operations	344	–	344	–	344
Net fair value gain (loss) on cash flow hedges (*Note)	104	(104)	–	–	–
Sub-total	448	(104)	344	–	344
Total other comprehensive income (loss)	¥ 21,044	¥ (104)	¥ 20,940	¥ (7,332)	¥ 13,608

Note: The reclassification adjustment of net fair value gain (loss) on cash flow hedges includes ¥(9) million, which was excluded from equity and included in the acquisition cost of the non-financial asset relating to the forecast transaction for the acquisition of the non-financial asset as a hedged item.

For the year ended March 31, 2014

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Comprehensive income:					
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVTOCI	¥ 11,036	¥ –	¥ 11,036	¥ (3,930)	¥ 7,106
Remeasurement of defined benefit plans	926	–	926	(330)	596
Share of net gain (loss) on financial assets measured at FVTOCI of associates	5	–	5	(2)	3
Sub-total	11,967	–	11,967	(4,261)	7,706
(Items that may be reclassified to profit or loss)					
Exchange differences on translation of foreign operations	323	–	323	–	323
Net fair value gain (loss) on cash flow hedges (*Note)	231	(221)	10	(4)	6
Sub-total	554	(221)	333	(4)	330
Total other comprehensive income	¥ 12,522	¥ (221)	¥ 12,301	¥ (4,265)	¥ 8,036

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Comprehensive income:					
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVTOCI	$ 108,196	$ –	$ 108,196	$ (38,529)	$ 69,667
Remeasurement of defined benefit plans	9,078	–	9,078	(3,235)	5,843
Share of net gain (loss) on financial assets measured at FVTOCI of associates	49	–	49	(20)	29
Sub-total	117,324	–	117,324	(41,775)	75,549
(Items that may be reclassified subsequently to profit or loss)					
Exchange differences on translation of foreign operations	3,167	–	3,167	–	3,167
Net fair value gain (loss) on cash flow hedges (*Note)	2,265	(2,167)	98	(39)	59
Sub-total	5,431	(2,167)	3,265	(39)	3,235
Total other comprehensive income	$ 122,765	$ (2,167)	$ 120,598	$ (41,814)	$ 78,784

Note: The reclassification adjustment of net fair value gain (loss) on cash flow hedges includes ¥6 million ($59 thousand), which was excluded from equity and included in the acquisition cost of the non-financial asset relating to the forecast transaction for the acquisition of the non-financial asset as a hedged item.

(2) Other Comprehensive Income Attributable to Non-controlling Interests

Amounts incurred for the current year and tax effects for each item of "Other comprehensive income" attributable to non-controlling interests are as follows:

For the year ended March 31, 2013

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Net gain (loss) on financial assets measured at FVTOCI	¥ 20	¥ –	¥ 20	¥ (7)	¥ 13
Total other comprehensive income attributable to non-controlling interests	¥ 20	¥ –	¥ 20	¥ (7)	¥ 13

For the year ended March 31, 2014

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Net gain (loss) on financial assets measured at FVTOCI	¥ 19	¥ –	¥ 19	¥ (7)	¥ 12
Total other comprehensive income attributable to non-controlling interests	¥ 19	¥ –	¥ 19	¥ (7)	¥ 12

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Net gain (loss) on financial assets measured at FVTOCI	$ 186	$ –	$ 186	$ (69)	$ 118
Total other comprehensive income attributable to non-controlling interests	$ 186	$ –	$ 186	$ (69)	$ 118

Note 32

Earnings per Share

(1) Basic Earnings per Share

Basic earnings per share are as follows:

	Yen		U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Basic earnings per share	¥ 216.18	¥ 191.96	$ 1.88

(2) Basis of Calculation of Basic Earnings per Share

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Profit for the year attributable to owners of the parent company	¥ 22,919	¥ 20,350	$ 199,510
Weighted average number of ordinary shares outstanding (Thousands of shares)	106,017	106,014	106,014

Diluted earnings per share are not presented because there were no potentially dilutive shares.

Note 33

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 parent 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 additionally the introduction of new medicine candidate compounds 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.

The balance of the net debt and equity of the Group are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Interest-bearing debt	¥ 685	¥ 956	¥ 976	$ 9,569
Cash and cash equivalents	(85,067)	(89,117)	(104,898)	(1,028,412)
Net debt	¥ (84,381)	¥ (88,161)	¥ (103,922)	$ (1,018,843)
Total Equity	424,841	442,542	451,996	4,431,333

Note: Details of interest-bearing debt, cash and cash equivalents and equity are described in Note 18. Borrowings, Note 7. Cash and Cash Equivalents and Note 25. Share Capital and Other Equity Items, respectively.

(2) Financial Risk Management

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

(3) Credit Risk Management

The Group's trade receivables, such as notes receivable and trade accounts receivable, are exposed to the credit risk of its customers. In addition, like other pharmaceutical companies, the Group is exposed to concentrated credit risk from the 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 it may have a severe and disadvantageous influence on the Group's financial performance.

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 reduce doubtful collection, the Group manages due dates and balances by counterparty, and executes continuous credit evaluation by receiving semi-annual credit updates for its main counterparties from third-party rating agencies. In the past, the Group has never recorded a significant bad debt loss on its trade receivables.

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 derivatives transactions used to mitigate the foreign exchange risk associated with settling payments in foreign currencies. The Group operates funds primarily through safe debt instruments and executes transactions with highly rated financial institutions in order to prevent the emergence of credit risk in advance.

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.

(4) Liquidity Risk

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 cash flow forecasts and results. Because the Group has sufficient cash and cash equivalents and quick assets and secures sound cash inflows from operating activities, this risk is low.

Notes to Consolidated Financial Statements

Financial liabilities by maturity are as follows:

IFRS transition date (April 1, 2012)

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 9,479	¥ 9,479	¥ 9,479	¥ –
Borrowings				
Short-term borrowings	250	250	250	–
Current portion of long-term borrowings	2	2	2	–
Long-term borrowings	11	11	–	11
Short-term lease obligations	212	213	213	–
Long-term lease obligations	211	212	–	212
Other financial liabilities	902	902	889	13

March 31, 2013

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 9,007	¥ 9,007	¥ 9,007	¥ –
Borrowings				
Short-term borrowings	47	47	47	–
Current portion of long-term borrowings	102	102	102	–
Long-term borrowings	135	135	–	135
Short-term lease obligations	323	327	327	–
Long-term lease obligations	350	363	–	363
Other financial liabilities	1,107	1,107	1,092	14

March 31, 2014

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 10,836	¥ 10,836	¥ 10,836	¥ –
Borrowings				
Short-term borrowings	45	45	45	–
Current portion of long-term borrowings	101	101	101	–
Long-term borrowings	27	27	–	27
Short-term lease obligations	362	374	374	–
Long-term lease obligations	441	504	–	504
Other financial liabilities	863	863	846	17

	Thousands of U.S. Dollars			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	$ 106,235	$ 106,235	$ 106,235	$ –
Borrowings				
Short-term borrowings	441	441	441	–
Current portion of long-term borrowings	990	990	990	–
Long-term borrowings	265	265	–	265
Short-term lease obligations	3,549	3,667	3,667	–
Long-term lease obligations	4,324	4,941	–	4,941
Other financial liabilities	8,461	8,461	8,294	167

(5) Market Risk Management

§1. Foreign Exchange Risk

1) Foreign Exchange Risk Management

The Group engages in research and development activities internationally, and, as the value of the yen falls, is exposed to the risk that yen-denominated expenses for overseas clinical trials will increase. This risk primarily arises from currencies such as U.S. dollars, Euros and British pounds. In order to mitigate this risk, the Group executes a risk hedge for a fixed portion of foreign currency denominated transactions through forward foreign exchange contracts in accordance with the market risk management policy. These forward foreign exchange contracts are with maturities of one year or less.

2) Details of Forward Foreign Exchange Contracts by Currency

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

	IFRS transition date April 1, 2012		March 31, 2013		March 31, 2014		March 31, 2014
	Contractual amount (In millions of foreign currencies)	Fair value (Millions of Yen)	Contractual amount (In millions of foreign currencies)	Fair value (Millions of Yen)	Contractual amount (In millions of foreign currencies)	Fair value (Millions of Yen)	Fair value (Thousands of U.S. Dollars)
(Buy)							
U.S. Dollars	$ –	¥ –	$ –	¥ –	$ 38	¥ 105	$ 1,029
Cash flow hedge included in above	–	–	–	–	18	10	98
Euro	€ –	¥ –	€ 10	¥ (27)	€ –	¥ –	$ –
Cash flow hedge included in above	–	–	–	–	–	–	–

3) Foreign Exchange Sensitivity Analysis

At the end of the 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, British pounds and Korean won is as follows:

	Millions of Yen						Thousands of U.S. Dollars	
	IFRS transition date April 1, 2012		March 31, 2013		March 31, 2014		March 31, 2014	
	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)
U.S. Dollars	¥ 205	¥ 41	¥ 243	¥ 81	¥ 453	¥ 691	$ 4,441	$ 6,775
Euro	–	37	–	164	–	53	–	520
British Pounds	35	13	47	15	69	33	676	324
Korean Won	–	–	–	–	29	–	284	–

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

§2. Price Fluctuation Risk Management

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, not for short-term trading purposes. In addition, the Group periodically reviews the fair value of the instruments, financial condition of issuers and the like, and also in cases where the issuer is also a counterparty company, takes into account the relationship with that company and reconsiders the composition of holdings in the company as necessary. In the case that 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 respectively by ¥4,829 million, ¥6,381 million and ¥7,357 million ($72,127 thousand) as of April 1, 2012, and March 31, 2013 and 2014, respectively, as a result of changes in fair value of the equity instruments designated as financial assets measured at FVTOCI.

(6) Fair Value of Financial Instruments

§1. Carrying Amount and Fair Value of Financial Assets and Financial Liabilities

The carrying amounts and fair value of financial assets and liabilities held by the Group by account are as follows:

	Millions of Yen						Thousands of U.S. Dollars	
	IFRS transition date April 1, 2012		March 31, 2013		March 31, 2014		March 31, 2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
(Financial assets)								
Financial assets measured at amortized cost								
Cash and cash equivalents	¥ 85,067	¥ 85,067	¥ 89,117	¥ 89,117	¥ 104,898	¥ 104,898	$ 1,028,412	$ 1,028,412
Trade and other receivables	42,605	42,605	43,385	43,385	42,240	42,240	414,118	414,118
Marketable securities and investment securities	127,331	128,202	118,136	118,827	95,515	95,833	936,422	939,539
Other financial assets	1,000	1,000	1,000	1,000	800	800	7,843	7,843
Financial assets measured at FVTPL								
Marketable securities and investment securities	5,577	5,577	2,438	2,438	897	897	8,794	8,794
Other financial assets	5,549	5,549	5,568	5,568	6,018	6,018	59,000	59,000
Financial assets measured at FVTOCI								
Investment securities	74,977	74,977	99,089	99,089	114,244	114,244	1,120,039	1,120,039
(Financial liabilities)								
Financial liabilities measured at amortized cost								
Trade and other payables	9,479	9,479	9,007	9,007	10,836	10,836	106,235	106,235
Borrowings	685	685	956	956	976	976	9,569	9,569
Other financial liabilities	902	902	1,080	1,080	863	863	8,461	8,461
Financial liabilities measured at FVTPL								
Other financial liabilities	–	–	27	27	–	–	–	–

§2. Fair Value Measurements of Financial Assets and Financial Liabilities

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

Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings

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

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

Insurance reserve fund

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

Forward foreign exchange contracts

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

Others

Since other items are settled in a short period of time, their fair values are approximately equivalent to their carrying amounts.

Borrowings

The fair values of borrowings are based on discounted future cash flows using a current borrowing rate of interest for the liabilities under similar terms and conditions. The fair value of lease obligations is measured based on discounted cash flows using a current interest rate of lease agreements under the same terms and conditions.

Other financial liabilities

Forward foreign exchange contracts

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

Others

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

§3. Fair Value Hierarchy

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

The fair value hierarchy is as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2: Inputs are inputs other than quoted market prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3: Inputs are unobservable inputs for assets or liabilities.

1) Financial Assets and Financial Liabilities Measured at Fair Value

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

	Millions of Yen			
	IFRS transition date April 1, 2012			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVTPL				
Marketable securities and investment securities	¥ 2,199	¥ 3,194	¥ 184	¥ 5,577
Other financial assets	–	–	5,549	5,549
Financial assets measured at FVTOCI				
Investment securities	73,742	–	1,235	74,977
Total	¥ 75,941	¥ 3,194	¥ 6,968	¥ 86,102
(Financial liabilities)				
Financial liabilities measured at FVTPL				
Other financial liabilities	¥ –	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –	¥ –

	Millions of Yen			
	March 31, 2013			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVTPL				
Marketable securities and investment securities	¥ 747	¥ 1,502	¥ 189	¥ 2,438
Other financial assets	–	–	5,568	5,568
Financial assets measured at FVTOCI				
Investment securities	97,824	–	1,264	99,089
Total	¥ 98,571	¥ 1,502	¥ 7,022	¥ 107,094
(Financial liabilities)				
Financial liabilities measured at FVTPL				
Other financial liabilities	¥ –	¥ 27	¥ –	¥ 27
Total	¥ –	¥ 27	¥ –	¥ 27

	Millions of Yen			
	March 31, 2014			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVTPL				
Marketable securities and investment securities	¥ 744	¥ –	¥ 152	¥ 897
Other financial assets	–	105	5,913	6,018
Financial assets measured at FVTOCI				
Investment securities	112,913	–	1,331	114,244
Total	¥ 113,657	¥ 105	¥ 7,396	¥ 121,158
(Financial liabilities)				
Financial liabilities measured at FVTPL				
Other financial liabilities	¥ –	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –	¥ –

	Thousands of U.S. Dollars			
	March 31, 2014			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVTPL				
Marketable securities and investment securities	$ 7,294	$ –	$ 1,490	$ 8,794
Other financial assets	–	1,029	57,971	59,000
Financial assets measured at FVTOCI				
Investment securities	1,106,990	–	13,049	1,120,039
Total	$ 1,114,284	$ 1,029	$ 72,510	$ 1,187,824
(Financial liabilities)				
Financial liabilities measured at FVTPL				
Other financial liabilities	$ –	$ –	$ –	$ –
Total	$ –	$ –	$ –	$ –

Note: For the years ended March 31, 2013 and 2014, the Group has not transferred between Levels 1, 2 and 3.

2) Financial Assets and Financial Liabilities Measured at Amortized Cost

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

	Millions of Yen			
	IFRS transition date April 1, 2012			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	¥ 85,067	¥ –	¥ –	¥ 85,067
Trade and other receivables	–	42,605	–	42,605
Marketable securities and investment securities	–	128,202	–	128,202
Other financial assets	1,000	–	–	1,000
Total	¥ 86,067	¥ 170,807	¥ –	¥ 256,874
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	¥ –	¥ 9,479	¥ –	¥ 9,479
Borrowings	–	685	–	685
Other financial liabilities	–	902	–	902
Total	¥ –	¥ 11,066	¥ –	¥ 11,066

	Millions of Yen			
	March 31, 2013			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	¥ 89,117	¥ –	¥ –	¥ 89,117
Trade and other receivables	–	43,385	–	43,385
Marketable securities and investment securities	–	118,827	–	118,827
Other financial assets	1,000	–	–	1,000
Total	¥ 90,117	¥ 162,211	¥ –	¥ 252,328
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	¥ –	¥ 9,007	¥ –	¥ 9,007
Borrowings	–	956	–	956
Other financial liabilities	–	1,080	–	1,080
Total	¥ –	¥ 11,043	¥ –	¥ 11,043

	Millions of Yen			
	March 31, 2014			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	¥ 104,898	¥ –	¥ –	¥ 104,898
Trade and other receivables	–	42,240	–	42,240
Marketable securities and investment securities	–	95,833	–	95,833
Other financial assets	800	–	–	800
Total	¥ 105,698	¥ 138,073	¥ –	¥ 243,770
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	¥ –	¥ 10,836	¥ –	¥ 10,836
Borrowings	–	976	–	976
Other financial liabilities	–	863	–	863
Total	¥ –	¥ 12,675	¥ –	¥ 12,675

	Thousands of U.S. Dollars			
	March 31, 2014			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	$ 1,028,412	$ –	$ –	$ 1,028,412
Trade and other receivables	–	414,118	–	414,118
Marketable securities and investment securities	–	939,539	–	939,539
Other financial assets	7,843	–	–	7,843
Total	$ 1,036,255	$ 1,353,657	$ –	$ 2,389,902
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	$ –	$ 106,235	$ –	$ 106,235
Borrowings	–	9,569	–	9,569
Other financial liabilities	–	8,461	–	8,461
Total	$ –	$ 124,265	$ –	$ 124,265

Note: For the years ended March 31, 2013 and 2014, the Group has not transferred between Levels 1, 2 and 3.

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

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Balance at beginning of the year	¥ 6,968	¥ 7,022	$ 68,843
Total gains or losses	130	86	843
Profit or loss	101	19	186
Other comprehensive income	29	67	657
Purchase	244	330	3,235
Sale	–	–	–
Settlement	(320)	(41)	(402)
Balance at end of the year	¥ 7,022	¥ 7,396	$ 72,510
Changes in unrealized gains or losses recognized in net profit or loss for assets held at the end of the year	¥ 36	¥ (66)	$ (647)

Notes: 1. Profit or loss included in gains and losses are related to financial assets measured at FVTPL as of the closing date. These gains and losses are included in "Finance income" and "Finance costs."

2. Other comprehensive income included in gains and losses are related to financial assets measured at FVTOCI as of the closing date. These gains and losses are included in "Net gain (loss) on financial assets measured at FVTOCI."

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

Note 34

Non-Cash Transactions

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Property, plant and equipment acquired under finance leases	¥ 571	¥ 528	$ 5,176
Total	¥ 571	¥ 528	$ 5,176

Note 35

Subsidiaries

Details of the Group's subsidiaries are as follows:

Name	Primary business	Location	Proportion of voting rights held by the Group		
			IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014
Ono Pharma USA, Inc.	Pharmaceutical business	New Jersey, United States of America	100.0%	100.0%	100.0%
Ono Pharma UK, Ltd.	Pharmaceutical business	London, United Kingdom	100.0	100.0	100.0
Ono Pharma KOREA Co., Ltd.	Pharmaceutical business	Seoul, Korea	–	–	100.0
Oriental Pharmaceutical & Synthetic Chemical Co., Ltd.	Pharmaceutical business	Chuo-ku, Osaka City	45.5	45.5	45.5
Bee Brand Medico Dental Co., Ltd.	Pharmaceutical business	Higashiyodogawa-ku, Osaka City	80.0 (40.0)	80.0 (40.0)	80.0 (40.0)

Notes: 1. The percentage of voting rights in parentheses represents the percentage held indirectly, which is inclusive of the proportion of voting rights held.
2. The Group holds 50% or less of equity in Oriental Pharmaceutical and Synthetic Chemical Co., Ltd., but treats the company as a subsidiary because the Group substantially controls it.
3. Commencing from this consolidated fiscal year, the Group has newly established Ono Pharma KOREA Co., Ltd. and included the company in the scope of its consolidation.

Note 36

Related Parties

(1) Transactions with Related Parties

Transactions and balances of receivables and payables between the Group and its associates are as follows:

Classification	Name of related party	Nature of related party transactions	Millions of Yen				Thousands of U.S. Dollars	
			For the year ended March 31, 2013		For the year ended March 31, 2014		For the year ended March 31, 2014	
			Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
Associate	Namicos Corporation	Purchase of medical glassware material	¥ 185	¥ 20	¥ 156	¥ 14	$ 1,529	$ 137

Note: Transactions with associates stated above are made under general trade terms in the same manner as arm's length transactions.

(2) Remuneration of Key Management Personnel

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2014
Remuneration	¥ 250	¥ 291	$ 2,853
Bonuses	65	39	382
Total	¥ 316	¥ 330	$ 3,235

Notes: 1. Remuneration of key management personnel comprises the remuneration for 10 persons (8 persons for the year ended March 31, 2013) who are key management personnel having authority and responsibility for planning, supervising and managing business activities of the Group.

2. Remuneration and other compensation for key management personnel consist of monthly remuneration and bonuses. The monthly remuneration is determined by resolutions of the board of directors meetings, with consideration of factors such as the size of the Group's business, the nature of their duties and scope of responsibility of each management personnel, and consistency in treatment with respect to other employees, to the extent the monthly remuneration does not exceed the limits established under shareholders meeting resolutions. The bonuses are determined, separately from monthly remuneration, by shareholder meeting resolutions with consideration of factors such as their annual performance.

Note 37

Commitments for Expenditure

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

	Millions of Yen			Thousands of U.S. Dollars
	IFRS transition date April 1, 2012	March 31, 2013	March 31, 2014	March 31, 2014
Property, plant and equipment	¥ 120	¥ 2,986	¥ 2,787	$ 27,324
Intangible assets	54	351	–	–
Total	¥ 174	¥ 3,337	¥ 2,787	$ 27,324

In addition to the above commitments, the Group has milestone payments relating to the success of development projects and achievement of specific sales targets. Milestone payments the Group potentially pays within three years were ¥13,313 million, ¥17,970 million and ¥34,987 million ($343,010 thousand) as of April 1, 2012, and March 31, 2013 and 2014, respectively.

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

Note 38

Approval of Financial Statements

The consolidated financial statements for the year ended March 31, 2014 were approved by Gyo Sagara, President and Representative Director, on June 27, 2014.

Note 39

Significant Subsequent Events

No applicable items.

Note 40

First-time Adoption of IFRS

The Group has adopted IFRS commencing the consolidated financial statements for the year ended March 31, 2014. The most recent consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan ("JGAAP") were those for the year ended March 31, 2013, and the date of transition from JGAAP to IFRS was April 1, 2012.

The accounting policies described in Note 3. Significant Accounting Policies of the Notes to the Consolidated Financial Statements were applied in the preparation of the consolidated financial statements for the years ended March 31, 2014 and 2013, and the consolidated statement of financial position at the IFRS transition date of April 1, 2012.

(1) Exemptions under IFRS 1

IFRS 1 requires a company adopting IFRS for the first time to apply the standards required under IFRS retrospectively. However, IFRS 1 allows certain exemptions to the retrospective application of IFRS and the effect of these exemptions to be adjusted in "Retained earnings" or "Other components of equity" as of the IFRS transition date.

The Group applied the following exemption provisions:

- Deemed cost

  Under IFRS 1, it is allowed to use fair value at the IFRS transition date as the deemed cost at that date under IFRS for an item of property, plant and equipment, an investment property or an intangible asset. The Group used the fair value at the IFRS transition date as the deemed cost at that date for property, plant and equipment and investment properties under IFRS. The Group applied the cost model for property, plant and equipment, investment properties and intangible assets in the adoption of IFRS.
- Cumulative amount of exchange differences on translation of foreign operations

  Under IFRS 1, it is allowed to deem all cumulative exchange differences on translation of foreign operations to be zero at the IFRS transition date. The Group applied this exemption provision of IFRS 1, whereby it deemed all cumulative exchange differences on translation of foreign operations to be zero at the IFRS transition date.

(2) Reconciliation from JGAAP to IFRS

In preparing the consolidated financial statements under IFRS, the Group adjusted the amounts reported in the consolidated financial statements under JGAAP. The effects of the adjustments on the Group's consolidated financial position, results of its operations and cash flows are as follows:

§1. Reconciliation of Equity as of the IFRS Transition Date (April 1, 2012)

The effect of reconciliation at the IFRS transition date from the consolidated financial statements prepared in accordance with JGAAP to the consolidated statement of financial position prepared in accordance with IFRS is as follows:

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Assets						**Assets**
Current assets						**Current assets**
Cash and deposits	¥ 20,960	¥ 64,107	¥ –	¥ 85,067	A	Cash and cash equivalents
Notes and accounts receivable, trade	37,853	4,502	250	42,605		Trade and other receivables
Marketable securities	104,814	(65,107)	8	39,715	A	Marketable securities
	–	1,000	–	1,000	A	Other financial assets
Merchandise and finished goods						
Work in process	18,638	(17)	(107)	18,514		Inventories
Raw materials and supplies						
Deferred tax assets	14,809	(14,809)	–	–	B	
Other	5,169	(4,491)	–	678		Other current assets
Allowance for doubtful accounts	(6)	6	–	–		
Total current assets	202,236	(14,809)	151	187,578		Total current assets
Fixed assets						**Noncurrent assets**
Property, plant and equipment	¥ 47,980	¥ (894)	¥ 6,843	¥ 53,929	C, G	Property, plant and equipment
Intangible assets	995	–	19,035	20,029	H	Intangible assets
Investment securities	168,691	(933)	412	168,170	I	Investment securities
	–	933	–	933		Investments in associates
	–	5,369	180	5,549	D	Other financial assets
Long-term loans receivable	15	(15)	–	–		
Deferred tax assets	4,579	14,809	(938)	18,450	B, L	Deferred tax assets
Prepaid pension costs	5,774	–	(1,702)	4,072	K	Retirement benefit assets
Other	6,152	(4,468)	595	2,278	C, D, G	Other noncurrent assets
Allowance for doubtful accounts	(8)	8	–	–		
Total fixed assets	234,178	14,809	24,424	273,410		Total noncurrent assets
Total assets	¥ 436,414	¥ –	¥ 24,575	¥ 460,988		**Total assets**

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Liabilities						**Liabilities and Equity**
Current liabilities						**Current liabilities**
Notes and accounts payable, trade	¥ 5,767	¥ 3,712	¥ –	¥ 9,479		Trade and other payables
Current portion of long-term debt	2	1	461	463		Borrowings
	–	889	–	889		Other financial liabilities
Income taxes payable	8,876	–	–	8,876		Income taxes payable
	–	933	–	933	E	Provisions
Provision for employees' bonuses	4,185	(4,185)	–	–	F	
Provision for directors' bonuses	71	(71)	–	–	F	
Provision for sales returns	9	(9)	–	–	E	
Provision for sales rebates	924	(924)	–	–	E	
Provision for sales promotion	670	–	(670)	–		
Other	10,539	(347)	1,258	11,450	B, F, J	Other current liabilities
Total current liabilities	31,042	(1)	1,049	32,090		Total current liabilities
Long-term liabilities						**Noncurrent liabilities**
Long-term debt	¥ 11	¥ 1	¥ 210	¥ 222		Borrowings
	–	13	–	13		Other financial liabilities
Long-term accounts payable	73	(73)	–	–		
Provision for employees' retirement benefits	1,577	–	736	2,313	K	Retirement benefit liabilities
	–	85	–	85	E	Provisions
Provision for directors' retirement benefits	50	(50)	–	–		
Asset retirement obligations	53	(53)	–	–	E	
Deferred tax liabilities	23	1	821	846	B, L	Deferred tax liabilities
Deferred tax liabilities for land revaluation	2,570	–	(2,570)	–	L	
Other	46	77	456	579		Other noncurrent liabilities
Total long-term liabilities	4,403	1	(347)	4,058		Total noncurrent liabilities
Total liabilities	¥ 35,445	¥ –	¥ 702	¥ 36,147		**Total liabilities**

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Net assets						**Equity**
Common stock	¥ 17,358	¥ –	¥ –	¥ 17,358		Share capital
Capital surplus	17,080	–	–	17,080		Capital reserves
Treasury stock-at cost	(59,205)	–	(16)	(59,221)		Treasury shares
Accumulated other comprehensive income	(3,129)	–	(4,559)	(7,688)	M	Other components of equity
Retained earnings	425,788	–	27,613	453,401	N	Retained earnings
	397,892	–	23,038	420,930		Equity attributable to owners of the parent company
Minority interests	3,077	–	835	3,911		Non-controlling interests
Total net assets	400,968	–	23,873	424,841		**Total equity**
Total liabilities and net assets	¥ 436,414	¥ –	¥ 24,575	¥ 460,988		**Total liabilities and equity**

§2. Notes to the Reconciliation of Equity as of the IFRS Transition Date (April 1, 2012)

(Notes to the reclassification of presentation)

A. Cash and cash equivalents

Time deposits of ¥1,000 million with maturities of more than three months included in "Cash and deposits" under JGAAP were reclassified to present as "Other financial assets" of current assets under IFRS. In addition, short-term investments of ¥65,107 million with maturity of three months or less from the date of acquisition included in "Marketable securities" under JGAAP were reclassified to present as "Cash and cash equivalents" under IFRS.

B. Deferred tax assets and deferred tax liabilities

"Deferred tax assets" and "Deferred tax liabilities" presented as current items under JGAAP were reclassified to present as noncurrent items under IFRS.

C. Property, plant and equipment

Investment properties of ¥894 million presented inclusively as "Property, plant and equipment" under JGAAP were reclassified to present as "Other noncurrent assets" under IFRS.

D. Other financial assets

Insurance reserve fund of ¥5,369 million included in "Other" of fixed assets under JGAAP was reclassified to present as "Other financial assets" in noncurrent assets under IFRS.

E. Provisions

"Provision for sales returns" and "Provision for sales rebates," which were presented separately under JGAAP, were reclassified to present collectively as "Provisions" of current liabilities under IFRS. In addition, "Asset retirement obligations" separately presented under JGAAP were reclassified to present as "Provisions" of noncurrent liabilities under IFRS.

F. Other noncurrent liabilities

"Provision for employees' bonuses" and "Provision for directors' bonuses," which were presented separately under JGAAP, were reclassified to present as "Other current liabilities" under IFRS.

Other

In addition to the above, certain presentation items were consolidated or separated in accordance with IFRS.

(Notes to the differences in recognition and measurement)

G. Property, plant and equipment
The declining-balance method was principally applied as the depreciation method for property, plant and equipment under JGAAP, while the straight-line method is applied under IFRS. As a result, "Property, plant and equipment" increased by ¥4,007 million.
In addition, finance leases other than those that transfer ownership, specific purpose research instruments, etc., which were treated as expenses under JGAAP, were capitalized under IFRS. As a result, "Property, plant and equipment" increased by ¥6,348 million.
Furthermore, the fair value as of the IFRS transition date was applied as the deemed cost for certain land. As a result, "Property, plant and equipment" decreased by ¥3,512 million, while "Other noncurrent assets" increased by ¥597 million. The carrying amount under JGAAP of such land, to which the deemed cost was applied, was ¥22,550 million and its fair value was ¥19,634 million.

H. Intangible assets
Under JGAAP, all research and development expenditures were recognized as expenses when incurred, while under IFRS, in-process research and development costs acquired separately and sales licenses that meet criteria for capitalization are recognized as intangible assets. As a result, "Intangible assets" increased by ¥16,744 million. In addition, expenditures for software previously recognized as expenses as incurred under JGAAP are recognized as intangible assets under IFRS. As a result, "Intangible assets" increased by ¥2,291 million.

I. Investment securities
Under JGAAP, securities with no market value were stated at cost using the moving average method, with impairment applied as necessary, while under IFRS, the difference between their estimated fair value and acquisition cost is recognized retrospectively in other comprehensive income. As a result, "Investment securities" increased by ¥412 million.

J. Other current liabilities
Under JGAAP, in line with accounting practices in Japan, an estimated unused compensated vacation was not recognized as future obligations, while it is recorded as a liability under IFRS. As a result, "Other current liabilities" increased by ¥1,258 million.

K. Retirement benefit assets and retirement benefit liabilities
Under JGAAP, actuarial gains and losses incurred under defined benefit plans were recognized in a lump sum as expenses in the following fiscal year, while under IFRS, remeasurement of the net defined benefit liability (asset) is recognized in a lump sum in other comprehensive income when incurred and immediately transferred to retained earnings. As to the calculation of retirement benefit obligations, they are recalculated based on the provisions of IFRS and adjustment of any differences arising from periodic allocation method of retirement benefit obligations, etc. is reflected in retained earnings. As a result, "Retirement benefit assets" decreased by ¥1,702 million, while "Retirement benefit liabilities" increased by ¥736 million.

L. Deferred tax assets and deferred tax liabilities
Temporary differences incurred due to adjusting journal entries of other items in the statement of financial position. The recoverability of all deferred tax assets was also reconsidered. As a result, "Deferred tax assets" decreased by ¥938 million, while "Deferred tax liabilities" increased by ¥821 million. In addition, the Group reversed "Deferred tax liabilities for land revaluation" due to the application of the deemed cost.

M. Other components of equity
In adopting IFRS, impairment losses on investment securities recognized under JGAAP were reversed, and the difference between their acquisition cost and fair value was recognized retrospectively in other comprehensive income. In addition, due to the first-time adoption of IFRS, the cumulative amount of exchange differences on translation of foreign operations was deemed to be zero at the IFRS transition date. Furthermore, the Group reversed "Land revaluation difference" due to the application of the deemed cost. As a result, "Other components of equity" decreased by ¥4,559 million.

N. Retained earnings

The major items for the differences of recognition and measurement in retained earnings are as follows:

	Amount (Millions of Yen)
Depreciation method for property, plant and equipment, etc. (See Note G)	¥ 10,356
Application of the deemed cost, etc. (See Note G)	(8,923)
Capitalization of separately acquired in-process research and development costs and software (See Note H)	19,035
Recognition of obligation for compensated vacation as a liability (See Note J)	(1,258)
Immediate recognition of remeasurement of the net defined benefit liability (asset) and any change in a calculation method (See Note K)	(2,438)
Reversal of impairment losses on investment securities recognized prior to the IFRS transition date (See Note M)	17,942
Reversal of cumulative amount of exchange differences on translation of foreign operations at the first-time adoption of IFRS (See Note M)	(277)
Other	(944)
Tax effect of various adjusting journal entries and other tax effects (See Note L)	(5,880)
Total	¥ 27,613

§3. Reconciliation of Equity as of March 31, 2013

The effect of the reconciliation for the year ended March 31, 2013, from the consolidated financial statements prepared in accordance with JGAAP to the consolidated statement of financial position prepared in accordance with IFRS is as follows:

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Assets						**Assets**
Current assets						**Current assets**
Cash and deposits	¥ 24,261	¥ 64,856	¥ –	¥ 89,117	A	Cash and cash equivalents
Notes and accounts receivable, trade	37,823	5,514	47	43,385		Trade and other receivables
Marketable securities	105,877	(65,856)	(0)	40,022	A	Marketable securities
	–	1,000	–	1,000	A	Other financial assets
Merchandise and finished goods						
Work in process	23,409	(17)	(197)	23,195		Inventories
Raw materials and supplies						
Deferred tax assets	17,153	(17,153)	–	–	B	
Other	6,225	(5,503)	–	721		Other current assets
Allowance for doubtful accounts	(6)	6	–	–		
Total current assets	214,742	(17,153)	(150)	197,439		Total current assets
Fixed assets						**Noncurrent assets**
Property, plant and equipment	49,630	(886)	7,038	55,781	C, G	Property, plant and equipment
Intangible assets	1,383	–	17,485	18,869	H	Intangible assets
Investment securities	180,201	(1,001)	441	179,640	I	Investment securities
	–	1,001	–	1,001		Investments in associates
	–	5,390	178	5,568	D	Other financial assets
Long-term loans receivable	13	(13)	–	–		
Deferred tax assets	35	17,153	(3,773)	13,415	B, L	Deferred tax assets
Prepaid pension costs	3,366	–	(2,316)	1,050	K	Retirement benefit assets
Other	6,211	(4,499)	591	2,303	C, D, G	Other noncurrent assets
Allowance for doubtful accounts	(8)	8	–	–		
Total fixed assets	240,831	17,153	19,645	277,628		Total noncurrent assets
Total assets	¥ 455,573	¥ –	¥ 19,495	¥ 475,068		**Total assets**

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Liabilities						**Liabilities and Equity**
Current liabilities						**Current liabilities**
Notes and accounts payable, trade	¥ 4,243	¥ 4,760	¥ 4	¥ 9,007		Trade and other payables
Current portion of long-term debt	102	3	367	472		Borrowings
	–	1,092	–	1,092		Other financial liabilities
Income taxes payable	5,606	–	–	5,606		Income taxes payable
	–	834	–	834	E	Provisions
Provision for employees' bonuses	4,321	(4,321)	–	–	F	
Provision for directors' bonuses	67	(67)	–	–	F	
Provision for sales returns	12	(12)	–	–	E	
Provision for sales rebates	822	(822)	–	–	E	
Provision for sales promotion	617	–	(617)	–		
Other	9,997	(1,468)	1,402	9,931	B, F, J	Other current liabilities
Total current liabilities	25,787	(1)	1,156	26,942		Total current liabilities
Long-term liabilities						**Noncurrent liabilities**
Long-term debt	135	41	309	484		Borrowings
	–	14	–	14		Other financial liabilities
Long-term accounts payable	73	(73)	–	–		
Provision for employees' retirement benefits	1,009	–	2,459	3,467	K	Retirement benefit liabilities
	–	86	–	86	E	Provisions
Provision for directors' retirement benefits	67	(67)	–	–		
Asset retirement obligations	54	(54)	–	–	E	
Deferred tax liabilities	2,500	1	(1,603)	898	B, L	Deferred tax liabilities
Deferred tax liabilities for land revaluation	2,570	–	(2,570)	–	L	
Other	88	52	494	634		Other noncurrent liabilities
Total long-term liabilities	6,495	1	(912)	5,584		Total noncurrent liabilities
Total liabilities	¥ 32,282	¥ –	¥ 244	¥ 32,526		**Total liabilities**

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Net assets						**Equity**
Common stock	¥ 17,358	¥ –	¥ –	¥ 17,358		Share capital
Capital surplus	17,080	–	–	17,080		Capital reserves
Treasury stock-at cost	(59,214)	–	(16)	(59,231)		Treasury shares
Accumulated other comprehensive income	13,941	–	(5,743)	8,198	M	Other components of equity
Retained earnings	430,825	–	24,121	454,946	N	Retained earnings
	419,989	–	18,362	438,351		Equity attributable to owners of the parent company
Minority interests	3,302	–	889	4,190		Non-controlling interests
Total net assets	423,291	–	19,251	442,542		**Total equity**
Total liabilities and net assets	¥ 455,573	¥ –	¥ 19,495	¥ 475,068		**Total liabilities and equity**

§4. Notes to the Reconciliation of Equity as of March 31, 2013

(Notes to the reclassification of presentation)

A. Cash and cash equivalents, marketable securities and other financial assets
Under JGAAP, time deposits with maturities of more than three months of ¥1,000 million included in "Cash and deposits" were reclassified to present as "Other financial assets" of current assets under IFRS.
In addition, short-term investments of ¥65,856 million with maturity of three months or less from the date of acquisition included in "Marketable securities" under JGAAP were reclassified to present as "Cash and cash equivalents" under IFRS.

B. Deferred tax assets and deferred tax liabilities
"Deferred tax assets" and "Deferred tax liabilities" presented as current items under JGAAP were reclassified to present as noncurrent items under IFRS.

C. Property, plant and equipment
Investment properties of ¥886 million presented inclusively as "Property, plant and equipment" under JGAAP were reclassified to present as "Other noncurrent assets" under IFRS.

D. Other financial assets
Insurance reserve fund of ¥5,390 million included in "Other" of fixed assets under JGAAP was reclassified to present as "Other financial assets" in noncurrent assets under IFRS.

E. Provisions
"Provision for sales returns" and "Provision for sales rebates," which were presented separately under JGAAP, were reclassified to present collectively as "Provisions" of current liabilities under IFRS. In addition, "Asset retirement obligations" separately presented under JGAAP were reclassified to present as "Provisions" of noncurrent liabilities under IFRS.

F. Other noncurrent liabilities
"Provision for employees' bonuses" and "Provision for directors' bonuses," which were presented separately under JGAAP, were reclassified to present as "Other current liabilities" under IFRS.

Other
In addition to the above, certain presentation items were consolidated or separated in accordance with IFRS.

(Notes to the differences in recognition and measurement)

G. Property, plant and equipment
The declining-balance method was principally applied as the depreciation method to property, plant and equipment under JGAAP, while the straight-line method is applied under IFRS. As a result, "Property, plant and equipment" increased by ¥4,270 million.
In addition, finance leases other than those that transfer the ownership and specific purpose research instruments, etc., which were treated as expenses under JGAAP, are capitalized under IFRS. As a result, "Property, plant and equipment" increased by ¥6,277 million.
Furthermore, the fair value as of the IFRS transition date was applied as the deemed cost for certain land. As a result, "Property, plant and equipment" decreased by ¥3,512 million, while "Other noncurrent assets" increased by ¥597 million.

H. Intangible assets
Under JGAAP, all research and development expenditures were recognized as expenses when incurred, while under IFRS, in-process research and development costs acquired separately and sales licenses that meet criteria for capitalization are recognized as intangible assets. As a result, "Intangible assets" increased by ¥15,288 million.
In addition, expenditures for software recognized as expenses as incurred under JGAAP are recognized as intangible assets under IFRS. As a result, "Intangible assets" increased by ¥2,197 million.

I. Investment securities
Under JGAAP, securities with no market value were stated at cost using the moving average method, with impairment applied as necessary, while under IFRS, the difference between their estimated fair value and acquisition cost is recognized retrospectively in other comprehensive income. As a result, "Investment securities" increased by ¥441 million.

J. Other current liabilities
Under JGAAP, in line with accounting practices, an estimated unused compensated vacation was not recognized as future obligations, while it is recorded as a liability under IFRS. As a result, "Other current liabilities" increased by ¥1,402 million.

K. Retirement benefit assets and retirement benefits liabilities
Under JGAAP, actuarial gains and losses incurred under defined benefit plans were recognized in a lump sum as expenses in the following fiscal year, while under IFRS remeasurement of the net defined benefit liability (asset) is recognized in a lump sum in other comprehensive income when incurred and immediately transferred to retained earnings. As to the calculation of retirement benefit obligations, they are recalculated based on the provisions of IFRS and adjustment of any differences arising from periodic allocation method of retirement benefit obligations, etc. is reflected in retained earnings under IFRS. As a result, "Retirement benefit assets" decreased by ¥2,316 million, while "Retirement benefit liabilities" increased by ¥2,459 million.

L. Deferred tax assets and deferred tax liabilities
Temporary differences incurred due to adjusting journal entries of other items in the statement of financial position. The recoverability of all deferred tax assets was also reviewed. As a result, "Deferred tax assets" decreased by ¥3,773 million, and "Deferred tax liabilities" decreased by ¥1,603 million. In addition, the Group reversed "Deferred tax liabilities for land revaluation" due to the application of the deemed cost.

M. Other components of equity
In adopting IFRS, impairment losses on investment securities recognized under JGAAP were reversed, and the difference between their acquisition cost and fair value was recognized retrospectively in other comprehensive income. In addition, due to the first-time adoption of IFRS, the cumulative amount of exchange differences on translation of foreign operations was deemed to be zero at the IFRS transition date. Furthermore, the Group reversed "Land revaluation difference" due to the application of the deemed cost. As a result, "Other components of equity" decreased by ¥5,743 million.

N. Retained earnings

The major items for the difference of recognition and measurement in retained earnings are as follows:

	Amount (Millions of Yen)
Depreciation method for property, plant and equipment, etc. (See Note G)	¥ 10,543
Application of the deemed cost, etc. (See Note G)	(8,923)
Capitalization of separately acquired in-process research and development costs and software (See Note H)	17,485
Recognition of obligation for compensated vacation as a liability (See Note J)	(1,402)
Immediate recognition of remeasurement of the net defined benefit liability (asset) and change in a calculation method (See Note K)	(4,774)
Reversal of impairment losses on investment securities recognized prior to the IFRS transition date (See Note M)	17,027
Reversal of cumulative amount of exchange differences on translation of foreign operations at the first-time adoption of IFRS (See Note M)	(277)
Other	(1,388)
Tax effect of various adjusting journal entries and other tax effects (See Note L)	(4,169)
Total	¥ 24,121

§5. Reconciliation of Profit and Comprehensive Income for the Year Ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

The effect of the reconciliation for the year ended March 31, 2013 from the consolidated financial statements under JGAAP to the consolidated statement of income and the consolidated statement of comprehensive income under IFRS is as follows:

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Net sales	¥ 145,393	¥ –	¥ (2,587)	¥ 142,806	C	**Revenue**
Cost of sales	(33,983)	1	2,504	(31,479)	C, D	Cost of sales
Gross profit	111,410	1	(83)	111,328		**Gross profit**
Selling, general and administrative expenses	(79,489)	43,658	0	(35,831)	A, D	Selling, general and administrative expenses
	–	(43,481)	(1,283)	(44,763)	A, D	Research and development costs
	–	422	(68)	354		Other income
	–	(1,155)	2	(1,153)		Other expenses
Operating income	31,921	(555)	(1,431)	29,935		**Operating profit**
Non-operating income						
	–	3,496	(467)	3,029	B, E	Finance income
Interest income	789	(789)	–	–	B	
Dividend income	1,786	(1,786)	–	–	B	
Share of profit from investments in associates	46	(46)	–	–		
Other	587	(587)	–	–	B	
Non-operating expenses						
Interest paid	(2)	(70)	63	(10)	E	Finance costs
Donations	(997)	997	–	–		
Loss on retirement of fixed assets	(48)	48	–	–		
Other	(128)	128	–	–		
	–	46	–	46		Share of profit from investments in associates
Other income						
Gains on sales of investment securities	771	(771)	–	–	E	
Other expense						
Losses on devaluation of investment securities	(66)	66	–	–	E	
Income before income taxes and minority interests	34,659	177	(1,835)	33,001		**Profit before tax**
Income taxes – current	(11,859)	1,365	683	(9,811)		Income tax expense
– deferred	1,542	(1,542)	–	–		
Income before minority interests	¥ 24,341	¥ –	¥ (1,152)	¥ 23,190		**Profit for the year**

Reconciliation of comprehensive income for the year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

JGAAP		Reclassification of presentation items (Millions of Yen)	Difference in recognition and measurement (Millions of Yen)	IFRS		
Presentation items	Amount (Millions of Yen)			Amount (Millions of Yen)	Notes	Presentation items
Income before minority interests	¥ 24,341	¥ –	¥ (1,152)	¥ 23,190		**Profit for the year**
Other comprehensive income:						**Other comprehensive income:**
Unrealized gains on available-for-sales securities	16,722	–	(1,615)	15,107	E	Net gain on financial assets measured at FVTOCI
Land revaluation differences	–	–	–	–		
	–	–	(1,859)	(1,859)	F	Remeasurement of defined benefit plans
Share of other comprehensive income in associates	16	–	–	16		Share of net gain (loss) on financial assets measured at FVTOCI of investments in associates
Foreign currency translation adjustments	344	–	–	344		Exchange differences on translation of foreign operations
Total other comprehensive income	17,083	–	(3,474)	13,608		**Total other comprehensive income**
Total comprehensive income for the year	¥ 41,424	¥ –	¥ (4,626)	¥ 36,798		**Total comprehensive income for the year**

§6. Notes to the Reconciliation of Profit for the Year and Comprehensive Income for the Year Ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Notes to the reclassification of presentation)

A. Selling, general and administrative expenses and research and development costs
Research and development costs were presented as “Selling, general and administrative expenses” under JGAAP, while they are separately presented as “Research and development costs” under IFRS.

B. Finance income
“Interest income” of ¥789 million, “Dividend income” of ¥1,786 million and finance-related items included in “Other” in non-operating income of ¥86 million which were separately presented under JGAAP were reclassified to present as “Finance income” under IFRS.

(Notes to the differences in recognition and measurement)

C. Revenue and cost of sales
Under JGAAP, transaction amounts of active pharmaceutical ingredients through intermediary agents were recorded at gross amounts of net sales and cost of sales, while net amounts of the corresponding transaction amounts are recorded under IFRS. As a result, “Revenue” and “Cost of sales” both decreased by ¥2,587 million.

D. Cost of sales, selling, general and administrative expenses and research and development costs
The declining-balance method was principally applied

as the depreciation method for property, plant and equipment under JGAAP, while the straight-line method is applied under IFRS. As a result, "Cost of sales" decreased by ¥273 million, "Selling, general and administrative expenses" increased by ¥35 million, and "Research and development costs" decreased by ¥38 million.

In addition, finance leases other than those that transfer ownership and specific purpose research instruments, etc., which were treated as expenses under JGAAP, are capitalized under IFRS. As a result, "Selling, general and administrative expenses" decreased by ¥4 million, and "Research and development costs" increased by ¥277 million.

Under JGAAP, research and development expenditures were fully recognized as expenses when incurred, while under IFRS, in-process research and development costs acquired separately that meet criteria for capitalization are recognized as intangible assets and tested for impairment. As a result, "Cost of sales," and "Research and development costs" increased by ¥295 million and ¥1,161 million, respectively.

Under JGAAP, actuarial gains and losses incurred under defined benefit plans were recognized in a lump sum as expenses in the following fiscal year, while under IFRS, remeasurement of the net defined benefit liability (asset) is recognized in a lump sum in other comprehensive income when incurred and immediately transferred to retained earnings. As to the calculation of retirement benefit obligations, they are recalculated based on the provisions of IFRS. As a result, "Cost of sales," "Selling, general and administrative expenses" and "Research and development costs" decreased by ¥36 million, ¥257 million and ¥189 million, respectively.

E. Net gain (loss) on financial assets measured at FVTOCI

In the adoption of IFRS, financial assets were reclassified and remeasured accordingly. The Group applied a recognition method whereby all the fair value gains (losses) incurred on equity financial instruments other than for trading purposes were recognized in comprehensive income upon initial recognition. As a result, "Finance income" decreased by ¥614 million and "Net gain (loss) on financial assets measured at FVTOCI" increased by the same amount, while "Finance costs" and "Net gain (loss) on financial assets measured at FVTOCI" decreased by ¥66 million, respectively.

F. Remeasurement of defined benefit plans

Under JGAAP, actuarial gains and losses incurred under defined benefit plans were recognized in a lump sum as expenses in the following fiscal year, while under IFRS, remeasurement of the net defined benefit liability (asset) is recognized in a lump sum in other comprehensive income when incurred and immediately transferred to retained earnings.

§7. Notes to the Cash Flows for the Year Ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

The major items of the reconciliation of differences from the consolidated financial statements under JGAAP to the consolidated statement of cash flows in accordance with IFRS are as follows:

Under JGAAP, all research and development expenditures were classified in "Cash flows from operating activities," while under IFRS, expenditures related to capitalized research and development costs are classified in "Cash flows from investing activities." As a result, "Cash flows from operating activities" increased by ¥1,704 million, while "Cash flows from investing activities" decreased by the same amount.

Under JGAAP, fixed asset acquisition taxes and purchases of research equipment were classified as "Cash flows from operating activities," while under IFRS, fixed asset acquisition taxes and research equipment are stated as assets and the payment for purchase of research equipment is classified in "Cash flows from investing activities" under IFRS. As a result "Cash flows from operating activities" increased by ¥647 million, while "Cash flows from investing activities" decreased by the same amount.

Under JGAAP, lease payments treated as expenses were classified in “Cash flows from operating activities,” while under IFRS lease obligations are recorded as borrowings, the principal portion of expenditures for the repayment is classified in “Cash flows from financing activities,” and the interest portion is classified in “Cash flows from operating activities.” As a result, “Cash flows from operating activities” increased by ¥324 million, while “Cash flows from financing activities” decreased by the same amount.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ono Pharmaceutical Co., Ltd.:

We have audited the accompanying consolidated statement of financial position of Ono Pharmaceutical Co., Ltd. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ono Pharmaceutical Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards.

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.

Deloitte Touche Tohmatsu LLC.

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Management (as of August 20, 2014)

Members of the Board of Directors

President, Representative Director, and Chief Executive Officer	Gyo Sagara	
Member of the Board of Directors, Vice President Executive Officer/ Executive Director, Clinical Development	Hiroshi Awata	
Member of the Board of Directors, Senior Executive Officer/ Executive Director, Corporate Management	Kei Sano	
Member of the Board of Directors, Executive Officer/ Executive Director, Discovery and Research & Minase Research Institute Director, Discovery Research Alliance	Kazuhito Kawabata, Ph.D	
Member of the Board of Directors, Executive Officer/ Executive Director, Sales and Marketing	Shinji Fujiyoshi	
Member of the Board of Directors, Corporate Officer/ Director, Corporate Research	Isao Ono	
Member of the Board of Directors, Corporate Officer/ Director, Tsukuba Research Institute and Advanced Medicinal Research	Daikichi Fukushima, Ph.D	
Member of the Board of Directors, Outside Director	Yutaka Kato	Professor, Graduate School of Business, Doshisha University Outside Director, Bando Chemical Industries, Ltd.
Member of the Board of Directors, Outside Director	Jun Kurihara	Research Director, The Canon Institute for Global Studies Visiting Professor, School of Policy Studies, Kwansei Gakuin University

Corporate Auditors

Corporate Auditor (full time)	Katsuyoshi Nishimura	
Corporate Auditor (full time)	Michio Tezuka	
Outside Corporate Auditor	Narihito Maishi	Attorney-at-law Outside Corporate Auditor, SUMITOMO DENSETSU CO., LTD. Outside Corporate Auditor, OSAKA MONORAIL CO.,LTD.
Outside Corporate Auditor	Yasuo Araki	CPA

Corporate Officers

Corporate Officer/ Director, Medical Affairs	Shozo Matsuoka, Ph.D
Corporate Officer/ Director, Tokyo First Branch	Hiroshi Ichikawa
Corporate Officer/ Executive Director, Corporate Development & Strategy	Toichi Takino, Ph.D
Corporate Officer/ Deputy Director, Sales and Marketing, Head of Marketing Strategy Planning	Katsuji Teranishi

Profile (as of March 31, 2014)

Company Name ONO PHARMACEUTICAL CO., LTD.
Founded 1717
Date of Incorporation July 4, 1947
Paid-in Capital ¥17,358 million
Number of Shareholders 10,711
Number of Employees 2,858 (consolidated)
2,608 (unconsolidated)

Head Office

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Tel: +81-6-6263-5670 Fax: +81-6-6263-2950
(Registered Office)
1-5, Doshomachi 2-chome, Chuo-ku, Osaka, Japan

Branches in Japan

Sapporo, Sendai, Tokyo I, Tokyo II, Kitakanto, Koshinetsu, Yokohama, Nagoya, Kyoto, Osaka, Kobe, Takamatsu, Hiroshima, Fukuoka

*There are offices and sales branches in other major cities across the country.

Research Institutes

Minase Research Institute, Osaka, Japan
Fukui Research Institute, Fukui, Japan
Tsukuba Research Institute, Ibaraki, Japan

Manufacturing Plants

Fujiyama Plant, Shizuoka, Japan
Joto Plant, Osaka, Japan

Subsidiaries & Affiliates

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August 2014 Printed in Japan