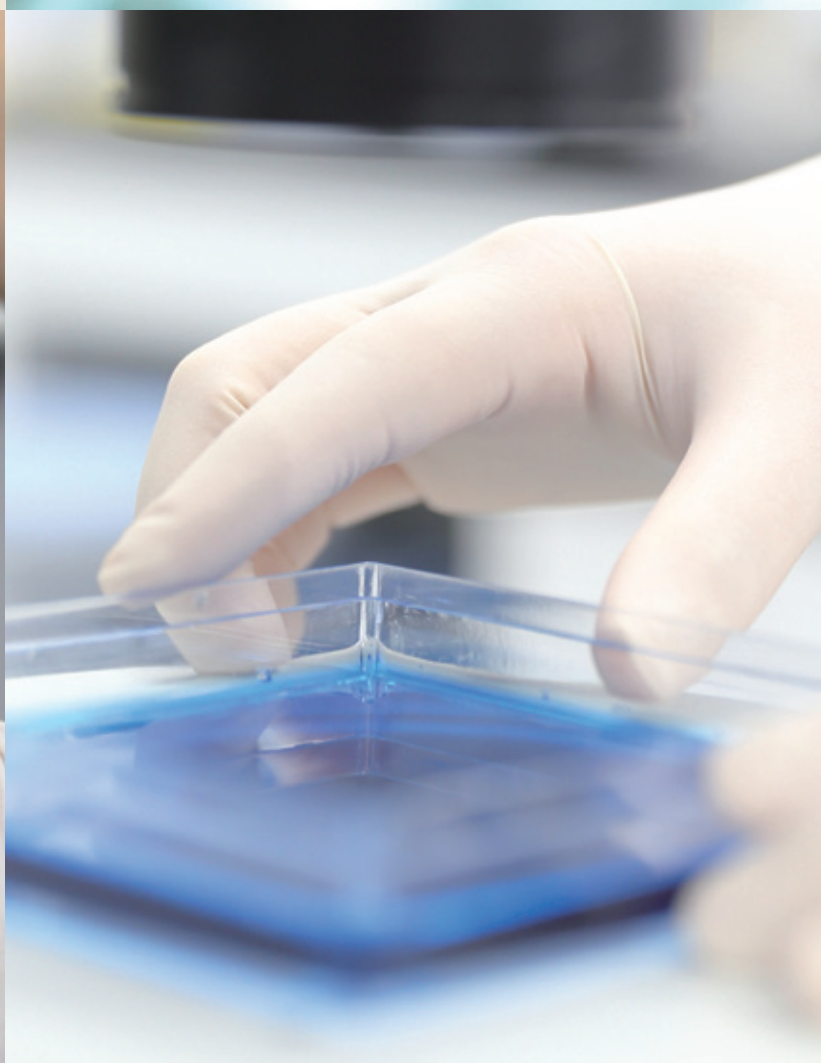
Corporate Report 2016

Year ended March 31, 2016

ONO PHARMACEUTICAL CO.,LTD.

ONO's Mission



Corporate Philosophy

Dedicated to Man's Fight against Disease and Pain

Our Vision

Be passionate challengers

Our Vision is to strive with the utmost effort and strong determination to meet the challenge of combining our individual competencies to deliver new, innovative drugs to patients. We will continue being the most passionate champion in the fight against disease and pain, together with patients, their families, and healthcare providers.

Our Values

ONO aims to be a world-changing team

The greater the challenge,
the more passionately ONO will rise to meet it

ONO acts with dignity and pride

ONO PHARMACEUTICAL's corporate philosophy is engraved on the stone monument at the Minase Research Institute, the hub of our drug discovery and research, in 1968. It was in 1717 when Ichibei Fushimiya set up his apothecary in Doshomachi, Osaka.
Since then, ONO has dedicated itself to the business of developing and selling pharmaceutical products. Throughout this almost 300-year history, ONO has never stopped in its effort to fight against disease and pain. ONO will remain firm to our corporate philosophy, clearly engraved in stone and in mind, pursuing 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 know-how we have against disease. Our continuous quest for the development of drugs will deliver true benefit to health of individuals and genuine contribution to the good of society.

Dedicated to Man's Fight against Disease and Pain

Further acceleration to realize our corporate philosophy

Minase Research Institute – Third building

Using a layout that stimulates communication and exchanges among researchers, the new research building was completed in March 2016 as a center for invention and manufacturing technology to foster innovation.

We are working for further acceleration toward breakthrough new drug development, to realize ONO's corporate philosophy, Dedicated to Man's Fight against Disease and Pain.

Contents

■ Editorial Policy

ONO PHARMACEUTICAL (ONO) publishes this report as a corporate report that, in addition to financial information, provides a broad range of non-financial information including corporate social responsibility (CSR) activity information.
This report contains financial results and other financial data, and non-financial information on corporate governance, and environmental and social awareness, serving as a communication tool to ensure that ONO's stakeholders can understand our current status and direction.

■ Coverage of this Report

● Scope of Coverage
This report covers the activities of ONO. Some pages also include the activities of the whole Group or group companies.

● Period of Coverage
April 1, 2015 through March 31, 2016
✻ The report is based on activities in FY2015, the period for the financial reports, however, considering the importance of providing the most up-to-date information, some activities conducted in and after April 2016 are also covered.

■ Reference Guidelines

Sustainability Reporting Guidelines Version 4 by Global Reporting Initiative (GRI)
ISO 26000
Environmental Reporting Guidelines 2012 by the Ministry of the Environment of Japan
Environmental Accounting Guidelines 2005 by the Ministry of the Environment of Japan

■ Publication Date

August 2016

■ Disclaimer Regarding Forward-Looking Statements

This report includes forward-looking statements regarding the ONO Group's business. All the forward-looking statements are based on forecast analysis using the information available at the time of preparation of this report. Actual financial results may therefore differ from the current business outlook due to market and industry conditions, and risks and uncertainties associated with general economic conditions at home and abroad.
This report also includes information that provides details of pharmaceutical products, including compounds under development. Please note, however, that this information is not intended for advertising purposes or for giving medical advice.

Top Message

Driving innovation into the future, our aim is to be a world-class manufacturer for the quality of our pharmaceuticals, with our eyes fixed on the global market.

Business Environment and Risks Surrounding ONO PHARMACEUTICAL

Sluggish growth and political uncertainty in emerging countries in particular are adding to a sense of uncertainty in the global economy, while Japan's economic prospects also remain unclear. The pharmaceutical industry is faced with a decrease in the success rate of drug discovery and an increase in R&D costs. In Japan, a country addressing the urgent challenge of reducing social security costs with the population aging and the birthrate declining, the business environment is ever more severe for pharmaceutical companies with the introduction of new healthcare cost reduction measures, including the National Health Insurance drug price revision and generic use promotion measures. On the other hand, when seen from a global perspective, the global pharmaceutical market is expected to continue growing with populations aging in advanced economies and populations increasing in emerging economies. Under these circumstances, with competition becoming tougher in the pharmaceutical industry, I believe that what ONO needs to continue growing is speed and the development of breakthrough, competitive drugs.

Our Social Value

Since its establishment in 1717, ONO has resolutely pushed forward in the pharmaceutical industry up to the present day and has built a history that spans almost 300 years. Upholding the corporate philosophy "Dedicated to Man's Fight against Disease and Pain," we make united efforts to create innovative drugs that are globally competitive. We raise our social value by consistently pursuing the development and commercialization of pharmaceuticals that truly benefit patients.
We also always engage with the community seriously and with sincerity. Fully aware of our social responsibilities as a pharmaceutical company handling pharmaceuticals that support human life, we work to further strengthen compliance to ensure that we always act in accordance with high ethical values, as well as to achieve strict compliance with laws and regulations.
In addition, we have defined six priority areas for CSR activities, including corporate governance, in accordance with ONO's corporate philosophy and Codes of Conduct, and contribute to sustainable social development through our business activities.

Gyo Sagara
President, Representative Director, and CEO

Our Business Model

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

In-House Drug Discovery

We have pursued our unique "Compound-Orient" approach to developing novel drugs by identifying priority areas such as bioactive lipids and enzyme inhibitors, instead of targeting specific disease areas, by collecting a "library" of compounds that act on diverse targets, and by finding drugs that are effective against disease or support treatment from the library. Meanwhile, we are also putting efforts into development of innovative and novel drugs in areas that are new to us, for example, biopharmaceuticals. We have identified the areas of oncology and supportive treatment as key strategic areas, and are moving ahead with research in these areas.
In FY2015 we pressed ahead with enhancement of our research capability by, for example, integrating compound synthesis and analysis functions and adding a new research building to our Minase Research Institute. As part of our growth strategy, we will also boost R&D investment and we will drive innovation into the future, linking it to the manufacture of pharmaceuticals whose quality is among the highest in the world.

Open Innovation

We have long been driving drug discovery in various areas through the adoption of world-leading technologies and knowledge in various fields. In 1968, we became the world's first business enterprise to succeed in all-chemical synthesis of prostaglandins (PGs), a class of bioactive lipid molecules, and have been developing many PG-related drugs since. Then in 2014, we developed the world's first human anti-human PD-1 monoclonal antibody, OPDIVO. We will continue promoting the industry-academia open innovation strategy to accelerate collaboration with leading research institutions at home and abroad, with the aim of developing creative pharmaceuticals in areas with unmet medical needs and innovative drugs in oncology.

Licensing Activities

We will vigorously pursue in-licensing of new drug candidates for stable expansion of our development pipeline for the future. The disease areas we concentrate on include oncology and support areas, diabetes, and niche areas + α. In these areas, we aim at in-licensing of new drug candidates that have high value in terms of corporate strategy and efficiency.
For global business of in-house developed new drug candidates except in Asia, we adopt a basic strategy of licensing out on a per-developed-compound basis to our partners with outstanding development and commercialization capacity.

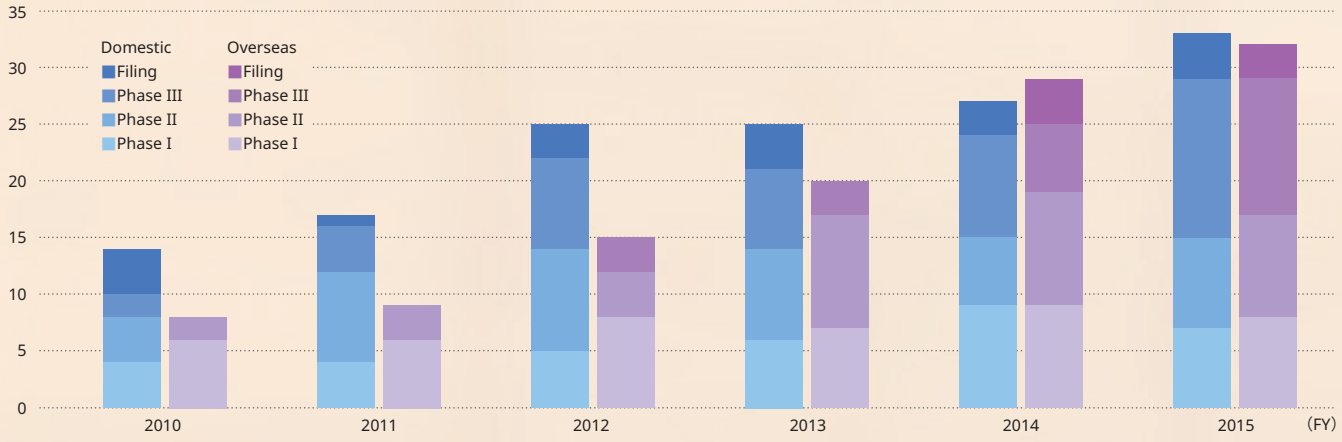
Top Message

Management Challenges and Growth Strategy

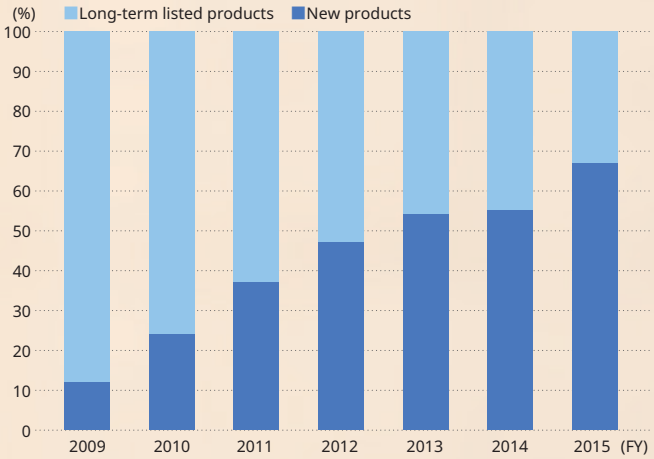
Considering the circumstances surrounding us, we currently identify the following three areas as important management challenges: “expanding our development pipeline,” “promotion of global business,” and “strengthening corporate infrastructure.” Under our growth strategy, we are tackling these challenges as below.

Expanding Our Development Pipeline	Being vital to realizing sustained growth, we must expand our development pipeline and deliver new products to the market in a continuous stream. To this end in drug discovery, we are working to accelerate the development of innovative and breakthrough drugs, promoting open innovation and using world-leading technologies and knowledge. We are also expanding the development pipeline by forging ahead with proactive licensing activities to introduce new drug candidates. For in-licensing, we select compounds with high value in terms of corporate strategy and efficiency, or attractive compounds for diseases with high therapeutic need, taking into consideration the development pipeline and existing products. We will also continue to lift the pace of drug development.
Promotion of Global Business	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 also reinforcing overseas business expansion, starting in Asia, in anticipation of our own overseas marketing of specialty products such as anticancer drugs. We have strengthened a direct marketing structure, setting up wholly owned subsidiaries in South Korea in 2013 and in Taiwan in 2014. We will continue to enhance our business bases overseas while moving ahead to develop the personnel we anticipate for overseas business expansion.
Strengthening Corporate Infrastructure	We are working to develop and bring dynamism to our human resources for enhanced global competitiveness. We are also pursuing speedy responses to all kinds of changing circumstances and to achieve our innovation goals, by enhancing diversification and strengthening internal and external collaborative ties, including creating a mechanism to promote opportunities for women to play active roles. In addition, we are driving CSR activities to a new level in accordance with ONO’s corporate philosophy and Codes of Conduct to strengthen our corporate infrastructure.

Change in Number of Development Projects

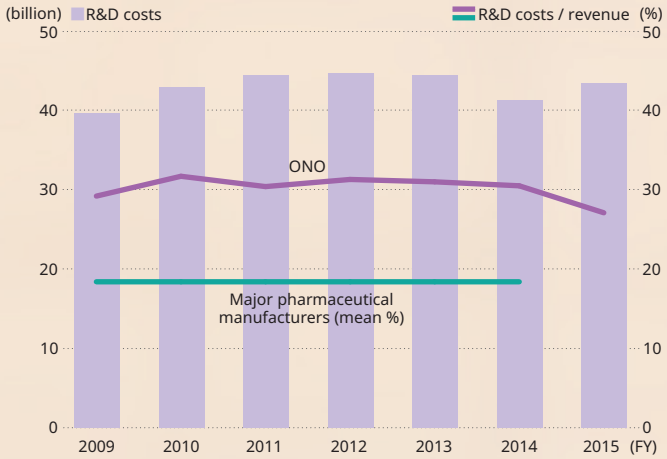


Moving Out of Dependence on Long-Term Listed Products



While long-term listed products accounted for about 90% of sales at the peak, the ratio improved, down to the low 30% range in FY2015, due to expanded sales of new products obtained through proactive licensing activities.

R&D investment / ratio to revenue



Continuing to forge ahead with R&D investment

✻ ONO data: Japanese standards were used between FY2009 and FY2011 and the International Financial Reporting Standards (IFRS) have been used since FY2012.

✻ Major pharmaceutical manufacturers mean percentage: Figures calculated from *Data Book 2016* (Japan Pharmaceutical Manufacturers Association).

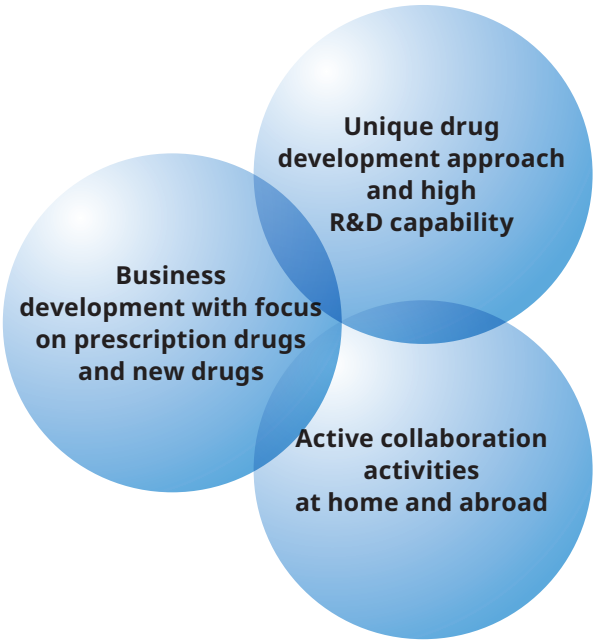
To Our Stakeholders

We will continue to make all-out efforts with energy and determination to deliver new drugs that meet the needs of frontline healthcare as soon as possible, for the sake of patients suffering from disease throughout the world. And we are continuously enhancing our corporate value through business development to fulfill stakeholder expectations. 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.

In addition, we aim to expand our investor base and enhance the liquidity of ONO shares, creating an environment more conducive to investment by lowering the price per investment unit. To that end ONO split its ordinary shares on a five-for-one basis with a base date of March 31, 2016.

We would appreciate your continued support.

ONO's View



Under its corporate philosophy "Dedicated to Man's Fight against Disease and Pain," ONO PHARMACEUTICAL has been making progress steadily towards building a pharmaceutical company that can compete on the global stage.
Optimizing our strengths with an eye to the future, we are in active pursuit of becoming "Global Specialty Pharma," an R&D-oriented global pharmaceutical company specialized in particular areas.

Entering into oncology area on a full-scale basis

FY2014

Original anticancer drug, OPDIVO
- Launched in Japan
- Launched in the U.S.A., additional approval
- Approved in South Korea

Expanded strategic collaboration agreement with Bristol-Myers Squibb Company
Introduction of cancer specialist MRs

FY2015

Enhanced marketing capability in oncology (additional cancer specialist MRs)
OPDIVO
- Launched in Europe, additional approval
- Additional approval in Japan and U.S.A.

Works to enhance overseas operations with an eye to our own marketing abroad

FY2013

Establishes a local subsidiary in South Korea

FY2014

Establishes a local subsidiary in Taiwan

Moving out of dependence on long-term listed products, and expanding sales of new products

FY2009

Percentage of long-term listed products
About 90%

Stepping up licensing activities

FY2007-

A number of collaboration agreements

Major licensing agreements (in- and out-licensing)

Onyx Pharmaceuticals
OncoTherapy Science
Les Laboratoires Servier
Amgen
Bristol-Myers Squibb
Bial
Sumitomo Dainippon Pharma
Valeant Pharmaceuticals North America
AstraZeneca
Meiji Seika Pharma
Gilead Sciences
China Chemical & Pharmaceutical
Santen Pharmaceutical

Global Specialty Pharma

FY2016

FY2017

Celebrates the 300th anniversary of foundation

Promotes oncology research and drug discovery based on Compound-Orient

→See pages 23-24.

Promotes global business

→See page 25.

Maximizes the value of the anticancer drug, OPDIVO

→See pages 10-11.

Expands primary market sales and strengthens the oncology marketing system

→See pages 12-15 and 30-31.

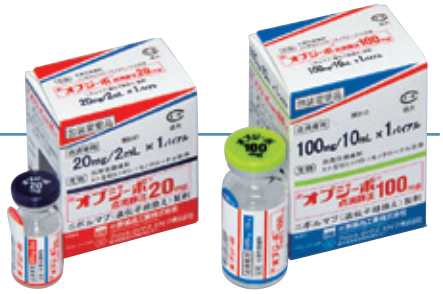
FY2015

Low 30% range

FY2015

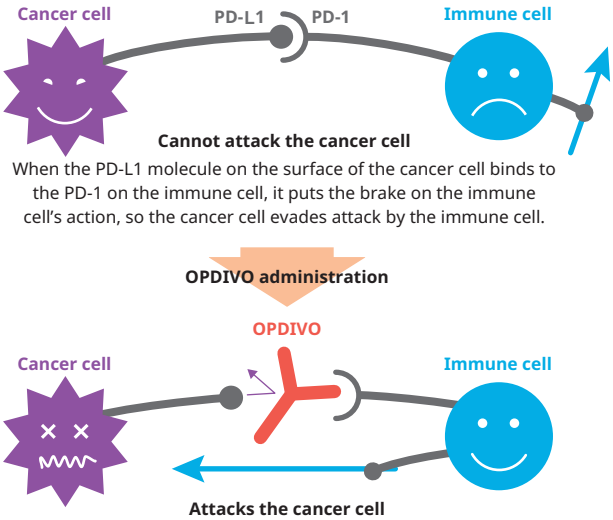
ONO's View

Towards value maximization for the anticancer drug, OPDIVO



OPDIVO (nivolumab) is a human anti-human monoclonal antibody jointly developed by ONO and Medarex (U.S.A.) targeting PD-1, which was discovered by Professor Honjo and colleagues in Kyoto University in 1992. It was approved in Japan in July 2014, a world first, for the indication unresectable melanoma. As work proceeds to advance its proper use, it is undergoing clinical trials aimed at adding indicated tumors and treatment lines, as well as combination therapy clinical trials, work that aims to maximize the value of OPDIVO.

OPDIVO's mechanism of action



OPDIVO – Development History

1992	PD-1 (protein) discovered at Kyoto University
1999	PD-1-deficient mouse found to demonstrate autoimmune disease
2002	Involvement of PD-1 in cancer immune evasion revealed
2005	ONO and Medarex (U.S.A.) commence joint development
2006	Anti-PD-1 antibody (OPDIVO) clinical trials commence in the U.S.A.
2008	Anti-PD-1 antibody (OPDIVO) clinical trials commence in Japan
2009	Bristol-Myers Squibb Company (BMS) acquires Medarex
2014	Strategic collaboration agreement with BMS signed Launched in Japan and U.S.A. for the treatment of melanoma
2015	Approved in South Korea and launched in Europe for the treatment of melanoma Additional indication approved in Japan and the U.S.A. for the treatment of non-small cell lung cancer (NSCLC) Additional indication approved in Europe for the treatment of squamous NSCLC Additional indication approved in the U.S.A. for the treatment of renal cell cancer
2016	Approved in Japan, the U.S.A. and South Korea for the treatment of untreated melanoma Additional indication approved in South Korea for the treatment of NSCLC Additional indications approved in Europe for the treatment of renal cell cancer and non-squamous NSCLC Approved in Taiwan for the treatment of melanoma and squamous NSCLC Additional indication approved in the U.S.A. for Hodgkin lymphoma

Initiatives to maximize value

Adding indicated tumors	Working with corporate partners to progress clinical trials targeting various tumors → **I**
Adding treatment lines	Moving ahead with clinical trials to enable OPDIVO's use at earlier stages → **I**
Developing combination therapies	Searching for ways of boosting its therapeutic effects by combining OPDIVO with other drugs or treatments → **II**
Searching for biomarkers	Advancing the search for indicative biomarkers that will predict the effects of OPDIVO administration → **III**

※ Information about development on this page, etc. appears as at May 31, 2016.

I - Adding indicated tumors and treatment lines

ONO is conducting clinical trials for OPDIVO targeting more than 20 types of tumor in Japan and overseas together with our corporate partner, Bristol-Myers Squibb. In Japan, we are conducting the final stage of clinical trials leading to application for approval for seven tumor types: head and neck cancer, gastric cancer, esophageal cancer, small cell lung cancer, hepatocellular carcinoma, glioblastoma, and urothelial cancer, in addition to renal cell cancer and Hodgkin lymphoma, for which we have applied for approval. We are also progressing clinical trials to enable OPDIVO's use at an earlier stage for the tumor types for which OPDIVO has already received approval.

Target Disease		Development Stage		
		Japan	U.S.A. & Europe	South Korea & Taiwan
Melanoma	Second- and later-line treatment	Approved	Approved	Approved
	First-line treatment	Approved	Approved	Approved
Non-small cell lung cancer	Second- and later-line treatment	Approved	Approved	Approved (Taiwan: Squamous NSCLC only. Non-squamous NSCLC application filed)
	First-line treatment	Phase III	Phase III	Phase III
Renal cell cancer	Second- and later-line treatment	Application filed	Approved	Taiwan: Application filed
	First-line treatment	Phase III	Phase III	Phase III
Hodgkin lymphoma	Second- and later-line treatment	Application filed	U.S.A.: Approved Europe: Application filed	—
	First-line treatment	—	Phase II	—

II - Developing combination therapies (main therapies)

ONO is forging ahead with the development of combination therapies to boost OPDIVO's therapeutic effects. While our work is currently focusing on therapies combining immune checkpoint inhibitors, we are starting to search for combinations that promise improved therapeutic effects, which includes clinical trials combining chemotherapy and radiotherapy.

Combination	Target tumor
Ipilimumab (anti-CTLA-4 antibody)	Renal cell cancer, melanoma, NSCLC, small cell lung cancer, head and neck cancer
Lirilumab (anti-KIR antibody)	Solid tumors, blood cancer
BMS-986016 (anti-LAG-3 antibody)	Solid tumors
Urelumab (CD137 receptor agonist)	Non-Hodgkin lymphoma, melanoma, solid tumors
Mogamulizumab (anti-CCR4 antibody)	Solid tumors

III - Search for biomarkers

The response rate (percentage of patients in whom tumor size shrinks by at least 30%) for administration of OPDIVO in the clinical trial data at the time of approval application was 22.9% for melanoma, 25.7% for squamous NSCLC, and 19.7% for non-squamous NSCLC, while tumor shrinkage could not be found in some cases. We are moving ahead with research to find biomarkers, indicators that will allow the effects of treatment to be discerned as early as possible. We anticipate that the development of suitable biomarkers will enable the selection of therapies suited to each individual patient.

Development of companion diagnostic tests
ONO signed a development collaboration agreement for development of a PD-L1 companion diagnostic test in Japan, South Korea and Taiwan in February 2015 with Dako, a company that provides diagnostics for cancer worldwide. Companion diagnostic tests are used to predict the effects and adverse effects of therapeutic drugs before administration. A PD-L1 companion diagnostic test will enable prediction of patients who can expect the most effectiveness against NSCLC from OPDIVO. Development for commercialization is currently under way.

Investigative body
ONO established the R&D Unit for Immuno-Oncology under the direct control of the Executive Director, Clinical Development in December 2015. The Unit is staffed by experts in a variety of fields, including research, development, data analysis, etc. and is tackling investigation into the combined use of immune checkpoint inhibitors and investigation into biomarkers to predict the effect of immuno-oncological drugs.

Key Product Profiles

ONCOLOGY

Sales in FY2015 | Percentage increase/decrease from FY2014

OPDIVO
Intravenous Infusion for the Treatment of Malignant Tumor

21.2 billion yen **+741.0%**

OPDIVO was launched in Japan in September 2014 for unresectable melanoma and received additional approval for unresectable, advanced or recurrent non-small cell lung cancer in December 2015. The number of patients using OPDIVO for the first time has steadily risen since this additional approval. From approval up to March 2016, the cumulative number of patients using it was about 5,000, as FY2015 sales reached 21.2 billion yen.
OPDIVO was approved in Japan as an immune checkpoint inhibitor targeting PD-1 receptors, a world first. ONO is promoting its proper use and gathering information on its safety with Bristol Myers Squibb, our sales promotion partner. In Japan, applications for the additional indications renal cell carcinoma and Hodgkin lymphoma were submitted in December 2015 and March 2016 respectively. ONO anticipates approval in FY2016 and will continue working to maximize OPDIVO's value.

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

9.5 billion yen **+10.2%**

Sales of EMEND Capsules (oral) together with PROEMEND (injection) reached 9.5 billion yen in FY2015.
EMEND Capsules / PROEMEND is the first selective neurokinin (NK) 1 receptor antagonist in the world. It is effective for chemotherapy-induced nausea and vomiting. EMEND or PROEMEND is used in at least 70% of cases in which an anticancer drug with a high risk of inducing nausea and vomiting is used, and in about 30% of cases in which an anticancer drug with a moderate risk of inducing nausea and vomiting is used: ONO is working to increase its use in these latter cases.
PROEMEND received additional approval for use in infants over six-months and in pediatric patients under 12-years of age. Medical practitioners indicated their requirements for its development given the common difficulty that children have in taking capsules orally. Its approval means that not only adults and children over 12-years, but also infants over six-months and pediatric patients under 12-years of age can now use this drug.

DIABETES

Sales in FY2015 | Percentage increase/decrease from FY2014

GLACTIV Tablets for the Treatment of Type 2 Diabetes

31.4 billion yen | +2.1%

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 mechanism of action selectively inhibiting DPP-4, an enzyme that metabolites a gastrointestinal hormone, incretin. 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.
DPP-4 inhibitors grew by about 9% of the antidiabetic market from FY2014, and are on the way to becoming the antidiabetic drug of first-choice. On the other hand, there has been intensified competition due to entrance of once weekly dosing DPP-4 inhibitor and combination drug, so sales reached 31.4 billion yen in FY2015.
Although competition will intensify even further, the large population of potential diabetes patients means the DPP-4 inhibitor market will grow, so ONO is working towards steady penetration of GLACTIV tablets.

FORXIGA Tablets for the Treatment of Type 2 Diabetes

4.3 billion yen | +177.3%

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.
Although FORXIGA was launched in May 2014, it has been slow to penetrate the SGLT2 inhibitor market, with sales only reaching 4.3 billion yen in FY2015. However, medical practitioners have rated FORXIGA well for its clinical track record and for its rapid improvement of blood sugar level, a feature of SGLT2 inhibitors. A growing number of patients are being prescribed FORXIGA tablets. The strength of the track record of GLACTIV tablets and KINEDAK tablets in the diabetes area, along with ONO's marketing alliance with AstraZeneca and our information provision activities will enable us to consolidate FORXIGA tablets' rating.

KINEDAK Tablets for the Treatment of Diabetic Peripheral Neuropathy

4.1 billion yen | △14.6%

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.
While ONO has been providing information on KINEDAK at the same time as promoting GLACTIV tablets and FORXIGA tablets, generic drugs have had an effect, resulting in FY2015 sales of 4.1 billion yen.
ONO will continue directing effort into KINEDAK tablets while engaging in the diabetes area, one of our strategic areas.

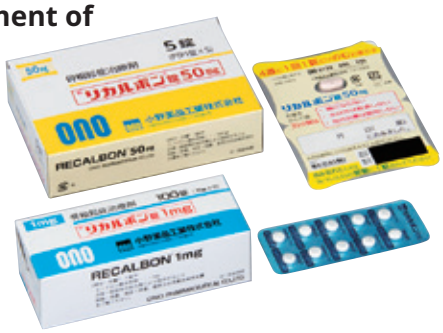
Key Product Profiles

NEW PRODUCTS

Sales in FY2015 | Percentage increase/decrease from FY2014

RECALBON Tablets for the Treatment of Osteoporosis

11.3 billion yen | +9.9%



RECALBON is the first oral bisphosphonate discovered in Japan for the treatment of osteoporosis. Although the osteoporosis drug market faces intense competition due to the entrance of new drugs and the proliferation of generic bisphosphonates on the market, RECALBON tablets have been highly rated for convenience of use (taken orally once every four weeks) and their potent inhibition of bone resorption, with sales reaching 11.3 billion yen in FY2015. As currently some 20-30% of osteoporosis patients are receiving drug therapy, the potential market is large, so ONO will press ahead to penetrate the market, making the most of RECALBON's features.

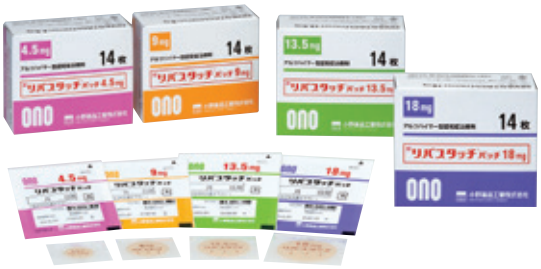
ORENCIA for Subcutaneous Injection for the Treatment of Rheumatoid Arthritis

8.0 billion yen | +93.7%

ORENCIA is a subcutaneous injection for the treatment of rheumatoid arthritis. It inhibits secretion of cytokines by blocking the signal that activates T cells, resulting in the suppression of joint inflammation. As ORENCIA for subcutaneous injection can be self-injected, the number of facilities where it is used has steadily grown, and its use as the first-choice among biopharmaceuticals in Japan has expanded, achieving sales of 8 billion yen in FY2015. Following on from ORENCIA intravenous infusion and subcutaneous injection syringe, ONO received manufacturing and marketing approval for the ORENCIA auto-injector as a new dosage form in February 2016, and it was launched in May 2016. ONO will continue directing efforts toward raising patients' quality of life.

RIVASTACH Patch for the Treatment of Alzheimer's Disease

7.8 billion yen | +15.6%



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 (inability to recognize time and place) by inhibiting acetylcholinesterase and thereby increasing the amount of acetylcholine in the brain and enhancing neurotransmission. ONO received approval in August 2015 for a one-step dosage escalation regime (in addition to the initial three-step dosage escalation regime), allowing for more rapid arrival at effective maintenance dose: FY2015 sales reached 7.8 billion yen. ONO will continue working toward dissemination of drug therapy guidance based on the Clinical Practice Guideline for Dementia.

STAYBLA Tablets for the Treatment of Overactive Bladder (OAB)

5.2 billion yen | △1.9%

STAYBLA improves urge to urinate, frequent urination, and urge incontinence, the symptoms of over-active bladder (OAB), by suppressing excessive contraction of smooth muscle in the bladder. Intensification of competition with competitor products resulted in FY2015 sales of 5.2 billion yen. Some 25% of patients being treated for OAB, and ONO will direct efforts aimed at elderly patients, who commonly experience concomitant disease.

OTHER KEY PRODUCTS

Sales in FY2015 | Percentage increase/decrease from FY2014

OPALMON Tablets for the Treatment of Peripheral Circulatory Disorder

22.7 billion yen | △8.6%

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. The formulation that improves stability of the drug to humidity was launched in 2014.

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

14.6 billion yen | △9.3%

Both ONON Capsules and ONON Dry Syrup are leukotriene receptor antagonist. Leukotriene is closely involved in the basic pathologies of bronchial asthma and of allergic rhinitis. The drug relieves asthma symptoms, namely coughing and breathlessness. ONON Dry Syrup is a formulation suitable for use with pediatric patients.

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

5.7 billion yen | +22.4%

ONOACT is a short-acting β_1 blocker that selectively blocks β_1 receptors mainly found in the heart. It is for emergency treatment of intra-operative or post-operative tachyarrhythmia (atrial fibrillation, atrial flutter, sinus tachycardia), and for treatment of tachyarrhythmia in left ventricular dysfunction (atrial fibrillation, atrial flutter).

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

5.2 billion yen | △15.1%

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.

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

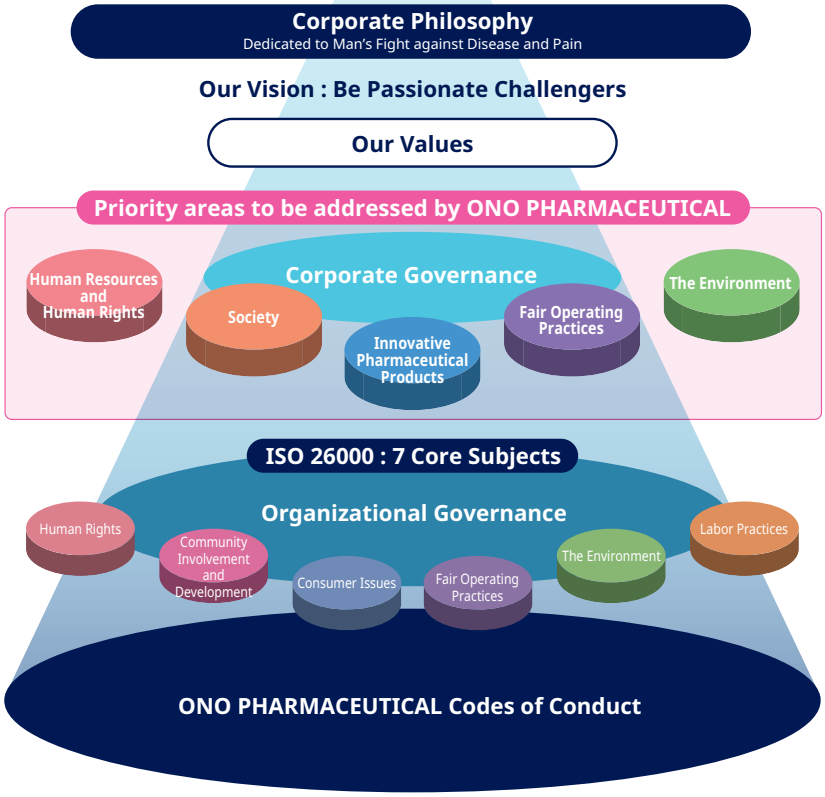
1.7 billion yen | △34.7%

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.

CSR Management

Identifying six priority areas based on our corporate philosophy and Codes of Conduct, and contributing to sustainable social development through business activities

Placing the ONO PHARMACEUTICAL Codes of Conduct at the foundation of our CSR management,
we have cross-checked them against the 7 Core Subjects of ISO 26000,
and identified Six Priority Areas for the CSR activities that would be expected of us.
Based on our Corporate Governance, we have defined the other priority areas as Innovative Pharmaceutical Products,
Human Resources and Human Rights, The Environment, Fair Operating Practices, and Society,
and we are committed to demonstrating accountability to our stakeholders
by disclosing information about our efforts in these areas.



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

ONO PHARMACEUTICAL Codes of Conduct

1. We will develop safe, high quality and effective drugs that help people have a healthy life, and provide society with them in addition to necessary information.
2. We will act with respect for the human rights of all people in every aspect of our business activities.
3. We will comply with the law in every field of our business activities and strive to maintain fair relationships with society.
4. We will make efforts to conserve the global environment in every field of our business activities.
5. We will strive for highly transparent corporate management and proactively disclose business information.
6. We will seek harmony with society as a corporate citizen.

Corporate Governance

P18–21

We enforce transparency in our corporate management by strengthening our governance structure as well as complying with laws and regulations to enhance our corporate value.

The Environment

P35–39

Keeping in mind our corporate social responsibilities for the environment, we make efforts towards realizing a global environment rich in natural beauty through environmentally sustainable activities in all areas of business operations. We promote environmental efforts, working to understand environmental issues, with the involvement of all our employees.

Innovative Pharmaceutical Products

P22–31

All our divisions in research, development, corporate development and strategy, manufacturing, corporate regulatory compliance safety and quality assurance, and marketing cooperate appropriately with one another so that we can bring innovative drugs as soon as possible to patients throughout the world.

Fair Operating Practices

P40–41

We strengthen compliance through the thoroughgoing implementation of employee education based on our Codes of Conduct to establish and maintain sound, fair and transparent relations with medical professionals and trading partners as well as with government and administrative bodies.

Human Resources and Human Rights

P32–34

Believing that "people make the company," we are advancing our efforts to ensure occupational safety and health and to cultivate 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.

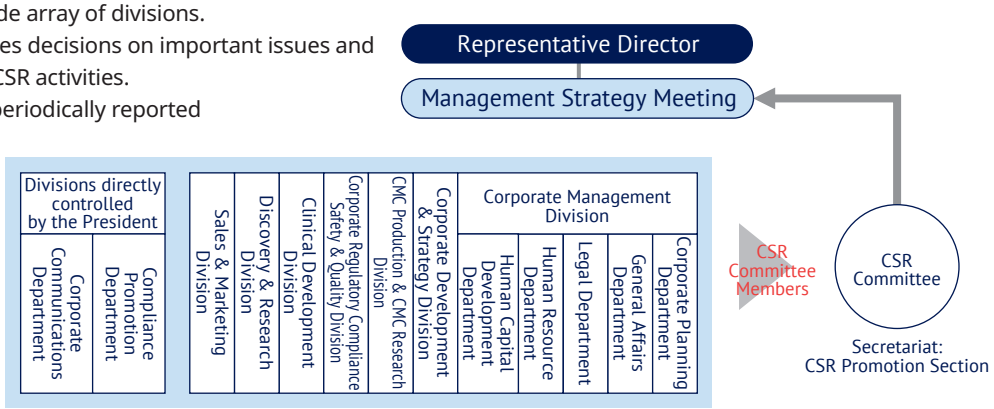
Society

P42–43

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

CSR Promotion Structure

To promote CSR activities, we have the CSR Committee in place, chaired by the Executive Director of Corporate Management Division with a core group of managers from a wide array of divisions.
The Committee deliberates and makes decisions on important issues and subjects in the six priority areas for CSR activities.
The activities of the Committee are periodically reported to the management.



Initiatives by Priority Area

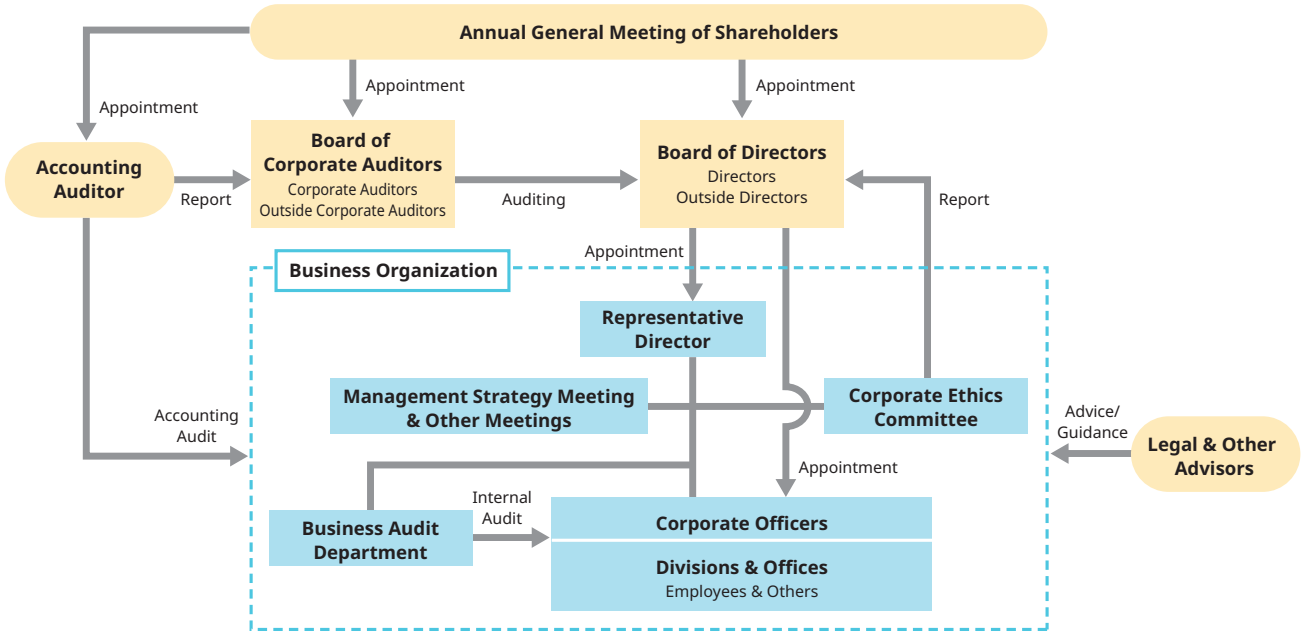
Corporate Governance

Basic Concept

To respond to the trust of all stakeholders
and increase our corporate value, ONO PHARMACEUTICAL believes
that our critical issues are not only the compliance of laws and regulations but
also the enforcement of our management transparency
and enhancement of our corporate governance.

Corporate Governance Structure

ONO has adopted the organizational framework with Corporate Auditor (or Board of Corporate Auditors) focusing on the enhancement of functions of the Board of Directors and the Board of Corporate Auditors, as a part of endeavors to bolster corporate governance.



Board of Directors

When selecting candidates for directorships we consider the balance of knowledge, experience and skills compatible with the whole Board of Directors' ability to make expert and general management decisions. We are also more clearly defining the responsibilities of management to our shareholders and have set the term of office for directors at one year, so as to enable rapid responses to changes in the management environment.
We have set the number of directors on the board to a number that is appropriate to enabling rapid and sound decision-making and that enhances managerial transparency and oversight. The Board of Directors currently consists of seven members including two outside directors and generally meets once a month. It is at these meetings when important management matters are decided and directors' performance oversight takes place.

Board of Auditors

We have strengthened our auditing capability by appointing four auditors to the Board of Auditors, including two thoroughly independent outside auditors and two full-time auditors who are thoroughly familiar with ONO's business and have the authority to gather high-level information. The full-time auditors and the outside auditors work together to strengthen audit effectiveness.
The Board of Auditors generally meet once a month, and working with the internal auditing department to enforce auditing efficiency, the Board of Corporate Auditors endeavors to improve its functions of the management oversight by enhancing the effectiveness of audits in cooperation with the accounting auditor.

Outside Directors / Outside Auditors

Both outside directors possess wide-ranging knowledge and experience of corporate management, they oversee management of the company from an independent and objective standpoint as they work through the decision-making process. Outside directors also contribute by enhancing the work of the Board of Directors by attending Board HR Meetings and Board Remuneration Meetings.
Outside auditors perform their duties from an independent and objective standpoint as experts in law or corporate accounting, carrying the responsibility for ensuring managerial soundness.
ONO notifies the Tokyo Stock Exchange of our appointments for the two outside directors and two outside auditors as independent officers. None of these directors or auditors has a conflict of interest in their personal, capital or trading ties with the company.

Operational Management Structure

ONO is striving to ensure the efficiency and correctness of decision-making and operational management by, for example, the President and Representative Director, the Directors and Corporate Officers, who take responsibility for each division, as well as the managers of those divisions attending Management Strategy Meetings to deliberate from various angles important operational management matters and above all, matters to put before the Board of Directors. We are also seeking to strengthen operational management capabilities in each business area by implementing our Corporate Officer system.
In addition, ONO also includes attendance at Management Strategy Meetings and inspection of the minutes within the scope of auditors' work.

Internal Control System

ONO provides for an internal system in accordance with the basic policies of the internal control system decided by the Board of Directors. Our Internal Audit capability (Business Audit Department) ascertains whether it is operating properly. We are also working to continually improve the system by reporting on its operation to the Board of Directors.
Furthermore, we adopt a firm stance fighting against any antisocial forces or organizations that may threaten social order or security.

Corporate Governance Code

ONO is responding to the Corporate Governance Code laid down by the Tokyo Stock Exchange by working to continually improve on and progress the provision of systems appropriate to our business from the point of view of management efficiency, soundness and transparency, based on the intent of the code.
See our Corporate Governance Report for details of corporate governance at ONO.

● Corporate Governance Report (only available in Japanese) is on ONO's corporate website.
→http:// www.ono.co.jp/jpnw/csr/governance.html

Initiatives by Priority Area

Risk Management

We work to identify potential major risks to prevent them from occurring, and have a structure in place to ensure that appropriate actions are taken in case of their occurrence.

● Rules and Other Systems for Risk Management for Losses

(1) Risks related to compliance, product quality and safety, safety and health, the environment, disasters, information security and other issues are managed by relevant division. Each division prepares and distributes risk management procedures in accordance with applicable internal rules, as well as provides its staff with appropriate training.

(2) Risks deemed to have significant impact on management, and cross-organizational risks, are monitored and addressed at a meeting attended by the President and Representative Director, Directors and Corporate Officers in charge, as well as the managers of relevant divisions. In case of unexpected risks, the President calls a meeting of the Emergency Response Committee to solve the problems promptly.

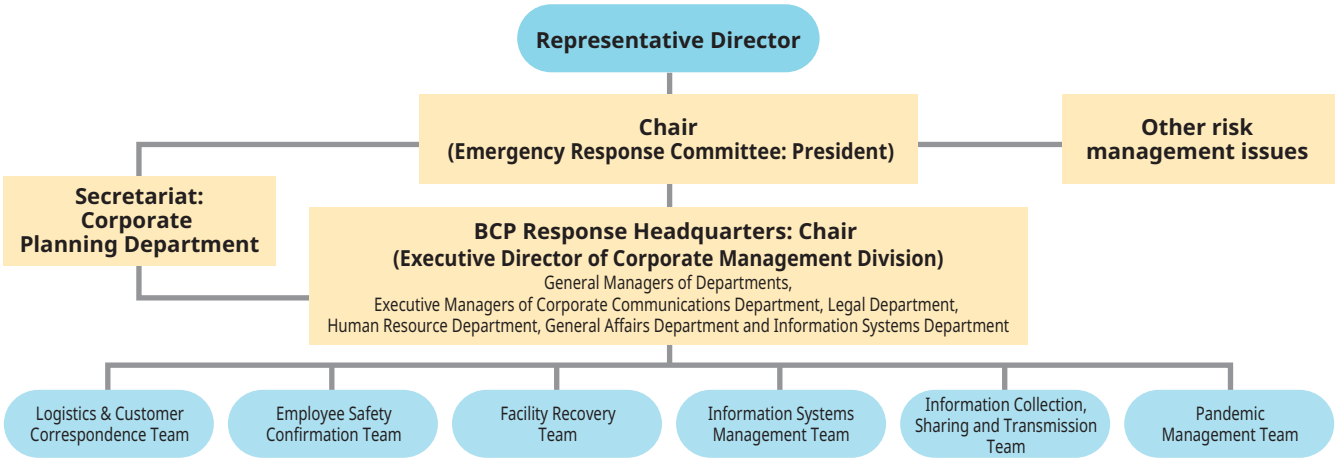
(3) Risks specific to each division are addressed by such division through preparation of handling procedures and other measures as necessary, and these are regularly reviewed in response to changes in the business environment.

● Systems to Ensure that the Company and its Corporate Group Composed of the Company's Subsidiaries are Operating in an Appropriate Manner

ONO provides sound advice and guidance to promote the compliance and risk management systems of the entire ONO's Group. As to the management of each group company, while respecting its autonomy, we periodically receive reports on their business operations and conducts preliminary consultations for important issues.

Business Continuity Plan (BCP)

In case of the occurrence of unexpected emergency such as a natural disaster or accident, we have a structure in place under the BCP Headquarters with the Executive Director of Corporate Management Division as chair to ensure that we can minimize its impact on mission-critical operations and continue business activities or to immediately recover and resume them if suspended. In case such emergency occurs, six teams have been established to perform specific tasks in accordance with the BCP: Logistics & Customer Correspondence Team, Employee Safety Confirmation Team, Facility Recovery Team, Information Systems Management Team, Information Collection, Sharing and Transmission Team, and Pandemic Management Team.



Information Disclosure

As specified in our Codes of Conduct, we strive for establishment of the transparent corporate management and recognize the importance of taking various opportunities to disclose information on our business activities in a timely and appropriate manner. We actively conduct investor relations (IR) activities based on the policy of pursuing accuracy, promptness, fairness, and impartiality.
We disclose financial results and other related information in a timely manner through TDnet, the timely disclosure network of the Tokyo Stock Exchange, and our website at the same time. Information that is not subject to the timely disclosure rules is also disclosed swiftly through our website and other means.
For securities analysts and institutional investors, we actively hold separate meetings and phone conferences, in addition to a financial result briefing or conference call on each quarterly statement. We also diligently participate in securities firm-sponsored investor conferences and the like for individual investors to facilitate their deeper understanding of our business activities and management strategy.
Our website contains IR Library, which provides useful current and past data including flash report and development pipeline progress status, as well as Financial Highlights for the last five years. Also, we endeavor to convey our corporate information to a wider range of people in an easy-to-understand manner, by issuing business report for shareholders, and Annual Reports (titled “Corporate Report”).

Messages from Independent Executives

Outside Director
Yutaka Kato

I am an independent executive appointed as a Director of ONO PHARMACEUTICAL. Outside directors attend at Board of Directors meetings and get involved in management decision-making from a third-party perspective. Through such involvement, the directors play a role in strengthening the company’s governance structure. Outside directors may identify what the industry or the company takes for granted, as peculiar to the public at large. I believe that reflecting social perspectives in management decisions on various issues enables the support that can ensure true competitive advantage.
In general, outside directors cannot participate in discussions if they have little knowledge about the industry and the company. ONO, however, makes sure to, upon appointment of outside directors, provide us with sufficient explanation with detailed information about modes of action of drugs on living organisms and clinical trials. This allows us to actively participate in discussions at the Meeting of Board of Directors. There is a culture in ONO where the idea takes root that “outsiders’ views are valuable because they are outsider.” I think this is one of ONO’s strengths.
Fortunately, business results have been good. However, it is at just such a time that it is important to comprehensively revise internal systems. Unfortunately, there have been serious problems in compliance with the law among some leading companies in Japan. I believe it is important that the notion “only virtuous companies flourish” permeates right throughout the organization.

Outside Director
Jun Kurihara

Amid continuously expanding and deepening globalization, ONO PHARMACEUTICAL is facing a business environment with further increasing uncertainties.
Under such circumstances, the company should actively create and evolve business models including drug discovery. At the same time, it should carry out its social responsibility as an innovative pharmaceutical company with global competitiveness. It is essential that ONO has foresight and deep consideration with global perspective to grow and expand, sticking to its corporate philosophy “Dedicated to Man’s Fight against Disease and Pain,” in a severely competitive global environment that is changing rapidly like a kaleidoscope.
Having provided an outstanding, breakthrough new drug in recent years, ONO has improved its economic reputation through the product and capital markets, and also its social reputation through a range of people both inside and outside the company. In terms of the company’s social reputation, while ONO has received praise and respect, the company may also be subjected to some severe, constructive criticism as well as baseless and unfair criticism. In such circumstances, akin to sailing without a chart, ONO must maintain a serious approach while forging ahead with its corporate activities. Based on an awareness of that problem, and as an outside director who is independently involved in the Board of Directors by exploiting their own professional experience, I would like to share my global network and long-term experience in decision making to contribute something, even if small, to ONO.

Initiatives by Priority Area

Innovative Pharmaceutical Products

"Dedicated to Man's Fight against Disease and Pain" is our 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 enthusiasm and conviction in our research, development, corporate development and strategy, manufacturing, corporate regulatory compliance safety and quality assurance and marketing, so that we can bring innovative drugs as soon as possible to patients throughout the world.

Our Mission in Research and Development

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

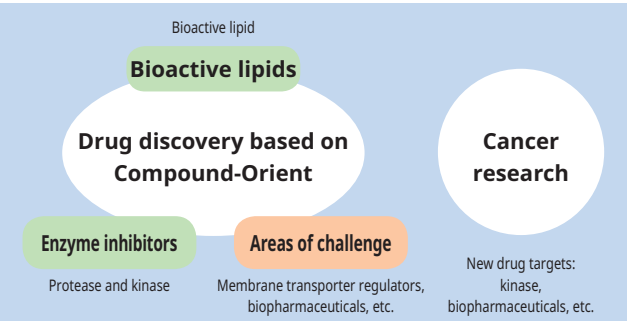
We are tackling the diseases that remain unconquered as yet, and addressing areas that are high in healthcare needs where patient satisfaction of treatment is still low. Our discovery research aims to identify and develop innovative and breakthrough pharmaceutical products.

Our Drug Discovery Research

● ONO's approach – Areas of research

In the course of research we have amassed a library of compounds that act on diverse targets, and have pursued our original path in drug discovery using the Compound-Orient approach that enables us to identify those compounds that are effective against disease. This is our distinctive approach that identifies priority areas of drug discovery targets such as bioactive lipids and enzyme inhibitors, instead of targeting specific diseases. We believe that maximizing the potential of the well-amassed library of compounds would raise the likelihood of success in the discovery of breakthrough drugs. In the meantime we have successfully developed the anti-PD-1 antibody OPDIVO (nivolumab), generated through genomics research, which is the world's first-in-class innovative anticancer drug (biopharmaceutical) in a target area completely new to us. We have identified the area of cancer therapy and its supportive treatment as one of our key strategic areas. Leveraging technology and know-how in cancer immunology accumulated through OPDIVO development, we are vigorously working to produce novel drugs expanding our scope to cover new areas of potential drug discovery targets and next-generation drugs including biopharmaceuticals.

Drug Discovery Research Domains



Open innovation strategy through industry-academia alliances

● Open Innovation

ONO has been driving drug discovery research using our world-leading technology and knowledge in various areas since long before the words "open innovation" started to become widely used. OPDIVO and our prostaglandin related products developed so far are the successful results of our open innovation alliances with universities and research institutions at home and abroad.
In order to pursue the discovery of breakthrough drugs through our open innovation strategy more vigorously, ONO is driving research collaborations with universities, research institutions and biopharmaceutical companies, posting employees with extensive experience in discovery research to our overseas subsidiaries in the U.S.A. and UK for the long haul, and ONO's scientists posted to collaborative research laboratories are working on challenging research programs.
As for our more recent work, we have established Orientem Innovation®, a new form of research network in industry-academia alliance, which we believe provides researchers at academia with new framework to find pharmaceutical uses more rapidly than before using new compounds identified by us at an earlier stage of research. We have launched three Orientem Innovation® projects so far, including the research alliance with Tohoku University and The University of Tokyo for new bioactive lipids. Other activities of open innovation alliance for drug discovery include participation as a founding member of an organization called GPCR Consortium aimed at promoting structural analysis of G-protein coupled receptors (GPCRs) through collaboration between pharmaceutical companies and overseas academia, and participation in the Drug-Discovery Innovation and Screening Consortium (DISC), an industry-academia collaboration program led by the Japan Agency for Medical Research and Development (AMED).
We will continue directing our drug discovery efforts into the future toward discovery and development of innovative pharmaceuticals in areas with as yet unmet medical needs as well as cancer and its supportive areas by maximizing our open innovation strategy through industry-academia alliances.

Initiatives by Priority Area

Strengthening our Research Capability

The development of innovative new 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 fields, bringing cutting-edge expertise from contrasting backgrounds. The interaction within the teams stimulates and mutually enhances our research achievements.
Our drug discovery research coordinates the efforts of three laboratories: the Minase Research Institute, the Fukui Research Institute and the Tsukuba Research Institute. Working to strengthen our research capability and further accelerate drug discovery, we opened a new research buiiding as a center for invention and manufacturing technology located in the Minase Research Institute in March 2016. We have now integrated our compound synthesis and analysis functions at Minase, thereby driving R&D forward by building a capability that will allow us to progress with consistency from early-stage research into the seeds of breakthrough drug discoveries through to clinical investigations.

The Minase Research Institute
The Institute engages in research into medicinal chemistry as well as mass production and cost reduction for the supply of active pharmaceutical ingredients, research into the properties and efficacies of compounds, discovery research for cancer treatment, and research aimed at the development of formulations whose quality and function as pharmaceutical products can be assured.

The Fukui Research Institute
The Institute focuses on compound safety assessment.

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

Accelerated Clinical Development

We are committed to promoting clinical development with enthusiasm to deliver new drugs that meet the needs of frontline healthcare as soon as possible, for the sake of patients throughout the world.
We have integrated the functions necessary to bridge from research to clinical development into the Translational Medicine Center, a part of the Clinical Development Division, and we conduct further evaluation of the efficacy, safety and quality of promising new drug candidates at the basic research and non-clinical stages in an effort to enable quicker decision making in development to shorten the period from commencement of drug development to establishment of efficacy and safety in humans (POC).
Clinical development plays a role in collecting the data required for filing Ministry of Health, Labour and Welfare applications for marketing approval for prescription drugs. With the aim of obtaining marketing approval in the shortest time, we are speeding up the clinical development process by advancing mutual use of results from multinational clinical trials and other overseas studies.
In the oncology area, a strategic area for ONO, we are working to strengthen our development capability, for example, by establishing the R&D Unit for Immuno-Oncology in December 2015 to progress investigation of biomarkers and combination therapies. In April 2016, we set up the Oncology R&D Center, which includes the Oncology Early Clinical Development, to strengthen the linkages between research and development and to further speed up clinical development.

✻ Our partners (as of July 27, 2016)

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 to provide a continuous stream of new market launches. In FY2015, we made good progress toward launch in Japan of two new drugs, applying for manufacturing and marketing approvals for ONO-7057 (carfilzomib, in development), in-licensed from Onyx Pharmaceuticals, Inc. for multiple myeloma, and ONO-5163 (etelcalcetide hydrochloride, in development), in-licensed from KAI (currently Amgen Inc.) for secondary hyperparathyroidism. We are simultaneously directing efforts into out-licensing to alliance companies so that we can deliver the new drugs we discover to patients around the world. In FY2015, we signed an out-licensing agreement on manufacturing, development and marketing with Santen Pharmaceutical Co., Ltd. for ONO-9054 (FP/EP3 dual agonist) as an ophthalmic preparation for topical use.
Continuously promoting vigorous licensing activities, our initiatives are making steady progress in expanding the development pipeline and developing a road map for global business to deliver the new drugs we develop.

Promotion of Global Business

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 pursuing overseas clinical development of our new drug candidates. We also strongly contribute to clinical development efforts in Asia.
We have commenced work to build operations bases in Asia enabling us to market some specialty products such as anticancer drugs overseas. Since establishing ONO PHARMA KOREA CO., LTD. and ONO PHARMA TAIWAN CO., LTD., both wholly owned subsidiaries of ONO have demonstrated good progress and received approvals for the anticancer drug OPDIVO for non-small cell lung cancer (for squamous NSCLC only in Taiwan) and for untreated melanoma in April 2016 (South Korea) and May 2016 (Taiwan).
Since launching the drug, we have been promoting sales jointly under a strategic collaboration agreement with Bristol-Myers Squibb U.S.A. In cooperation with medical professionals, we will continue to be committed to activities that help treatment of patients around the world.

Initiatives by Priority Area

Satus of Development Pipeline

As of July 27, 2016

Development in Japan

Product (Development Code)	Proposed Indication	Pharmacological Action, etc.	Development Stage				
			PI	PII	PIII	Filed	
ONO-5163 / AMG-416 / Etelcalcetide Hydrochloride	Secondary hyperparathayroidism	Calcium sensing receptor agonist	→	→	→	→	In-licensed from Amgen
ORENCIA IV (ONO-4164 / BMS-188667)	Juvenile rheumatoid arthritis	T-cell activation inhibitor	→	→	→		Co-development with Bristol-Myers Squibb
ORENCIA IV (ONO-4164 / BMS-188667)	Lupus nephritis	T-cell activation inhibitor	→	→	→		Co-development with Bristol-Myers Squibb
ORENCIA SC (ONO-4164 / BMS-188667)	Previously untreated rheumatoid arthritis	T-cell activation inhibitor	→	→	→		Co-development with Bristol-Myers Squibb
ONO-7057 / Carfilzomib	Multiple Myeloma (additional dosing regimen and additional Indication)	Proteasome inhibitor	→	→	→		In-licensed from Onyx Pharmaceuticals
ONO-1162 / Ivabradine	Chronic heart failure	If channel inhibitor	→	→	→		In-licensed from Les Laboratoires Servier
ONOACT Intravenous Infusion 50 mg / 150 mg (ONO-1101)	Tachyarrhythmia in low cardiac function for pediatric use	Short acting beta 1 blocker	→	→	→		In-house
ONOACT Intravenous Infusion 50 mg / 150 mg (ONO-1101)	Ventricular arrhythmia	Short acting beta 1 blocker	→	→	→		In-house
ONO-7643 / RC-1291	Cancer anorexia / cachexia	Ghrelin mimetic	→	→			In-licensed from Helsinn Healthcare
ONO-2370 / Opicapone	Parkinson's disease	Long acting COMT inhibitor	→	→			In-licensed from Bial
ONO-5371 / Metyrosine	Pheochromocytoma	Tyrosine hydroxylase inhibitor	→	→			In-licensed from Valeant Pharmaceuticals North America
ONO-7268MX1	Hepatocellular carcinoma	Therapeutic cancer peptide vaccines	→				In-licensed from OncoTherapy Science
ONO-7268MX2	Hepatocellular carcinoma	Therapeutic cancer peptide vaccines	→				In-licensed from OncoTherapy Science
ONO-2160 / CD	Parkinson's disease	Levodopa pro-drug	→				In-house
ONO-4059	B cell lymphoma	Bruton's tyrosine kinase (Btk) inhibitor	→				In-house
ONO-8577	Overactive bladder	Bladder smooth muscle relaxant	→				In-house

Development Overseas

Product (Development Code)	Proposed Indication / Area	Pharmacological Action, etc.	Development Stage				
			PI	PII	PIII	Filed	
ONO-2952	Irritable bowel syndrome / USA	TSPO antagonist	→	→			In-house
ONO-4059	B cell lymphoma / USA & Europe	Bruton's tyrosine kinase (Btk) inhibitor	→				Out-licensed to Gilead Sciences
ONO-8055	Underactive bladder / Europe	PG receptor (EP2 / EP3) agonist	→				In-house
ONO-4232	Acute heart failure / USA	PG receptor (EP4) agonist	→				In-house
ONO-4474	Osteoarthritis / Europe	Tropomyosin receptor kinase (Trk) inhibitor	→				In-house

Immuno-Oncology [Development in Japan, South Korea, and Taiwan]

Product (Development Code)	Pharmacological Action, etc.	Proposed Indication / Area	Development Stage				
			PI	PII	PIII	Filed	
OPDIVO Intravenous Infusion (ONO-4538) / BMS-936558	Human anti-human PD-1 monoclonal antibody	Non-small cell lung cancer(Non- Squamous) / Taiwan				→	Co-development with Bristol-Myers Squibb
		Renal cell carcinoma / Japan, Taiwan				→	
		Hodgkin's lymphoma / Japan				→	
		Head and neck cancer / Japan, Taiwan				→	
		Head and neck cancer / South Korea			→		
		Gastric cancer / Japan, South Korea, Taiwan			→		
		Esophageal cancer / Japan, South Korea, Taiwan			→		
		Small cell lung cancer / Japan, South Korea, Taiwan			→		
		Hepatocellular carcinoma / Japan, South Korea, Taiwan			→		
		Glioblastoma / Japan			→		
		Urothelial cancer / Japan, South Korea, Taiwan			→		
		Ovarian cancer / Japan		→			
		Solid tumor (cervical cancer, endometrial cancer, soft tissue sarcoma) / Japan		→			
		Malignant pleural mesothelioma / Japan		→			
		Virus-positive / negative solid tumor / Japan, South Korea, Taiwan		→			
		Biliary tract cancer / Japan	→				
Urelumab (ONO-4481) / BMS-663513	CD137 receptor agonist	Solid tumor / Japan	→				Co-development with Bristol-Myers Squibb

Immuno-Oncology [Development in the United States and Europe]

Product (Development Code)	Pharmacological Action, etc.	Proposed Indication / Area	Development Stage				
			PI	PII	PIII	Filed	
OPDIVO Intravenous Infusion (ONO-4538) / BMS-936558	Human anti-human PD-1 monoclonal antibody	Hodgkin's lymphoma / Europe				→	Out-licensed to Bristol-Myers Squibb
		Head and neck cancer / USA & Europe				→	
		Glioblastoma / USA & Europe			→		
		Small cell lung cancer / USA & Europe			→		
		Urothelial cancer / USA & Europe			→		
		Hepatocellular carcinoma / USA & Europe			→		
		Esophageal cancer / USA & Europe			→		
		Multiple Myeloma / USA & Europe			→		
		Esophagogastric junction cancer and esophageal cancer / USA & Europe			→		
		Diffuse large B cell lymphoma / USA & Europe		→			
		Follicular lymphoma / USA & Europe		→			
		Colon cancer / USA & Europe		→			
		Solid tumors (triple negative breast cancer, gastric cancer, pancreatic cancer, small cell lung cancer, urothelial cancer, ovarian cancer) / USA & Europe		→			
		Virus-positive / negative solid tumor / USA & Europe		→			
		Hematologic cancer (T-cell lymphoma, multiple myeloma, chronic leukemia, etc.) / USA & Europe	→				
		Chronic myeloid leukemia / USA & Europe	→				
		Hepatitis C / USA & Europe	→				

Initiatives by Priority Area

Manufacturing

To Ensure Stable Delivery of Drugs

At ONO, all the divisions involved in manufacturing cooperate closely with each other and they consistently maintain a strong sense of responsibility and ethics as they faithfully practice evidence-based manufacturing operations according to the operating procedures and continuously make maximum efforts for the stable supply of high-quality drugs.

Initiatives to Ensure the Stable Supply of High-quality Drugs

● Improving Productivity

We continually review production systems and invest appropriately in 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. We are also consistently managing costs, from pharmaceutical substances through to products.

● Improvement of Quality Check System Reliability

We deliver only products that have been ascertained to have assured quality by monitoring safety and efficacy information and by checking manufacturing and testing records as well as visually inspecting all products.

● Human Resources Development

We strive to develop our human resources through specialist training for workers involved in production, passing skills from experienced technicians to young employees, in-house personnel exchange, and training in anticipation of globalization.

● Risk Management

We have a risk management system in place to ensure stable drug supply. Our system is based on proper production facility management, ensuring proper product quantities, and avoiding the impacts of power outages by equipping production centers with emergency power provisions.

Production Centers with Established High Quality and Productivity

Our production centers in Shizuoka and Osaka are compliant with GMP (a set of standards relating to the manufacturing control and quality control of pharmaceuticals). The Fujiyama Plant, our key production center, newly constructed in Fujinomiya City, Shizuoka Prefecture in 1975, has continually improved and expanded its facilities, so that today the plant boasts computer-controlled manufacturing facilities. In 1999, a large-scale injection manufacturing plant was constructed within the grounds of the Fujiyama Plant, equipped with high-performance automation facilities. In 2009, a solid formulation manufacturing plant equipped with state-of-the-art manufacturing facilities was newly constructed. In 2014, an injection line equipped with manufacturing facilities to handle highly active and antibody drugs was completed and came online, including facilities that can handle new drugs from the investigational drug manufacturing phase.
The injection manufacturing plant is equipped with high-performance facilities and world-class software that comply not only with Japanese but also European and U.S. GMP standards. Computers are used 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 processes, from receiving pharmaceutical substances to the dispatch of finished products. The solid formulation manufacturing plant utilizes high-speed, high-performance machinery for thorough quality assurance.
In addition to strengthening our production capability aimed at future business expansion, we have decided to build our new factory for the first time in 40 years after construction of the Fujiyama Plant, so as to reduce the risk of major disaster, from the business continuity perspective. The factory will be built in Yamaguchi prefecture, with construction starting in August 2017 and operations scheduled to commence in 2020. We are continuing to strengthen our capabilities for the stable supply of drugs, for example, by increasing warehouse capacity within the grounds of the Fujiyama Plant, as a stockpile facility in readiness for increased production following new drug launches.

Safety and Quality Assurance

To ensure drug reliability

Drugs are taken up into the body, they act on the body, and they also influence various biological reactions. Being a company that deals in products involved with life, we continually strive to ensure and improve the reliability of the drugs we deliver.

Strengthening our organization for safety and quality assurance

In April 2016, ONO set up a new division, Corporate Regulatory Compliance Safety & Quality, with the aim of further strengthening our capabilities to gather feedback and information aimed at the proper use and quality assurance of the drugs we supply. We have strengthened our organization by integrating our quality assurance and proper-use functions, which had been spread across several divisions, into the Corporate Regulatory Compliance Safety & Quality Division. We are undertaking a range of initiatives for safety and quality assurance through the product lifecycle, so as to deliver high-quality drugs and information on their proper use to patients and medical practitioners across the world.

Initiatives for the Proper Use of Pharmaceutical Products

Providing safety information aimed at proper use is an important undertaking for pharmaceutical manufacturers in order for patients and medical practitioners to use drugs with peace of mind. ONO has set out a drug risk management plan and gathers and manages information on safety (adverse effects) by monitoring safety.
As part of our safety measures, we gather information from patients and medical practitioners, academic papers, and post-marketing surveys, we assess that information, and if necessary we revise the cautions on package inserts and make announcements about proper use.

Quality Assurance Policy

Pharmaceuticals are products concerned with life, they play a crucial role in maintaining health and in treating diseases. It is necessary to assure their quality to a high standard and to ensure their stable supply.
Accordingly, we not only meet the legal requirements as a manufacturer and marketer, but also set out our own quality manual to establish a drug quality system and work to continuously improve systems so as to provide high-quality drugs from the viewpoints of patients, caretakers and healthcare professionals. In addition, we contribute to society through stable supply of pharmaceutical products that are assured to a high quality standard.

Maintenance of Product Recall System

We have a system in place to recall any products with problems concerning efficacy, quality or safety, and to promptly provide medical professionals with information on them. We also conduct periodical drills in preparation for product recall to check that they can be executed quickly even in unexpected circumstances.

Initiatives by Priority Area

Marketing

The Mission of MRs

Even if a drug is an excellent product, it is of no value unless it can be delivered to those who are suffering from disease and used correctly in medical treatment.
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. MRs meet with medical professionals to provide information on proper drug usage, as well as to provide and collect information on drug efficacy and safety. The mission of MRs is to contribute to society by providing healthcare support in collaboration with medical professionals for the benefit of patient treatment, in accordance with high ethical standards.

Promotion of Efforts to Enhance True Value of Drugs

● Information Sharing Framework Architecture

In addition to providing information, MRs uphold the importance of exchanging information with medical professionals to ascertain whether our drugs truly benefit each individual patient and their family throughout the course of the patient's treatment. ONO's information-sharing framework enables our MRs to share across the company the valuable information they gather from the frontline of healthcare. Our MR-support website carries a wide variety of information, notably the Product Q&A, a resource based on analysis of all information accumulated to date, as well as safety information, promotional materials, information on academic societies, conferences and research papers, and information on sponsored seminars. We also have a system in place that allows all the MRs to access useful information at all times from their tablet devices.
All the MRs are equipped with highly secure smartphones. The smartphones feature a sales force automation (SFA) system that makes the entire sales process more efficient, as well as functions for using the FAQ system. In addition, we have created strategies that promote information sharing, for example, by allowing them to participate in meetings from remote locations via their mobile devices, and enable rapid responses to healthcare providers' needs.

● Relaying Up-to-date Drug Information to the Frontline of Healthcare

Medical technology undergoes daily advances 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 actively provide information by organizing symposiums and seminars in conjunction with academic conferences held in Japan and overseas and through workshops and lectures in regional areas.
We are also putting efforts into disseminating disease information, for example, by putting summaries of up-to-date information on cancers in particular, as well as reviews by Japanese specialists, on our ONO Medical Navi website for medical practitioners and our ONO ONCOLOGY website, which contains information on cancer. Within that endeavor, we are directing efforts into the utilization of IT, holding more than 60 webinars each year, to allow for real time provision of information on disease treatment and our products.

Initiatives to Enhance our Marketing Systems

Designing Systems to Continue Improving the Accuracy of MRs' Work

We continually review our organizational structure in response to business conditions so as to improve the accuracy of the work by MRs to provide information.
The establishment of community-based integrated care systems (systems that ensure comprehensive delivery of medical care, nursing care, prevention, home, and daily living support) is currently being promoted so that everyone can continue living their own familiar lifestyle in familiar surroundings, even if they require advanced care. In response, we integrated operations nationwide into nine branches in eight blocks (from 14 branches) in April 2015 with the aim of designing marketing structures that cover large regions and can drive organizational operations and activities based on a big-picture approach to the market. Each sales branch generally comprises a tertiary medical care zone (prefecture) for the development of area marketing that is compatible with future regionally integrated medical care systems.
In the area of cancer treatment, we established specialist oncology divisions with the launch of OPDIVO Intravenous Infusion for treatment of malignant tumor in 2014, given the high level of specialization and the demand for a reliable and rapid response to the pressing needs of specialists in university hospitals and specialist centers. In addition, we increased the number of cancer specialist MRs from 30 to 180 in 2015, so as to provide information rapidly and with care, along with approval of OPDIVO's addition approval for non-small cell lung cancer.
We will continue to design the most appropriate systems that will enable us to provide adequate information for the additional approvals for cancer tumors that are currently being pursued.

Enhancement of MR Training Programs

We are enhancing MR training programs as we increase the investment in our MRs, for the sake of their development.
We provide training programs focusing on our products and related diseases and we also continuously provide training programs intended to familiarize MRs with the Japan Pharmaceutical Manufacturers Association (JPMA) Code of Practice to build mutual relationships with researchers, medical professionals, and patient organizations. Training programs are delivered at Head Office and branches across the country to ensure that even amendments or supplementary articles are appropriately made known to all our MRs.
Moreover, MRs do on-site training at specialist institutions for dementia, diabetes, and cancer to enable them to identify the needs of patients and their families for delivery of drugs that truly benefit patients.
In the field of dementia in particular, all our MRs have completed the Dementia Supporter Training Course — which aims to "get the facts straight on dementia, support people with dementia and their families, and carry on improving the amenity of everyday life for all members of society" — and work in a supporter capacity.
We enjoy the support and cooperation of medical institutions for these efforts.
Experience that cannot be gained only through normal MR activities is incorporated into marketing work that distinguishes ONO MRs from the rest, aiming to truly benefit patients and place importance on the views of patients and their families.

Initiatives by Priority Area

Human Resources and Human Rights

Based on the belief that "People make the company," we actively support the development of individual abilities and positive action taken without fear of failure. We promote efforts to improve safety and health conditions, and to create a working environment where the company and its employees can live in harmony and individual abilities blossom to their full extent.
We also value a society where human rights are fully respected and seek to establish a company with no discrimination due to race, nationality, ethnicity, gender, age, religion, belief or philosophy, academic background, disability or illness, and so on.

Development of Human Resources

● Human Resources Sought by ONO

In a rapidly changing environment, we need human resources who:

- are innovation-minded and never give up trying until the end;
- can demonstrate their abilities in a team environment and can work collaboratively;
- have a strong sense of responsibility for, and are proud of, their own jobs;
- always take a positive approach and can learn and grow independently;

and

- act in an ethical manner with common sense.

To develop such human resources, we are committed to enhancing our education and training system, and cultivating employee-friendly workplaces.

● Provision of Growth Opportunities

We organize a wide range of collective training programs for employees in each phase of career growth, including company-wide joint training for new employees from all divisions, departmental introductory training, annual training for young employees, and pre-management training. We also provide role-based training for managerial staff with a focus on the management required for organizational growth and the skills demanded of each role.
In addition to these seniority- and position-based training programs, we organize training programs to develop employees who can work on the global stage, and send employees to overseas affiliates. As part of our commitment to promotion of diversity, we also provide training for employees. Furthermore, we have a system in place to assist employees in self-learning so as to develop a culture where they study and grow independently.

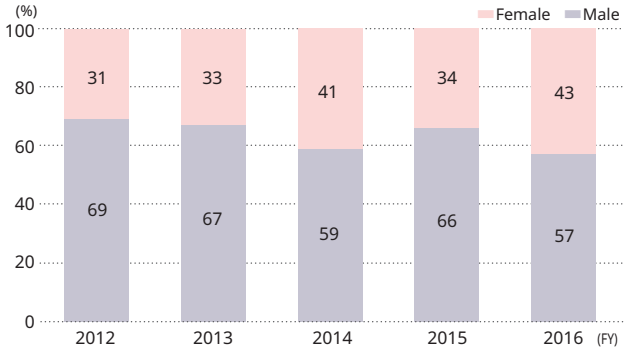
Diversity Promotion Initiatives

At ONO, we make continuous efforts to promote diversity in our workplaces.
One of our high-priority endeavors in this area is the creation of systems that enable women to flourish, and we have been increasing the proportion of new female graduate recruits each year. We have also been training our staff with the aim of creating an environment in which women can flourish, including the appointment to managerial roles. We will continue to move ahead with the design of systems that enable women to take on a variety of challenges and to demonstrate their abilities. We will do this by steadily implementing our Action Plan (for the five-years from April 1, 2016 to March 31, 2021), which is based on the Act to Promote Participation of Women in Work-Life (Women's Participation Promotion Act), set out in 2015.
We have been actively recruiting persons with disabilities, who account for an employment rate of 2.28% as of March 31, 2016. This exceeds the legally stipulated rate (2.0%) set in 2013.
In addition, we have been directing efforts toward employing people mid-career as an industry-ready workforce equipped with the requisite skills and knowledge.

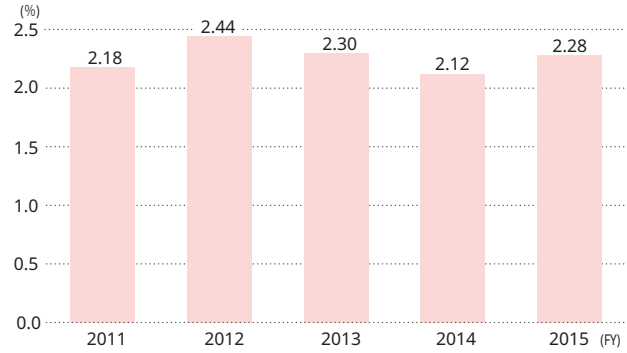
Medirabi-san:
ONO's character promoting system utilization

Features in ONO's booklet on systems for balancing work and child-raising
Promotes initiatives to improve diversity

The male-to-female ratio of new employees



Employment rate of persons with disabilities



Outline of Action Plans based on the Women's Participation Promotion Act (Aims/Initiatives)

Initiatives aimed at achieving 40% employment of women for regular positions from the 2017 intake of new graduates.

- **Enhancement of training and revision of systems aimed at cultivating human resources**
- **Continuation of recruiting strategies that facilitate job applications by women**
- **Proactive provision of information to applicants**
- **Creating environments that facilitate career planning among younger staff**

Initiatives aimed at lifting the rate of retention of new female employees in the next five years above 90% of the male rate.

- **Aiming to be a company where continued employment is possible, even during major life events**
  Enhancement of support systems for child-raising and female employees taking maternity leave
- **Supporting work-life balance**
  Initiatives to promote participation of men in child-raising
- **Supporting early return to work**
  Creating environments that enable both work and child-raising/elderly care
- **Creating an organizational culture that enables women to flourish**
  Promoting career support strategies

Initiatives by Priority Area

Enhancing Cultivation of Employee-friendly Workplaces

We have identified the cultivation of human resources as one of the important management issues and are moving ahead to create workplaces where employees can work with a sense of security. We are working to provide workplaces and support systems compatible with employees' life stages so that each and every person in our diverse workforce can bring energy to their work and demonstrate their full potential.

● Employment Programs that Support Family and Work-Life Balance

Regarding our employment programs, we provide for support systems that are compatible with employees' life stages so that they can continue working even when encountering various life events. In addition, we have produced a handbook, aimed at ensuring employees are thoroughly familiar with the details of the system and how to use it.

Handbook for employees

We also put continuous efforts into improving work-life balance, by having employees review the way they work and cutting back on overtime work, by holding "No Overtime Days" and by urging employees to take paid leave. As a result of company-wide initiatives, we have achieved progress in employees rethinking their approach to this issue, for January to December 2015 overtime hours decreased from 2014 by 8.5%, and the rate of the used portion of employee's annual paid leave increased by 4.5%.

● See ONO's corporate website for further details of our employment systems.
→ http://www.ono.co.jp/eng/csr/employee_relations.html

● Initiatives in Support of Child-raising

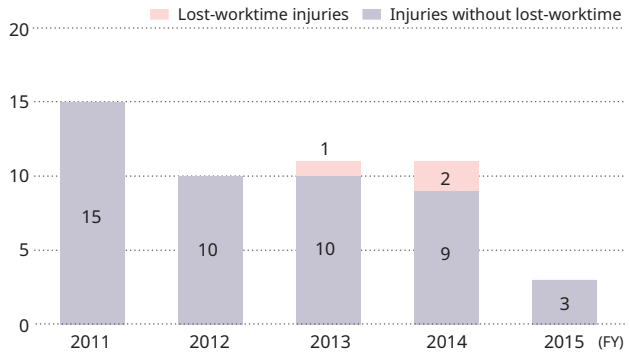
As Japan's birthrate decreases, society as a whole is giving more support to families raising children and moving ahead to create environments that make child bearing and child-raising easier. Businesses too are being called on to take initiatives in support of work-life balance.
At ONO, we are striving to enhance our systems in support of a balance between child-raising and work by providing employees with orientations when returning to work and allowances for childcare and baby-sitting services, in addition to childcare leave and shortened work hours for childcare. These initiatives have been appreciated and ONO received two prizes in the "Awards of Companies Promoting Gender Equality and Work-Family Balance 2015" hosted by the Ministry of Health, Labour and Welfare. ONO was awarded the "Chief's Prize of Prefectural Labor Bureau" in the "Companies promoting gender equality category" and the "Family-friendly companies category".
Furthermore, having set out Action Plans aimed at realizing workplaces that facilitate work-life balance, ONO has been certified as a general business operator meeting the criteria based on the Act on Advancement of Measures to Support the Development of the Next Generation in 2008, 2012 and 2014.

● See ONO's corporate website for further details of our Action Plans.
→ http://www.ono.co.jp/eng/csr/employee_relations.html

● Safety and Health

For safety and health, we regularly hold safety and health committee meetings to continuously improve the working environment. In our production and research sites, safety and health inspectors report findings from inspection patrols to the committee and propose improvements, effectively familiarizing employees with health and safety procedures, and taking appropriate actions. All our establishments are inspected annually for disaster prevention measures, fire extinguishing and first aid equipment, safe handling of machinery, safety procedure implementation levels, transportation operations, as well as cleanliness and tidiness. In Head Office and other workplaces where a health committee is established, health committee members from the labor and management have discussions on health based on the results of workplace environmental measurements.

Numbers of industrial accidents



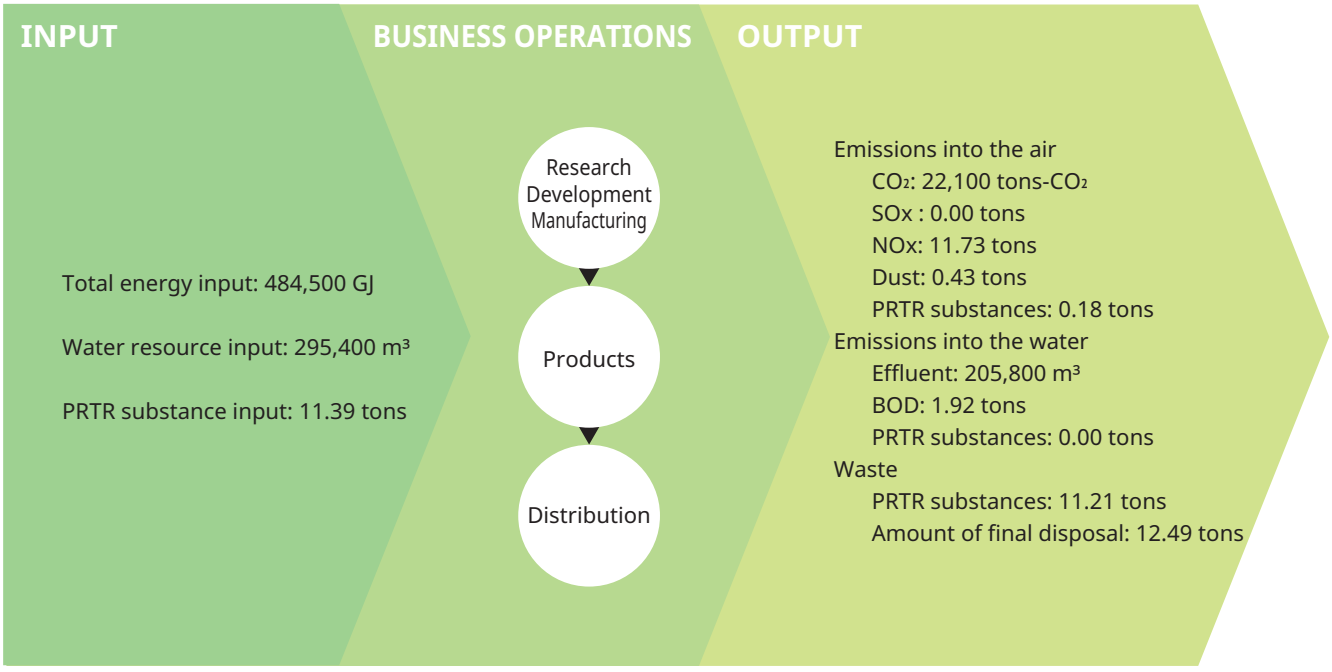
The Environment

ONO PHARMACEUTICAL Environmental Guidelines

- Aware of corporate social responsibility for the environment, we will work to protect and preserve the global environment in all of our business operations.
- In addition to fully complying with all environment-related laws and regulations, we will establish targets and action plans in a continuous effort to protect and preserve the environment, including natural resources and biodiversity.
- In all of our business operations, we will implement environment-focused measures such as saving resource and energy, recycling, reducing waste and preventing pollution.
- We will endeavor to produce eco-friendly products and will cooperate with society.
- With the participation of every employee, we will strive to further understand environmental issues and to promote environment-related activities.

Overall Picture of Environmental Impact (ONO's Involvement in Environmental Protection)

Annual inputs and outputs are grasped on a regular basis to use as reference data for our efforts to reduce environmental impact.
(Scope: production and research sites/ FY2015)



Initiatives by Priority Area

Promotion of Environmental Management

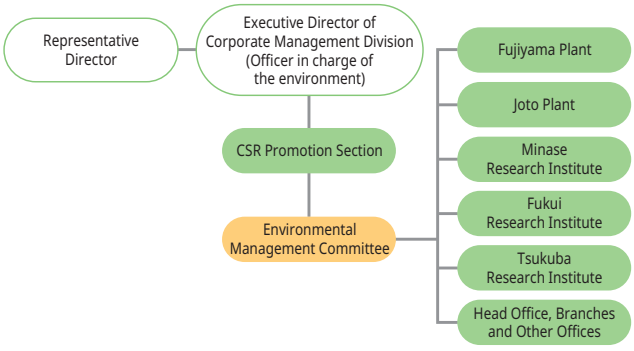
Initiatives aimed at preventing global warming have become a major issue in recent times.
We recognize that ONO has social responsibility regarding the environment, and we are working to protect and preserve the global environment in all of our business operations.
We have formulated a voluntary environmental action plan in accordance with our Environmental Guidelines. Under the plan, we set and work to achieve specific actions and numerical targets for the following initiatives, and review the results (or progress) of the work toward the targets every year.

[Item of voluntary environmental action plan]
- Low-carbon society action plan
- Chemical management
- Waste reduction
- Air and water pollution control measures
- Environmental efficiency
- Community-employee relations

● See ONO's corporate website for further details of our voluntary environmental action plan.
→http://www.ono.co.jp/eng/csr/

● Environmental Management Promotion Structure

Our environmental management promotion structure consists of the Executive Director of Corporate Management Division, CSR Promotion Section, and the Environmental Management Committee. The Executive Director of Corporate Management Division supervises company-wide environment issues, and CSR Promotion section operates the Committee. Members of the Committee are chosen from relevant departments, and responsible for specific on-site monitoring and promoting environmental management. Each of the production and research sites with environmentally major impact has a subcommittee to work on environmental issues. Each production site makes continuous efforts to reduce environmental impact under an ISO 14000-compliant environmental management system in place.
Employees receive necessary training on environmental management concerning the operations that could have impact on the environment, to reduce environmental risks.
We also have a structure to minimize environmental impact arising from emergency disasters, by providing training and on-site education and formulating manuals to prepare for them.



Ongoing Environmental Protection Activities

● Energy Saving and Global Warming Prevention

Energy saving and global warming prevention are regarded as the most important environmental goals of ONO. All our places of business—plants, research institutes, and offices—take energy-saving and power-reducing measures appropriate to the nature of their operations. Efforts are made to reduce greenhouse gas emissions from our business activities with the aim of achieving our mid-term environmental target of more than 23% reduction in CO_2 emissions (from the production and research sites) for FY2020 compared to FY2005.
CO_2 emissions from production and research sites reached 22,100 t in FY2015, a 17.2% reduction from 26,700 t in FY2005. ONO will continue driving initiatives aimed at achieving our goals.

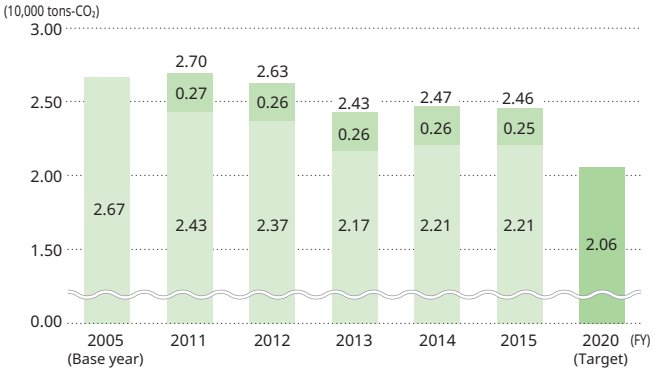
✻ ONO has been using the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (FY2005 value) as the electricity CO_2 emissions volume calculation since 2015. This is to enable proper evaluation of ONO's initiatives, after removing the effect of external factors such as nuclear power plant operation status. Regarding fossil fuel except for electricity, as in the past we calculate it based on the Act on Promotion of Global Warming Countermeasures (Warming Countermeasures Act). Since the initiation of the Federation of Pharmaceutical manufacture's Associations of Japan tracking indicator, we have revised the CO_2 emissions for FY2005 and for FY2011 to FY2014 due to the change of emissions factor.

[Examples of measures taken]
Company-wide “Cool Biz” and “Warm Biz” campaigns, which recommend to wear casual clothing during summer and winter seasons, are promoted to reduce energy burden.
The production and research sites take such measures as replacement of aging air conditioning equipment and lighting with highest performance equipment, under their respective energy management standards. A solar power system generating renewable energy has been installed at the Minase Research Institute.
As a specified business operator designated under the Act on the Rational Use of Energy (Energy Saving Act), we report on our energy consumption and energy saving plan every year to the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. We will continue considering the adoption of more enhanced monitoring systems including factory energy management system (FEMS) and building energy management system (BEMS), and the introduction of new and renewable energies, to promote electricity demand leveling and reduce electricity consumption.

The Sales and Marketing Division encourages staff to practice eco-driving, and has been moving ahead with gradual replacement of its leased commercial vehicles with hybrid vehicles since FY2010. By the end of FY2015, hybrid vehicles had replaced 95% of the commercial vehicles, except the cold climate specification vehicles. The division is now working on transition to more fuel-efficient compact vehicles.

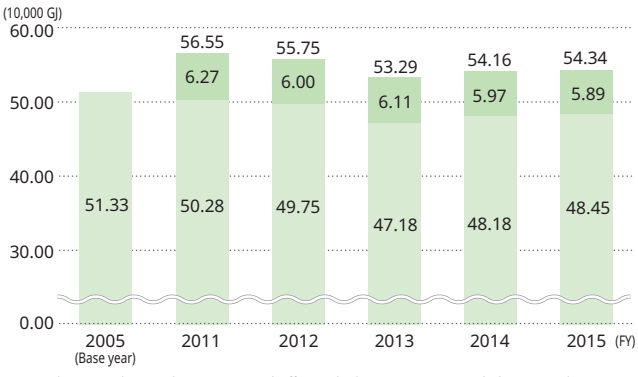
Minase Research Institute – Solar Power Panels

Energy-derived CO_2 Emissions



✻Sites where CO_2 emission data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute, Tsukuba Research Institute, Head Office, branches, sales offices, and distribution centers.
CO_2 emissions are calculated according to the methods below.
CO_2 emissions = Purchased electricity x the Federation of Pharmaceutical manufacture's Associations of Japan tracking indicator x 44 / 12
+ Σ (Fuel consumption x Unit calorific value x Carbon emission factor x 44 / 12)
ONO is using the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking factor (FY2005 values) as the electricity CO_2 emissions volume calculation. This is to enable proper evaluation of ONO's initiatives, after removing the effect of external factors such as nuclear power plant operation status. We use the value of the Warming Countermeasures Act as the calorific power unit and carbon emission factor. However, because the value we use for the electricity CO_2 emission volume calculation is based on the Federation of Pharmaceutical manufacture's Associations of Japan tracking indicator, it differs from the figure notified under the Warming Countermeasures Act.
The figure in the base year and the target value are those in the production and research sites.

Energy Consumption



✻Sites where energy consumption data were collected: Fujiyama Plant, Joto Plant, Minase Research Institute, Fukui Research Institute and Tsukuba Research Institute, Head Office, branches, sales offices, and distribution centers.

Initiatives by Priority Area

● Waste Management

The production and research sites are achieving, and are committed to continuing "Zero Emissions*". Also, we visit intermediate and final waste disposal contractors to confirm that our industrial waste is properly disposed of.

* Some hazardous substances and waste reagents are excluded from the "zero waste emission" activities because priority is given to disposal of them in a safe and reliable manner.
* This aims to reduce the proportion of waste landfilled below 1.0% through reuse of industrial waste generated from business activities.

● Air and Water Pollution

The production and research sites are reducing their impact on the environment by observing the Air Pollution Control Act, the Water Pollution Control Act, local government regulations, agreements on pollution prevention and related laws and statutes.
We train our employees, we conduct regular inspections, and our work to prevent pollution is underpinned by appropriate maintenance and controls.

● Chemical Emission Reduction

We are committed to reducing chemical emissions to the lowest possible level not only in compliance with laws and regulations but also with awareness that they may have impact on human health and the ecosystem. We manage and report annually on PRTR substances and polychlorinated biphenyl (PCB) in compliance with applicable laws and in an appropriate manner.

● Independent Practitioner's Assurance

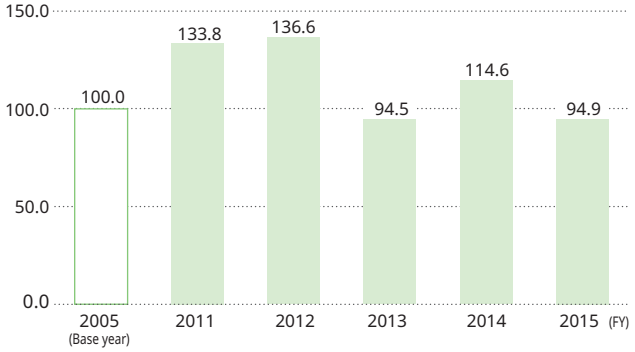
We have received independent practitioner's assurance by a third party to heighten the credibility of the information we disclose in this report regarding energy-derived CO_2 emissions and on our corporate website regarding value chain CO_2 emissions (Scope 3).
See the Independent Practitioner's Assurance Report on page 117.

- Value chain CO_2 emissions (Scope 3) is on ONO's corporate website.
→http:// www.ono.co.jp/eng/csr/
- See ONO's corporate website for further details of our environmental protection activities.
→http://www.ono.co.jp/eng/csr/

Environmental Efficiency / Environmental Accounting

We are assessing, the environmental efficiency of our production and research sites to evaluate their environmental efforts in a quantitative form. In addition, we have disclosed environmental accounting data in reference to the Environmental Accounting Guidelines (2005 edition) issued by the Ministry of the Environment of Japan.
We disclose the indicator that represents the efficiency of our environmental conservation activities in the reduction of environmental impact. To calculate the indicator, environmental impacts generated by our activities were categorized into the five categories of chemical substances, global warming, waste, water quality, and air quality. The level of the environmental impact in a representative environmental factor selected for each of these categories was divided by the revenue for the fiscal year.
The FY2015 environmental efficiency indicator improved by 5.1 points from the FY2005 figure due to reductions in the amount of landfill waste and a decrease in the BOD load.
We will be committed to reducing environmental impact, working to improve the environmental efficiency indicator.

Assessment of Environmental Efficiency
(Indicator with a score of 100 representing the level in 2005)



* ONO began using the Federation of Pharmaceutical Manufacturers' Associations of Japan tracking indicator (FY2005 value) as the CO_2 emissions indicator in 2015. This is to enable proper evaluation of ONO's initiatives, after removing the effect of external factors such as nuclear power plant operation status. We have revised the CO_2 emissions for FY2005 and for FY2011 to FY2014 due to the change of emissions indicator.

Environmental Cost and Effect in FY2015

The environmental investment at our main production and research sites during FY2015 was aimed at global warming countermeasures and other environmental measures.
Specifically, we installed up-to-date energy-saving equipment when we constructed the new building at Minase Research Institute.

Environmental Cost (Including Depreciation Cost)

(Thousands of Yen)

Category	Environmental cost		Amount of investment in environmental equipment	
	FY2014	FY2015	FY2014	FY2015
1: Pollution prevention costs (prevention of air pollution, water pollution, soil pollution, groundwater pollution, hazardous chemicals, noise, vibration and offensive odor)	53,037	102,270	2,149	0
2: Global environment conservation costs (prevention of global warming and environmental conservation)	299,828	347,727	112,839	572,469
3: Resource circulation costs (reduction of waste, proper treatment of waste and efficient use of resources)	95,814	100,827	0	0
4: Administration activity costs (time and costs spent for relevant committees, ISO activities and environmental management)	8,526	10,908	—	—
5: Research and development costs	116,208	211,741	—	—
6: Social activity costs (promotion of cleanup and tree planting in the business sites and surrounding areas, etc.)	1,049	1,098	—	—
Total	574,462	774,571	114,988	572,469

Environmental Conservation Effect

Environmental performance indicator		Change in the amount of environmental impact (compared to FY2014)		Environmental impact	
		FY2014	FY2015	FY2014	FY2015
Effect related to business area costs	SOx emissions (tons)	0.00	0.00	0.00	0.00
	NOx emissions (tons)	5.54	0.23	11.50	11.73
	Water use (10,000 m^3)	2.00	–1.17	30.71	29.54
	BOD load (tons)	–0.42	–0.56	2.48	1.92
	CO_2 emissions (10,000 tons-CO_2)	0.04	0.00	2.21	2.21
	Energy use (10,000 GJ)	1.00	0.27	48.18	48.45
	Total waste discharge (tons)	–322.44	–24.89	690.70	665.81
	Amount of waste final landfilled (tons)	–0.21	–0.43	12.92	12.49

Economic Effect Associated with Environmental Conservation Activities

(Thousands of Yen)

Details of effect	Total	
	FY2014	FY2015
1. Reduction in cost through energy saving activities	251	2,307
2. Reduction in waste cost through recycling activities	0	0
3. Profit on sales from waste recycling	108	1,424
Annual total	359	3,731

Initiatives by Priority Area

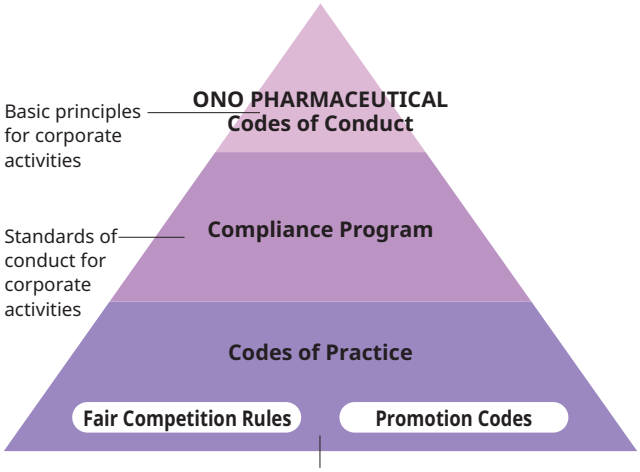
Fair Operating Practices

Being aware of responsibilities as a pharmaceutical company dealing in pharmaceuticals upon which human lives depend,
ONO PHARMACEUTICAL has original Codes of Conduct in place to ensure that it takes actions in compliance with not only laws and regulations but also higher ethical standards.
We thoroughly train all employees to ensure compliance and promote proper procurement activities in cooperation with suppliers.

ONO's Ethical System

Our ethical system consists of ONO PHARMACEUTICAL Codes of Conduct, which serve as basic guidance for our corporate activities; the Compliance Program, which provides for standards of conduct for the activities; and the Codes of Practice, which are based on the industry standards on promotion and other activities.
In putting the ethical system into practice, we repeatedly remind our employees of their duties to ensure transparency in transactions and prevent fraud and corruption, and act in consideration of social situations at home and abroad.
Being keenly aware of corporate ethics as a pharmaceutical company, we will continue to further strengthen our level of compliance in line with our ethical system.

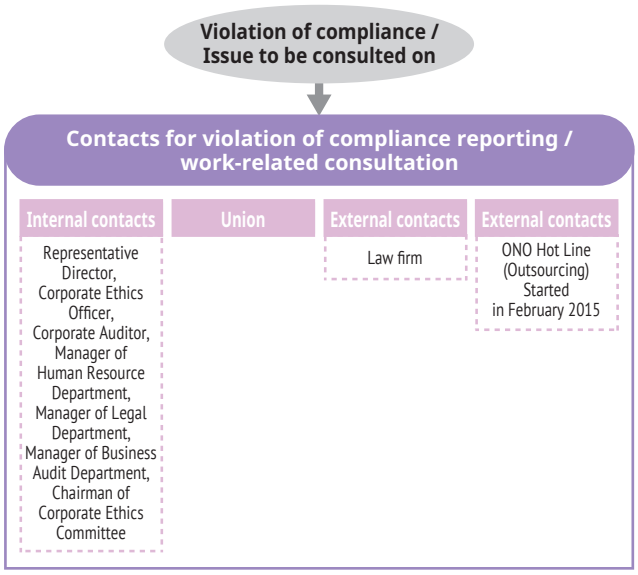
ONO's Ethical System



Compliance Promotion Initiatives

Compliance Promotion System

To promote compliance, we have appointed a Corporate Ethics Officer and set up a Corporate Ethics Committee under the officer to examine and deliberate compliance-related issues and to plan and promote relevant training programs.
We have internal and external contacts for compliance issues as well as a system to ensure that informants can also directly report to or consult with top management — that is, the Chief Executive Officer, the Corporate Ethics Officer, and the Corporate Auditors — to prevent the occurrence or recurrence of violation of compliance or to take necessary measures in the event of violation of compliance to minimize any loss or decrease in our credibility. External contacts include not only a law firm but the 24-hour ONO Hot Line set up in February 2015, to enable employees to report or consult without hesitation.



Compliance Education System

We give the following training courses for employees to enhance their awareness of compliance.
We schedule a period for training (three months) every year during which all employees are required to join lectures given by the leaders of respective departments, and training courses using an e-learning system, to improve their familiarity with and understanding of compliance in general. In addition, in case of violation of compliance, we may give special company-wide training to prevent occurrence or recurrence of violation of compliance, depending on the nature of the case.
We periodically provide training for relevant departments on the internal standards established based on the laws and industry agreements. For the Sales and Marketing Division, compliance promotion staff members visit each sales branch twice a year to provide MRs with compliance training focusing on dissemination of the internal standards especially for the pharmaceutical promotion code in our Codes of Practice.
In addition, we seek to raise awareness of compliance by incorporating occasional training programs by external trainers on harassment, for example, into our position-based training programs for employees, training that forms part of our career path training.

Ethical Considerations

We always take consideration of ethics at every stage of research and development.
We have established internal ethical rules for research using human-derived samples (blood, tissue, cells, genes, etc.) ('research using human tissue') based on the basic guidelines issued by the Japanese government. We have also established a Corporate Ethics Committee on Research Using Human Tissue, as the advisory body comprising members from inside and outside the company. Such research is conducted only after the Committee conducts strict assessment of its ethical and scientific validity.
For research using laboratory animals, we have an Institutional Animal Care and Use Committee in place. The committee reviews such research in advance to determine whether the protocols are prepared with due consideration of the 3Rs — replacement (to use alternative methods), reduction (to use a smaller number of animals) and refinement (to relieve pain and distress) — to ensure appropriate conduct of animal experiments with respect for the lives of the animals and with consideration for animal welfare. In addition, we conduct self-inspection and assessment of the status of ongoing animal experiments, for example, and obtain third-party certification of these activities from the Center for Accreditation of Laboratory Animal Care and Use in the Japan Health Sciences Foundation.
Clinical trials, which are essential for verifying the safety and efficacy of investigational compounds, must be performed with respect for the rights of trial subjects. Clinical trials are closely monitored for patients' safety and are stringently conducted under the high ethical standards. We are committed to evaluating the real merit of investigational compounds by steadily applying essential and complete testing procedures that comply with Japan's Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (Pharmaceutical Affairs Law) and other related legislation, as well as the global standards based on the spirit of the Declaration of Helsinki.

Fair and Transparent Business Activities

We conduct fair and transparent business activities and we ensure thorough awareness of the prevention of unfair and corrupt practices by repeatedly training our employees.
We aim to contribute to healthcare all around the world and people's health through continuous new drug R&D and stable supply of our products. To this end, we need to engage in collaborative activities (support for patient organizations) and cooperate with research and medical institutions to help patients overcome disease and pain.
To enhance the fairness and transparency aspects of such collaboration and cooperation, it is important to ensure transparent relationships with our partners. We therefore disclose information on costs of our assistance to medical institutions and patient organizations in accordance with our transparency guideline developed in consideration with the JPMA's relevant guideline.
As for publicly funded research, we have set out an internal implementation manual in compliance with Japanese government guidelines and operate and manage public research funds in the proper manner. In addition, we extensively revised our internal implementation manual in March 2016 to establish our Guideline on Publicly Funded Research as well as our Regulations on Publicly Funded Research. These came into effect in April in our work for proper operation and management.
We have established a basic policy for procurement activities that is based on fairness, and incorporates the principles of economic rationality and environmental protection.
Our procurement staff members are required to act in accordance with this policy. The purchasing organization is clearly separated from other parts of the company and is subject to regular internal audit to ensure transparency.

● See ONO's corporate website for further details of our operation and management system of public research funds.
→http://www.ono.co.jp/eng/rd/management.html

Initiatives by Priority Area

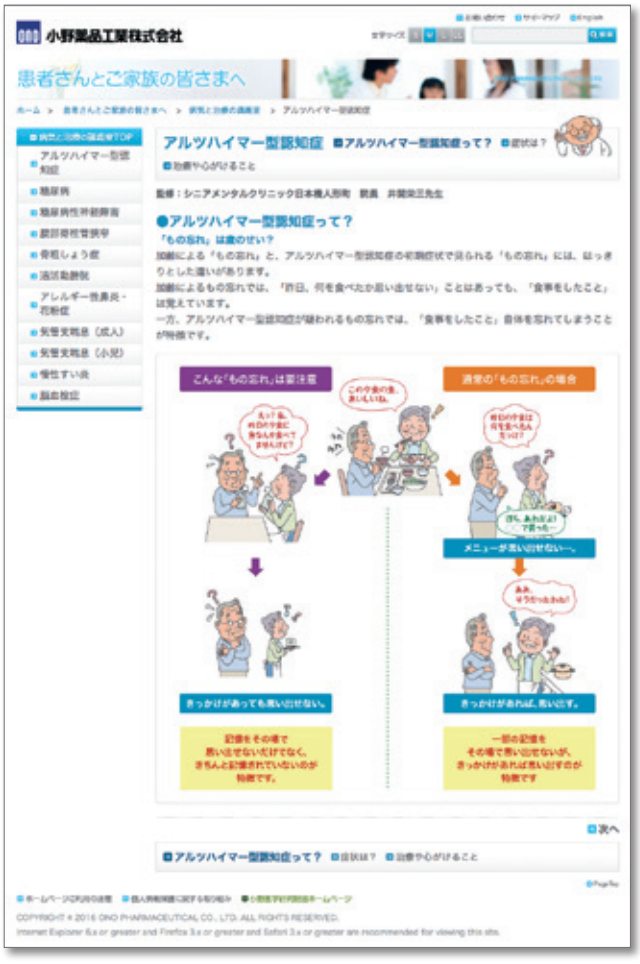
Society

We are working to support patients and their family members by disseminating information on diseases and their treatments.
Our business facilities in various locations are actively involved in activities that contribute to local communities.

Various Corporate Social Responsibility Activities

Web-Based Information Dissemination

Our corporate website contains a section for patients and their families that provides information for the proper use of its key products. This section also explains common diseases, including diabetes, allergic rhinitis and Alzheimer's disease, in an easy-to-understand manner with diagrams and illustrations. It introduces specific symptoms, therapeutic methods and things that patients should do in their daily life to support themselves and their families.
We also have other web sources to disseminate information widely. We have launched a website specializing in dementia titled "Dementia Medical Care with Smiles and Hearts," which provides comments and messages from a wide range of healthcare professionals involved in the treatment and care of people with dementia. We have also set up "ONO ONCOLOGY," a website to communicate information on diseases and treatments in oncology to a wide audience.



Initiatives for Medical Advancement

We are committed to contributing to medical advancement to meet unmet medical needs.
In 1988, ONO Medical Research Foundation was established with donations from ONO. The Foundation provides grants for research activities in the field of lipid metabolism disorders and also aims to promote research and treatment in that field through various projects and thereby contribute to the health and welfare of the public. The Foundation has provided research grants and scholarships every year since its establishment.
We also endowed the Surgery and Multidisciplinary Treatment Chair in the Faculty of Medical Sciences at Kyushu University.

Activities to Support the Health of People

We have conducted various activities to provide a wide range of support for the health of people including patients and their families.

We also cooperate in holding disease seminars for citizens to raise disease awareness and provide correct disease information. Since 2014, we have enthusiastically participated in “Relay for Life,” a charity event aimed at supporting cancer patients and their families and making cancer controllable and surmountable through community action against cancer. In FY2015, we participated in the event at five locations, mainly locations near our research institutes, plants and sales offices.

In the field of dementia, all our MRs, who have completed the Dementia Supporters Training Program, learn and practice what they can do to help people with dementia and their families live with a sense of security. We have produced a series of short movies titled “Grandma’s World” aimed at raising dementia awareness and have made them available on our corporate website. We also present the “Communicate & Link” exhibition on the website, which shows images of paintings, calligraphy and other art works created by people with dementia at medical institutions. This exhibition is aimed at spreading joy to them and their family members and helping medical providers gain professional fulfillment. In 2015, we held a panel exhibition of such art works and a talk show with the selection committee members, including entertainer and artist Mr. Tsurutaro Kataoka.

In addition, following Operation Slimmer and Healthier, which we held in FY2014 in Aizu Misato-Machi, Fukushima Prefecture as a Great East Japan Earthquake reconstruction assistance activity, we held the event again in FY2015 in Ishinomaki City, Miyagi Prefecture in cooperation with top athletes and specialists in lifestyle disease, to address childhood obesity, a social issue in the earthquake-affected areas. This project seeks to provide an opportunity for children and their parents to consider meals and lifestyle diseases through sports.

We are committed to continuing to be involved in activities that help people keep healthy.

Engagement with Local Communities

In our role as a corporate citizen, we are committed to activities that contribute to local communities through our places of business, including cleanups and firefighting drills.

We are also involved in activities to support people with disabilities. We offer workplace learning to educational institutions for people with disabilities. We hold sales events for bread baked at workshops that support the independence of persons with disabilities.

ONO also runs events aimed at students. Since FY2014, we have been giving special lessons on dementia (to junior and senior high school students). In FY2015, we gave special lessons on pharmaceuticals aimed at raising interest in science studies (to elementary school students in the town near the Minase Research Institute), and we supported hands-on activities aimed at stimulating thinking about the global environment, especially the aquatic environment (for elementary students, run by local government near the Fujiyama Plant).

ONO will go on contributing to the local community in various ways, for example, by enthusiastically supporting Japan Red Cross Society blood drives at Head Office, research institutes, and plants; and by donating teeth-brushing packs and toothbrushes, produced by an ONO subsidiary company, to the elementary schools, kindergartens and nursery centers near the Minase Research Institute, during Dental and Oral Health Week.

Highlights 2015/4-2016/3

Annual Topics

Apr.

Oncology Safety Management Unit created in Medical Information Division
Creation of a body specializing in oncology to strengthen internal safety capability

14 Sales Branches reorganized into 9
Designing a marketing structure compatible with the business environment

May

Participation in tree planting at Fujisanroku National Park
Participation in initiative to protect watershed and restore wild forest, and to create a good natural environment in which to view Mt. Fuji, by planting broad-leaf tree seedlings

Jun.

Anticancer drug OPDIVO for Intravenous Injection: Approval in Europe
First approval in Europe, for melanoma

Jul.

OPDIVO: Additional indication approval in Europe
Approval for additional indication, advanced squamous non-small cell lung cancer

Aug.

RIVASTACH Patch for the Treatment of Alzheimer's Disease: Additional dosage and administration approval
Additional approval for dosage and administration enabling 1-step transition to maintenance dose in addition to 3-step dose escalating regime

Sep.

Awarded in two categories of the Award of Companies Promoting Gender Equality and Work-Family Balance 2015 Ministry of Health, Labour and Welfare
Awarded the Osaka Labour Bureau Director's Award for Excellence in Positive Action by a Corporation, and Honorable Mention by the Osaka Labour Bureau Director in the Family Friendly category

Co-sponsorship with Fujinomiya City Government of the environmental education program, the Wonderful Water Expedition
Co-sponsorship of hands-on activities aimed at elementary school students to stimulate independent thinking about the environment and to heighten interest in the natural and aquatic environment around Mt. Fuji

Structural reform in the cancer area (Sales Division)
Organizational change aimed at strengthening marketing capability in the cancer area

OPDIVO: Additional approval in U.S.A.
• Approval of combination therapy: OPDIVO for melanoma, and the anticancer drug YERVOY Intravenous
• Approval for additional indication: Advanced or recurrent non-squamous non-small cell lung cancer

Affiliate Bee Brand Medico Dental awarded Health and Medical Care Award 2015
Contribution to prevention of tooth decay (dental caries) in children acclaimed, received award for fluoride mouth wash MIRANOL Granules

Oct.

ORENCIA SC Auto-injector for Rheumatoid Arthritis Treatment: Manufacturing and marketing approval
Manufacturing and marketing approval for new dosage form following on from intravenous infusion formulation and subcutaneous injection syringe

OPDIVO: Additional approval in Japan
Approval for extended use: Melanoma in untreated patients

OPDIVO: Additional indication approval in Japan
Approval of additional indication: Advanced or recurrent non-small cell lung cancer

R&D Unit for Immuno-Oncology established
Creation of a unit aimed at driving investigation into immune-oncology

Nov. Dec. Jan. Feb. Mar.

Outsourcing of all logistics operations
Review of logistics system aimed at flexible responses to changes in logistics environment

New building at Minase Research Institute (Third Building) completed
Integration of synthesis and analysis functions as a production base

OPDIVO: Additional approval in U.S.A.
• Approval of additional indication: Advanced renal cell carcinoma
• Approval for extended use: Melanoma in untreated patients

PROEMEND for Intravenous Infusion for Treatment of Chemotherapy-Induced Nausea and Vomiting: Additional approval
Additional approval enabling use for infants over six-months and in pediatric patients under 12-years of age

Special lesson in Shimamoto, location of the Minase Research Institute: Study - Secrets of Pharmaceuticals!
Special lesson for elementary school students aimed at heightening interest in studying science

Operation Slimmer and Healthier in Miyagi: Great Eastern Japan Earthquake reconstruction assistance
CSR activity to promote health among children in affected areas

Decision to construct new factory in Yamaguchi Prefecture
Land acquired in Yamaguchi City, Yamaguchi Prefecture for construction of new factory for pharmaceutical manufacturing

Licensing agreement with Santen Pharmaceutical Co., Ltd.
Worldwide rights out-licensed to manufacture, develop and commercialize the ophthalmologic topical formulation ONO-9054, an FP/EP3 dual receptor agonist

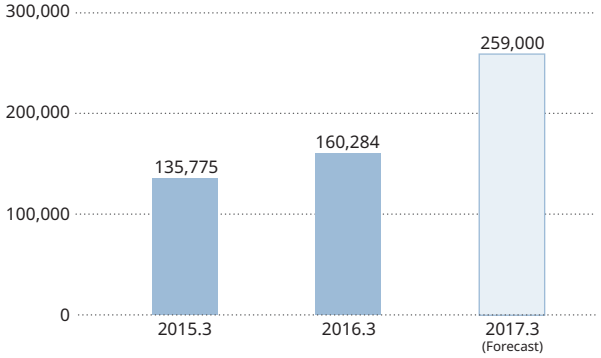
Highlights 2015/4-2016/3

Financial Highlights

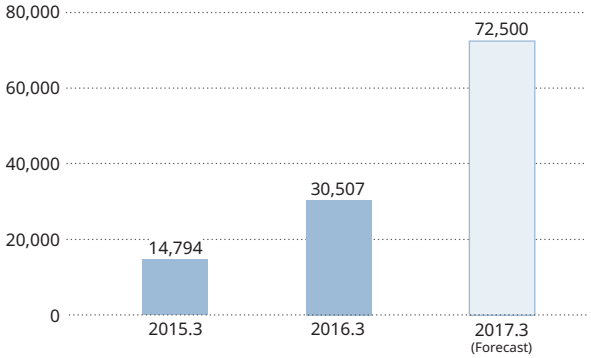
			Millions of Yen	Thousands of U.S. Dollars[*1]
	2014.3[*2] (IFRS)	2015.3[*2] (IFRS)	**2016.3 (IFRS)**	**2016.3 (IFRS)**
Operating Results				
Revenue	¥143,247	¥135,775	**¥160,284**	**$1,431,108**
Research and development costs	44,413	41,346	**43,369**	**387,222**
Operating profit	26,429	14,794	**30,507**	**272,387**
Profit for the year attributable to owners of the parent company	20,344	12,976	**24,979**	**223,028**
Financial Position				
Total assets	486,141	524,588	**540,450**	**4,825,445**
Total equity	451,724	475,213	**476,255**	**4,252,279**
Cash flows from operating activities	28,422	31,579	**12,842**	**114,664**
Cash flows from investing activities	6,926	(12,756)	**13,037**	**116,403**
Cash flows from financing activities	(19,636)	(19,603)	**(19,465)**	**(173,797)**
Amount per share[*3]			Yen	U.S. Dollars[*1]
Basic earnings	38.38	24.48	**47.13**	**0.42**
Equity attributable to owners of the parent company	843.93	887.81	**889.38**	**7.94**
Cash dividends	180.00	180.00	**180.00**	**1.61**
Financial indicators				
Equity ratio (%)	92.0	89.7	**87.2**	
ROA (%)[*4]	6.1	3.6	**6.2**	
ROE (%)[*5]	4.6	2.8	**5.3**	
Payout ratio (%)	93.8	147.1	**76.4**	
Number of employees	2,858	2,913	**3,116**	

*1 U.S. Dollar amounts are translated at a rate of US$ 1 = ¥112. See Notes to consolidated financial statements.
*2 Due to partial changes in accounting policies, the financial figures of year ended March 31, 2014 have been revised retroactively.
*3 The company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for "Basic earnings" and "Equity attributable to owners of the parent company", it is calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2014. Also, "Cash dividends" indicate the amounts before conducting the stock split.
*4 ROA = profit before tax / Total assets (average of beginning and end of fiscal year)
*5 ROE = Profit for the year attributable to owners of the parent company / Equity attributable to owners of the parent company (average of beginning and end of fiscal year)

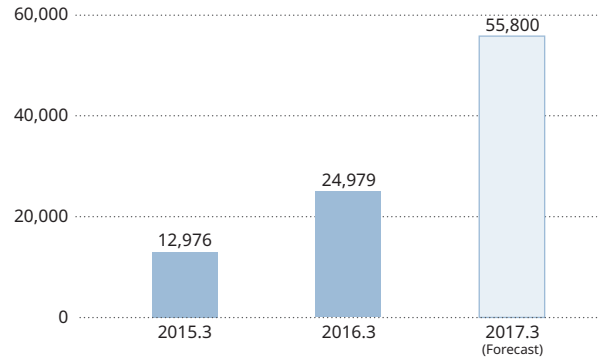
Revenue (Millions of Yen)



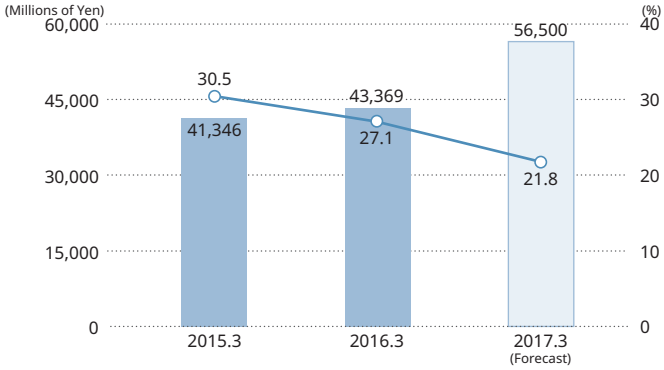
Operating profit (Millions of Yen)



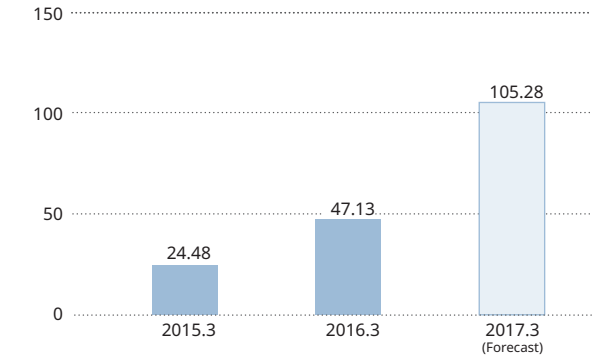
Profit for the year attributable to owners of the parent company (Millions of Yen)



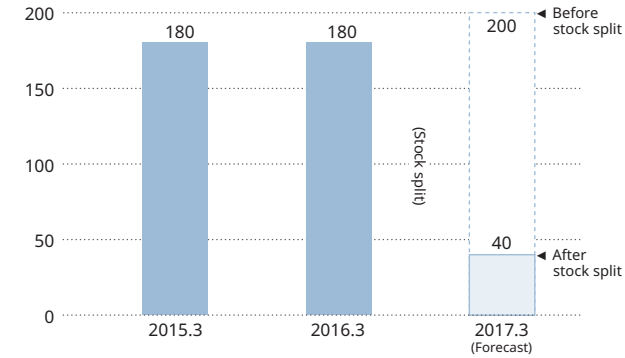
R&D costs / Ratio to revenue (Millions of Yen / %)



Basic earnings per share (Yen)



Dividend per share (Yen)



The company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for “Basic earnings per share”, it is calculated assuming that the stock split was conducted at the beginning of the fiscal year ended March 31, 2015. Also, “Dividend per share” of 2015.3 and 2016.3 are the amounts before conducting the stock split, and that of 2017.3 (Forecast) is the amounts after conducting the stock split in conjunction with that of before stock split, as reference information.

Financial Section

Financial Review

The following is a summary of the consolidated business results for the fiscal year ended March 31, 2016.

Area of Business

ONO PHARMACEUTICAL CO., LTD. and its subsidiaries are engaged in the pharmaceuticals business.

Results for Fiscal Year Ended March 31, 2016

In the current consolidated fiscal year, mild recovery of Japanese economy continued, as indicated by signs including improvement in corporate earnings and the employment situation backed by the yen's depreciation, the oil's depreciation, and government economic policies. However, due to the deceleration of the global economy such as China and the influence of introduction of negative interest rate policy made by the Bank of Japan, the economic condition continues to be difficult to read.
The pharmaceutical industry was faced with a decreased success rate of drug discovery and increased R&D costs. In the domestic market, the strengthening of healthcare cost reduction measures continued through the introduction of new measures to promote the use of generics in addition to the National Health Insurance (NHI) drug price reduction. Thereby, the business conditions remained difficult for research-based pharmaceutical companies. Under such circumstances, the Group reinforced its R&D structure under our corporate philosophy "Dedicated to Man's Fight against Disease and Pain" by combining its own original drug discovery knowhow with cutting-edge science and technologies acquired from around the world to create innovative drugs. In addition, the Group directed efforts into improving efficiencies across all corporate management areas, while seeking to enhance dissemination of scientific information for further product value improvement. The Group's business results for the current consolidated fiscal year are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Revenue	¥ 160,284	$ 1,431,108
Operating profit	30,507	272,387
Profit for the year (attributable to owners of the parent company)	24,979	223,028

Revenue

Revenue totaled ¥160,284 million (US$1,431,108 thousand), a increase of ¥24,509 million (US$218,831 thousand), up 18.1% over the previous consolidated fiscal year.

- Sales of OPDIVO Intravenous Infusion for malignant tumor, the world-first anti-human PD-1 monoclonal antibody launched in September 2014, jumped 741.0% or ¥18.6 billion to ¥21.2 billion (US$188,847 thousand) because the approval of OPDIVO for the treatment of patients with unresectable, advanced or recurrent non-small cell lung cancer was obtained in December 2015. Royalty income for OPDIVO from Bristol-Myers Squibb Company also increased rapidly.
- Sales of our key new products: GLACTIV Tablets for type-2 diabetes increased 2.1% year-on-year to ¥31.4 billion (US$280,402 thousand), RECALBON Tablets for osteoporosis increased 9.9% year-on-year to ¥11.3 billion (US$100,835 thousand), the combined sales of EMEND Capsules and PROEMEND for Intravenous Injection for chemotherapy-induced nausea and vomiting increased 10.2% year-on-year to ¥9.5 billion (US$84,560 thousand), ORENCIA for rheumatoid arthritis increased 93.7% year-on-year to ¥8.0 billion (US$71,553 thousand), RIVASTACH Patch for Alzheimer's disease increased 15.6% year-on-year to ¥7.8 billion (US$69,925 thousand), FORXIGA Tablets for type-2 diabetes, launched in May 2014, increased 177.3% year-on-year to ¥4.3 billion (US$38,164 thousand).
- On the other hand, sales of the main long-term listed products were affected by competing product and the new generic use promotion measures. OPALMON Tablets for peripheral circulatory disorder decreased 8.6% year-on-year to ¥22.7 billion (US$202,602 thousand), ONON Capsules for bronchial asthma and allergic rhinitis decreased 12.6% year-on-year to ¥9.0 billion (US$79,923 thousand), FOIPAN Tablets for chronic pancreatitis and postoperative reflux esophagitis decreased 15.1% year-on-year to ¥5.2 billion (US$46,029 thousand).
- Revenue includes license income from licensing out ONO-9054, an FP and EP3 dual receptor agonist in March 2016 to Santen Pharmaceutical Co., Ltd.

Profit and Loss

Operating profit for the current consolidated fiscal year totaled ¥30,507 million (US$272,387 thousand), an increase of ¥15,713 million (US$140,297 thousand), up 106.2% over the previous consolidated fiscal year.

- The personnel expenses decreased ¥6,297 million (US$56,221 thousand) due to past service costs incurred from the transition to new retirement benefit plan, which is one of the factors for an increase of operating profit for the current consolidated fiscal year.
- Cost of sales was up 18.2%, or ¥6,388 million (US$57,036 thousand), from the previous consolidated fiscal year to ¥41,524 million (US$370,752 thousand).
- R&D costs were up 4.9%, or ¥2,023 million (US$18,062 thousand), from the previous consolidated fiscal year to ¥43,369 million (US$387,222 thousand). This is because although the personnel expenses decreased due to past service costs incurred from the transition to new retirement benefit plan, vigorous development investment related to OPDIVO was made.
- Selling, general, and administrative expenses were up 4.2%, or ¥1,757 million (US$15,690 thousand), from the previous consolidated fiscal year to ¥43,979 million (US$392,671 thousand). This is because although the personnel expenses decreased due to past service costs incurred from the transition to new retirement benefit plan, the personnel expenses increased due to an increase number of oncology MRs and operating expenses for OPDIVO for the treatment of non-small cell lung cancer increased.
- Profit for the year (attributable to owners of the parent company) was up 92.5%, or ¥12,003 million (US$107,173 thousand), from the previous consolidated fiscal year to ¥24,979 million (US$223,028 thousand), with a increase in profit before tax.

Consolidated Cash Flows

The cash and cash equivalents balance at the end of the consolidated fiscal year was ¥110,485 million (US$986,471 thousand), up 6.0%, or ¥6,262 million (US$55,914 thousand) from the previous year's figure of ¥104,222 million (US$930,557 thousand). The main factors were cash flows from operating activities ended in a positive balance of ¥12,842 million (US$114,664 thousand) and cash flows from investing activities ended in a positive cash flow balance of ¥13,037 million (US$116,403 thousand) but cash flows from financing activities ended in a negative cash flow balance of ¥19,465 million (US$173,797 thousand) due to dividend payments.

■ Cash Flows from Operating Activities

Cash flows from operating activities for the current consolidated fiscal year ended in a positive cash flow balance of ¥12,842 million (US$114,664 thousand), a year-on-year decrease of ¥18,737 million. The main factors were increase in trade and other receivables ended in a negative balance of ¥20,099 million (US$179,453 thousand), income taxes paid ended in a negative balance of ¥9,932 million (US$88,683 thousand), but profit before tax ended in a positive balance of ¥33,272 million (US$297,069 thousand), increase in trade and other payables ended in a positive balance of ¥9,312 million (US$83,145 thousand).

■ Cash Flows from Investing Activities

Cash flows from investing activities for the current consolidated fiscal year ended in a positive balance of ¥13,037 million (US$116,403 thousand) (The cash flows for the previous consolidated fiscal year ended in a negative balance of ¥12,756 million). The main factors were purchases of intangible assets of ¥7,061 million (US$63,043 thousand) and purchases of property, plant, and equipment of ¥7,021 million (US$62,687 thousand), but on the other hand, proceeds from sales and redemption of investments of ¥27,693 million (US$247,257 thousand).

■ Cash Flows from Financing Activities

Cash flows from financing activities for the current consolidated fiscal year ended in a negative balance of ¥19,465 million (US$173,797 thousand), a year-on-year decrease in expenditure of ¥138 million. The main factor was the dividends paid to owners of the parent company of ¥19,059 million (US$170,169 thousand).

Investment in Plant and Equipment

Plant and equipment investment during the current consolidated fiscal year totaled ¥15,771 million (US$140,814 thousand). This included investment in enhancement and maintenance of manufacturing facilities (¥1,107 million, or US$9,883 thousand), research facilities (¥10,570 million, or US$94,375 thousand), and business facilities (¥4,094 million, or US$36,556 thousand).

Financial Section

Consolidated Statement of Financial Position

Year Ended March 31, 2016

Assets	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(6)]
		March 31, 2015	March 31, 2016	March 31, 2016
Current assets:				
Cash and cash equivalents	7, 33	¥ 104,222	¥ 110,485	$ 986,471
Trade and other receivables	8, 33	41,960	62,043	553,953
Marketable securities	9, 20,33	22,746	21,583	192,709
Other financial assets	10, 33	820	800	7,143
Inventories	12	25,805	23,232	207,430
Other current assets	11,20	2,311	5,430	48,479
Total current assets		197,865	223,573	1,996,185
Non-current assets:				
Property, plant, and equipment	13	70,754	80,094	715,121
Intangible assets	14	33,913	38,324	342,181
Investment securities	9, 20, 33	212,162	182,396	1,628,534
Investments in associates		1,023	982	8,770
Other financial assets	10, 33	6,314	6,753	60,298
Deferred tax assets	16	45	5,179	46,238
Other non-current assets	11	2,512	3,149	28,117
Total non-current assets		326,723	316,877	2,829,260
Total assets		¥ 524,588	¥ 540,450	$ 4,825,445

Liabilities and Equity	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(6)]
		March 31, 2015	March 31, 2016	March 31, 2016
Current liabilities:				
Trade and other payables	17, 33	¥ 13,745	¥ 31,250	$ 279,021
Borrowings	18, 21, 33	287	328	2,930
Other financial liabilities	19, 33	2,585	3,068	27,392
Income taxes payable		6,587	6,585	58,798
Provisions	24	684	1,355	12,102
Other current liabilities	22	11,109	9,607	85,776
Total current liabilities		34,997	52,194	466,019
Non-current liabilities:				
Borrowings	18, 21, 33	317	515	4,602
Other financial liabilities	19, 33	21	19	171
Retirement benefit liabilities	23	5,426	4,093	36,547
Provisions	24	89	30	268
Deferred tax liabilities	16	1,156	885	7,901
Long-term advances received		6,724	5,814	51,913
Other non-current liabilities	22	645	643	5,746
Total non-current liabilities		14,378	12,000	107,147
Total liabilities		49,375	64,195	573,166
Equity:				
Share capital	25	17,358	17,358	154,985
Capital reserves	25	17,080	17,103	152,708
Treasury shares	25	(59,308)	(59,358)	(529,986)
Other components of equity	25	45,756	43,307	386,669
Retained earnings	25	449,690	452,983	4,044,489
Equity attributable to owners of the parent company		470,575	471,393	4,208,865
Non-controlling interests		4,638	4,862	43,414
Total equity		475,213	476,255	4,252,279
Total liabilities and equity		¥ 524,588	¥ 540,450	$ 4,825,445

Financial Section

Consolidated Statement of Income / Consolidated Statement of Comprehensive Income

Year Ended March 31, 2016

Consolidated Statement of Income

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(6)]
		For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Revenue	6	¥ 135,775	¥ 160,284	$ 1,431,108
Cost of sales		(35,136)	(41,524)	(370,752)
Gross profit		100,639	118,760	1,060,356
Selling, general, and administrative expenses	27	(42,222)	(43,979)	(392,671)
Research and development costs		(41,346)	(43,369)	(387,222)
Other income	29	368	708	6,320
Other expenses	29	(2,645)	(1,612)	(14,396)
Operating profit		14,794	30,507	272,387
Finance income	30	3,565	3,088	27,568
Finance costs	30	(67)	(291)	(2,600)
Share of profit (loss) from investments in associates	15	13	(32)	(286)
Profit before tax		18,305	33,272	297,069
Income tax expense	16	(5,089)	(8,080)	(72,140)
Profit for the year		13,216	25,192	224,928
Profit for the year attributable to:				
Owners of the parent company		12,976	24,979	223,028
Non-controlling interests		240	213	1,901
Profit for the year		¥ 13,216	¥ 25,192	$ 224,928

		Yen		U.S. Dollars [Note 2(6)]
Earnings per share:				
Basic earnings per share	32	¥ 24.48	¥ 47.13	$ 0.42
Diluted earnings per share	32	—	47.13	0.42

Consolidated Statement of Comprehensive Income

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(6)]
		For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Profit for the year		¥ 13,216	¥ 25,192	$ 224,928
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net gain (loss) on financial assets measured at fair value through other comprehensive income	31, 33	29,529	(1,411)	(12,599)
Remeasurement of defined benefit plans	31	(640)	(3,261)	(29,119)
Share of net gain (loss) on financial assets measured at fair value through other comprehensive income of investments in associates	15, 31	4	(7)	(59)
Total of items that will not be reclassified to profit or loss		28,894	(4,679)	(41,776)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	31	505	(360)	(3,216)
Net fair value loss on derivatives under hedge accounting	31	(6)	—	—
Total of items that may be reclassified subsequently to profit or loss		499	(360)	(3,216)
Total other comprehensive income (loss)		29,393	(5,039)	(44,992)
Total comprehensive income for the year		42,609	20,153	179,936
Comprehensive income for the year attributable to:				
Owners of the parent company		42,364	19,926	177,906
Non-controlling interests		245	227	2,030
Total comprehensive income for the year		¥ 42,609	¥ 20,153	$ 179,936

Financial Section

Consolidated Statement of Changes in Equity / Consolidated Statement of Cash Flows

Year Ended March 31, 2016

Consolidated Statement of Changes in Equity

	Notes	Millions of Yen							
		Equity attributable to owners of the parent company							
		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, 2014		¥ 17,358	¥ 17,080	¥ (59,274)	¥ 15,626	¥ 456,537	¥ 447,327	¥ 4,397	¥ 451,724
Profit for the year						12,976	12,976	240	13,216
Other comprehensive income	31				29,389		29,389	4	29,393
Total comprehensive income for the year		–	–	–	29,389	12,976	42,364	245	42,609
Purchase of treasury shares	25			(34)			(34)		(34)
Cash dividends	26					(19,082)	(19,082)	(4)	(19,086)
Transfer from other components of equity to retained earnings	25				742	(742)	–		–
Total transactions with the owners		–	–	(34)	742	(19,823)	(19,116)	(4)	(19,119)
Balance at March 31, 2015		17,358	17,080	(59,308)	45,756	449,690	470,575	4,638	475,213
Profit for the year						24,979	24,979	213	25,192
Other comprehensive income	31				(5,054)		(5,054)	14	(5,039)
Total comprehensive income for the year		–	–	–	(5,054)	24,979	19,926	227	20,153
Purchase of treasury shares	25			(50)			(50)		(50)
Cash dividends	26					(19,081)	(19,081)	(3)	(19,084)
Share-based payments	34		23				23		23
Transfer from other components of equity to retained earnings	25				2,605	(2,605)	–		–
Total transactions with the owners		–	23	(50)	2,605	(21,686)	(19,108)	(3)	(19,111)
Balance at March 31, 2016		¥ 17,358	¥ 17,103	¥ (59,358)	¥ 43,307	¥ 452,983	¥ 471,393	¥ 4,862	¥ 476,255

	Notes	Thousands of U.S. Dollars [Note 2(6)]							
		Equity attributable to owners of the parent company							
		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, 2015		$ 154,985	$ 152,499	$ (529,537)	$ 408,536	$ 4,015,085	$ 4,201,567	$ 41,409	$ 4,242,976
Profit for the year						223,028	223,028	1,901	224,928
Other comprehensive income	31				(45,121)		(45,121)	129	(44,992)
Total comprehensive income for the year		–	–	–	(45,121)	223,028	177,906	2,030	179,936
Purchase of treasury shares	25			(448)			(448)		(448)
Cash dividends	26					(170,369)	(170,369)	(25)	(170,394)
Share-based payments	34		209				209		209
Transfer from other components of equity to retained earnings	25				23,255	(23,255)	–		–
Total transactions with the owners		–	209	(448)	23,255	(193,623)	(170,608)	(25)	(170,633)
Balance at March 31, 2016		$ 154,985	$ 152,708	$ (529,986)	$ 386,669	$ 4,044,489	$ 4,208,865	$ 43,414	$ 4,252,279

Consolidated Statement of Cash Flows

	Notes	Millions of Yen		Thousands of U.S. Dollars [Note 2(6)]
		For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Cash flows from operating activities				
Profit before tax		¥ 18,305	¥ 33,272	$ 297,069
Depreciation and amortization		6,100	6,534	58,342
Impairment losses		560	1,188	10,609
Interest and dividend income		(2,528)	(2,782)	(24,835)
Interest expense		13	13	112
Decrease (increase) in inventories		(1,541)	2,562	22,875
Decrease (increase) in trade and other receivables		282	(20,099)	(179,453)
Increase in trade and other payables		3,999	9,312	83,145
Increase (decrease) in retirement benefit liabilities		526	(6,031)	(53,845)
Decrease in retirement benefit assets		915	—	—
Increase (decrease) in long-term advances received		6,724	(909)	(8,119)
Other		327	(3,110)	(27,767)
Subtotal		33,685	19,951	178,132
Interest received		450	314	2,808
Dividends received		2,138	2,522	22,520
Interest paid		(13)	(13)	(112)
Income taxes paid		(4,680)	(9,932)	(88,683)
Net cash provided by operating activities		31,579	12,842	114,664
Cash flows from investing activities				
Purchases of property, plant, and equipment		(17,540)	(7,021)	(62,687)
Proceeds from sales of property, plant, and equipment		1	936	8,360
Purchases of intangible assets		(13,578)	(7,061)	(63,043)
Purchases of investments		(3,677)	(863)	(7,707)
Proceeds from sales and redemption of investments		22,396	27,693	247,257
Other		(358)	(647)	(5,778)
Net cash provided by (used in) investing activities		(12,756)	13,037	116,403
Cash flows from financing activities				
Dividends paid		(19,060)	(19,059)	(170,169)
Dividends paid to non-controlling interests		(4)	(3)	(25)
Repayments of long-term borrowings		(487)	(366)	(3,266)
Net increase (decrease) in short-term borrowings		(19)	11	102
Purchases of treasury shares		(33)	(49)	(438)
Net cash used in financing activities		(19,603)	(19,465)	(173,797)
Net increase (decrease) in cash and cash equivalents		(780)	6,414	57,270
Cash and cash equivalents at the beginning of the year		104,898	104,222	930,557
Effects of exchange rate changes on cash and cash equivalents		104	(152)	(1,356)
Cash and cash equivalents at the end of the year	7	¥ 104,222	¥ 110,485	$ 986,471

Financial Section

Notes to Consolidated Financial Statements

Year Ended March 31, 2016

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 its year-end of March 31, 2016, and comprise the Company and its subsidiaries (collectively, the "Group") and equity interests in associates of the Group. The Group manufactures and sells medical and general pharmaceutical products. 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 with International Financial Reporting Standards
Pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, the Company qualifies as a "Specified Company of the Designated International Financial Reporting Standards" prescribed in Article 1-2 of the Ordinance, and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (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 Application of New Accounting Standards
The Group has early applied IFRS 9 *Financial Instruments* (revised in October 2010) from the IFRS transition date (April 1, 2012).

(5) Changes in Accounting Policies
The significant accounting policies of the Group that are applied for the current consolidated fiscal year are the same as the ones for the previous consolidated fiscal year. There were some minor revisions of IFRSs but these did not have a significant impact on the Group's financial position and results.

(6) U.S. Dollar Amounts
The accompanying consolidated financial statements are stated in Japanese yen. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan using the rate of ¥112 to $1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Amounts of less than one thousand U.S. dollars have been rounded to the nearest one thousand U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in U.S. dollars do not necessarily agree with the sum of the individual amounts.

Note 3

Significant Accounting Policies

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

(1) Basis of Consolidation

§1 Subsidiaries

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 criteria of control listed above.

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

Consolidation of a subsidiary begins on the date the Group obtains control over the subsidiary and continues through the date the Group loses control of the subsidiary. 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 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.

(2) Foreign Currencies

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

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

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

(3) Financial Instruments

§1 Financial Assets

(i) Initial Recognition and Measurement

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 (FVPL) or as measured at fair value through other comprehensive income (FVOCI), except for equity instruments held for trading purposes, which must be measured at FVPL. Such designations are applied irrevocably.

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 FVPL

Financial assets (other than the financial assets measured at FVOCI) that do not meet the above conditions for the classification of financial assets measured at amortized cost are classified to financial assets measured at FVPL. Financial assets measured at FVPL are initially measured at fair value and transaction costs are recognized as expenses when they are incurred. Financial assets measured at FVPL are measured at fair value after initial recognition and any changes in fair value are recognized as profit or loss in the consolidated statement of income.

Financial Assets Measured at FVOCI

Equity instruments designated to be measured at FVOCI 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 (loss) on financial assets measured at FVOCI" in other components of equity. When financial assets measured at FVOCI are derecognized, the accumulated amounts of net gain (loss) on the financial assets measured at FVOCI are immediately transferred to retained earnings. Dividends on financial assets measured at FVOCI are recognized as profit or loss in the consolidated statement of 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 weighted-average method. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(6) Property, Plant, and Equipment (Except for 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 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.

(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 pretax discount rate that reflects the time value of money and the risks inherent to the asset, etc. For the calculation of an asset's fair value less costs to sell, an appropriate valuation model is used based on available fair value indices.

An impairment loss recognized in prior years is assessed as to whether there is any indication that the impairment loss for an asset or 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 which are not yet available for use, each intangible asset is amortized by the straight-line method over its estimated useful life.

The estimated useful lives of major intangible asset items are as follows:

Sales licenses:	8 — 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" as incurred.

§3 Impairment of Intangible Assets
Intangible assets with indefinite useful lives or intangible assets not yet 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 the recoverable amount of each intangible asset and comparing the recoverable amount with its carrying amount. In cases where a recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.
The recoverable amount of an asset or a cash-generating unit is measured at the higher of its fair value less costs to sell or its value in use. The value in use is computed by discounting the estimated future cash flows to the present value.
The discount rate used reflects the time value of money and the risks inherent to the asset using unadjusted estimates of future cash flows and it is a pretax rate.

(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 the shorter of their estimated useful lives and the lease terms. 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 by the straight-line method over the lease terms in the consolidated statement of income. Contingent rents are recognized as an expense in the period when incurred.
Determining whether an arrangement is, or contains, a lease is identified 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 participates in both defined benefit and defined contribution plans as employee retirement benefit plans.

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

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

§2 Defined Contribution Plans
Expenses for defined contribution plans are recognized as expenses when they are incurred.

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

(12) Revenue
The Group measures revenue at the 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. Income (up-front payments, milestone payments and running royalties) attributable to the agreements is recognized as revenue when the performance obligations under the agreements are fulfilled. In case that the performance obligations under the agreements occur over the licensing period, the revenue is recognized over the period based on rational methods.

§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.

(16) Share-based payments

The Company has a share option plan as an incentive plan for the Board of Directors (excluding outside directors). Share options are recognized as expenses over the vesting period and the corresponding amount is recognized as an increase in equity. In addition, the fair value of share options is calculated using the Black-Scholes model at the grant date.

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 reevaluated 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 deterioration in industry trends or economic trends. The amount of 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 affect 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
IFRS 15	*Revenue from Contracts with Customers*	January 1, 2018	Not determined	Issuance of a single and comprehensive model for accounting treatment for revenue from contracts with customers
IFRS 9	*Financial Instruments*	January 1, 2018	Not determined	Impairment of financial assets and revision of hedge accounting
IFRS 16	*Lease*	January 1, 2019	Not determined	Revision of accounting treatment for lease contracts

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). Accordingly, segment information is omitted herein.

(2) Details of Revenue

Details of revenue are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Revenue of goods and products			
Metabolic pharmaceutical drugs and vitamins	¥ 43,343	¥ 49,100	$ 438,392
Circulatory and respiratory drugs	50,105	46,646	416,482
Cellular function activating drugs	2,294	19,124	170,750
Digestive system drugs	14,733	14,591	130,280
Nervous system drugs	6,146	7,070	63,126
Urinary drugs	4,714	4,637	41,403
Chemical therapy, hormone drugs, and others	805	662	5,908
Others	2,770	2,791	24,915
Subtotal	124,909	144,621	1,291,258
Royalty and other revenue	10,866	15,663	139,851
Total	¥ 135,775	¥ 160,284	$ 1,431,108

Note: Details of revenue of goods and products by geographic area are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Revenue of goods and products			
Japan	¥ 123,028	¥ 142,130	$ 1,269,018
Asia	1,503	2,020	18,039
Europe	378	278	2,480
Others	—	193	1,720
Total	¥ 124,909	¥ 144,621	$ 1,291,258

Note: Revenue of goods and products is presented on the basis of the place of destination for sales.

(3) Major Customers

Details of revenue from major customers are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Mediceo Corporation	¥ 30,951	¥ 34,628	$ 309,181
Suzuken Co., Ltd.	22,536	27,632	246,711
Toho Pharmaceutical Co., Ltd.	16,794	21,596	192,822
Alfresa Corporation	13,884	16,171	144,381

Note 7

Cash and Cash Equivalents

Details of cash and cash equivalents are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
(Cash and cash equivalents)			
Cash and deposits	¥ 25,285	¥ 35,516	$ 317,107
Short-term investments	78,938	74,969	669,364
Cash and cash equivalents in the consolidated statement of financial position	¥ 104,222	¥ 110,485	$ 986,471
Cash and cash equivalents in the consolidated statement of cash flows	¥ 104,222	¥ 110,485	$ 986,471

Note 8

Trade and Other Receivables

Details of trade and other receivables are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Notes receivable	¥ 451	¥ 520	$ 4,643
Trade accounts receivable	35,336	56,442	503,943
Other accounts receivable	6,180	5,087	45,420
Allowance for doubtful accounts	(6)	(6)	(52)
Net total	¥ 41,960	¥ 62,043	$ 553,953

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 ¥26 million and ¥37 million ($330 thousand) as of March 31, 2015 and 2016, 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
			March 31, 2015	March 31, 2016	March 31, 2016
Marketable securities	Financial assets measured at FVPL	Bonds	¥ —	¥ —	$ —
	Financial assets measured at amortized cost	Bonds	22,746	21,583	192,709
	Total		¥ 22,746	¥ 21,583	$ 192,709
Investment securities	Financial assets measured at FVOCI	Stock	¥ 159,321	¥ 153,561	$ 1,371,080
	Financial assets measured at FVPL	Bonds	—	—	—
		Other	1,040	512	4,569
	Financial assets measured at amortized cost	Bonds	51,801	28,323	252,885
	Total		¥ 212,162	¥ 182,396	$ 1,628,534

Notes: 1. Stocks are designated as financial assets measured at FVOCI 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 measured at FVPL.

(2) Major Holdings of Issues and Fair Value

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

March 31, 2015	
Description	Millions of Yen
SANTEN PHARMACEUTICAL CO., LTD.	¥ 16,286
NISSIN FOODS HOLDINGS CO., LTD.	14,541
DAIKIN INDUSTRIES, LTD.	9,776
T&D Holdings, Inc.	9,439
YAKULT HONSHA CO., LTD.	6,758
Astellas Pharma Inc.	6,515
Nissan Chemical Industries, Ltd.	5,914
DAIICHI SANKYO COMPANY, LIMITED	5,494
MEIJI Holdings Co., Ltd.	4,435
Kurita Water Industries Ltd.	4,213
KISSEI PHARMACEUTICAL CO., LTD.	3,174
Sumitomo Dainippon Pharma Co., Ltd.	3,059
OBAYASHI CORPORATION	3,033
KYORIN Holdings, Inc.	2,773
KIKKOMAN CORPORATION	2,735
Nippon Shinyaku Co., Ltd.	2,713
NIPPON KAYAKU CO., LTD.	2,563
HISAMITSU PHARMACEUTICAL CO., INC.	2,210
KOKUYO CO., LTD.	2,086
SUMITOMO CHEMICAL COMPANY, LIMITED	1,774
Otsuka Holdings Co., Ltd.	1,764
Mitsubishi Tanabe Pharma Corporation	1,745
FUJIFILM Holdings Corporation	1,705
Alfresa Holdings Corporation	1,608
SUZUKEN CO., LTD.	1,583
Mitsubishi Logistics Corporation	1,521
JGC CORPORATION	1,469
OSAKA GAS CO., LTD.	1,452
MIURA CO., LTD.	1,417
MAEDA CORPORATION	1,384

March 31, 2016		
Description	Millions of Yen	Thousands of U.S. Dollars
SANTEN PHARMACEUTICAL CO., LTD.	¥ 15,756	$ 140,678
NISSIN FOODS HOLDINGS CO., LTD.	13,016	116,210
DAIKIN INDUSTRIES, LTD.	10,221	91,255
DAIICHI SANKYO COMPANY, LIMITED	7,210	64,372
Nissan Chemical Industries, Ltd.	6,890	61,521
T&D Holdings, Inc.	5,987	53,458
MEIJI Holdings Co., Ltd.	5,479	48,918
Astellas Pharma Inc.	4,956	44,246
OBAYASHI CORPORATION	4,316	38,533
YAKULT HONSHA CO., LTD.	4,025	35,937
Kurita Water Industries Ltd.	3,723	33,238
Carna Biosciences, Inc.	3,516	31,396
Sumitomo Dainippon Pharma Co., Ltd.	2,784	24,857
Nippon Shinyaku Co., Ltd.	2,728	24,357
KIKKOMAN CORPORATION	2,653	23,687
KOKUYO CO., LTD.	2,447	21,846
HISAMITSU PHARMACEUTICAL CO., INC.	2,255	20,133
MIURA CO., LTD.	2,199	19,635
KISSEI PHARMACEUTICAL CO., LTD.	2,195	19,601
KYORIN Holdings, Inc.	2,069	18,473
Alfresa Holdings Corporation	2,048	18,286
NIPPON KAYAKU CO., LTD.	1,936	17,283
Otsuka Holdings Co., Ltd.	1,918	17,122
FUJIFILM Holdings Corporation	1,774	15,841
Mitsubishi Tanabe Pharma Corporation	1,656	14,783
SUZUKEN CO., LTD.	1,653	14,756
Shimadzu Corporation	1,622	14,482
SUMITOMO CHEMICAL COMPANY, LIMITED	1,461	13,048
OKAMURA CORPORATION	1,372	12,247
DAIWA HOUSE INDUSTRY CO., LTD.	1,371	12,240

(3) Dividends Received

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Stock held at year-end	¥ 2,129	¥ 2,422	$ 21,627
Stock disposed of during the year	—	8	73
Total	¥ 2,129	¥ 2,431	$ 21,701

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

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Fair value at the date of sale	¥ 10	¥ 2,239	$ 19,989
Cumulative gains or losses	(158)	939	8,385

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) from other components of equity to retained earnings of ¥(102) million and ¥653 million ($5,834 thousand) for the years ended March 31, 2015 and 2016, respectively.

Note 10

Other Financial Assets

Details of other financial assets are as follows:

	Classification	Millions of Yen		Thousands of U.S. Dollars
		March 31, 2015	March 31, 2016	March 31, 2016
(Current assets)				
Time deposits	Financial assets measured at amortized cost	¥ 800	¥ 800	$ 7,143
Other	—	20	—	—
	Total	¥ 820	¥ 800	$ 7,143
(Non-current assets)				
Insurance reserve fund	Financial assets measured at FVPL	¥ 6,314	¥ 6,753	$ 60,298
	Total	¥ 6,314	¥ 6,753	$ 60,298

Note 11

Other Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
(Other current assets)			
Prepaid expenses	¥ 1,651	¥ 3,180	$ 28,394
Advance payments	543	1,136	10,140
Other	117	1,114	9,944
Total	¥ 2,311	¥ 5,430	$ 48,479
(Other non-current assets)			
Lease deposits	¥ 796	¥ 758	$ 6,769
Long-term prepaid expenses	217	403	3,601
Other	1,498	1,988	17,748
Total	¥ 2,512	¥ 3,149	$ 28,117

Note 12

Inventories

Details of inventories are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Merchandise and finished goods	¥ 14,367	¥ 14,510	$ 129,550
Work in process	7,527	4,659	41,601
Raw materials and supplies	3,911	4,063	36,280
Total	¥ 25,805	¥ 23,232	$ 207,430

Note: Inventories recognized as an expense for the years ended March 31, 2015 and 2016, amounted to ¥32,717 million and ¥35,407 million ($316,130 thousand), respectively. In addition, the write-downs of inventories recognized as an expense for the years ended March 31, 2015 and 2016, were ¥124 million and ¥89 million ($796 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, 2014	¥ 20,031	¥ 68,962	¥ 19,247	¥ 23,550	¥ 4,760	¥ 136,550
Acquisition	264	938	290	1,123	14,289	16,904
Transfer	6,462	3,153	3,380	120	(13,114)	—
Sale or disposal	(2)	(1,157)	(931)	(1,107)	(3)	(3,199)
Exchange differences on translation of foreign operations	—	6	—	14	0	20
Other	—	—	—	—	(686)	(686)
Balance at March 31, 2015	¥ 26,755	¥ 71,902	¥ 21,985	¥ 23,701	¥ 5,246	¥ 149,589
Acquisition	225	532	776	1,966	13,506	17,005
Transfer	—	12,377	618	898	(13,893)	—
Sale or disposal	(648)	(1,673)	(604)	(1,951)	—	(4,877)
Exchange differences on translation of foreign operations	—	(11)	—	(18)	(0)	(29)
Other	(584)	—	—	—	(1,369)	(1,953)
Balance at March 31, 2016	¥ 25,747	¥ 83,127	¥ 22,774	¥ 24,596	¥ 3,491	¥ 159,735

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2015	$ 238,880	$ 641,984	$ 196,297	$ 211,615	$ 46,843	$ 1,335,620
Acquisition	2,009	4,751	6,925	17,551	120,591	151,827
Transfer	—	110,505	5,515	8,021	(124,041)	—
Sale or disposal	(5,790)	(14,936)	(5,396)	(17,419)	—	(43,540)
Exchange differences on translation of foreign operations	—	(99)	—	(161)	(1)	(261)
Other	(5,214)	—	—	—	(12,227)	(17,441)
Balance at March 31, 2016	$ 229,885	$ 742,205	$ 203,342	$ 219,607	$ 31,166	$ 1,426,205

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, 2014	¥ —	¥ (43,680)	¥ (15,391)	¥ (18,332)	¥ —	¥ (77,403)
Depreciation	—	(2,186)	(829)	(1,430)	—	(4,445)
Impairment losses	(29)	—	—	—	—	(29)
Sale or disposal	—	1,058	921	1,073	—	3,052
Exchange differences on translation of foreign operations	—	(1)	—	(9)	—	(11)
Other	—	—	—	—	—	—
Balance at March 31, 2015	¥ (29)	¥ (44,810)	¥ (15,299)	¥ (18,698)	¥ —	¥ (78,836)
Depreciation	—	(2,496)	(927)	(1,444)	—	(4,866)
Impairment losses	(63)	(107)	(1)	(14)	—	(185)
Sale or disposal	—	1,630	592	1,912	—	4,134
Exchange differences on translation of foreign operations	—	4	—	14	—	18
Other	92	—	—	—	—	92
Balance at March 31, 2016	¥ —	¥ (45,779)	¥ (15,633)	¥ (18,229)	¥ —	¥ (79,641)

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2015	$ (260)	$ (400,093)	$ (136,595)	$ (166,944)	$ —	$ (703,892)
Depreciation	—	(22,284)	(8,273)	(12,890)	—	(43,446)
Impairment losses	(566)	(955)	(5)	(122)	—	(1,647)
Sale or disposal	—	14,551	5,289	17,072	—	36,913
Exchange differences on translation of foreign operations	—	36	—	127	—	164
Other	826	—	—	—	—	826
Balance at March 31, 2016	$ —	$ (408,744)	$ (139,583)	$ (162,756)	$ —	$ (711,083)

Carrying amount

	Millions of Yen					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at April 1, 2014	¥ 20,031	¥ 25,282	¥ 3,856	¥ 5,219	¥ 4,760	¥ 59,147
Balance at March 31, 2015	26,725	27,092	6,687	5,003	5,246	70,754
Balance at March 31, 2016	25,747	37,348	7,141	6,367	3,491	80,094

	Thousands of U.S. Dollars					
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
Balance at March 31, 2016	$ 229,885	$ 333,460	$ 63,759	$ 56,851	$ 31,166	$ 715,121

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 38. 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, 2014, and March 31, 2015 and 2016, are as follows:

	Millions of Yen			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at April 1, 2014	¥ 227	¥ 558	¥ 0	¥ 785
Balance at March 31, 2015	211	320	—	531
Balance at March 31, 2016	195	586	—	781

	Thousands of U.S. Dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at March 31, 2016	$ 1,742	$ 5,236	$ —	$ 6,978

(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 ¥29 million and ¥185 million ($1,647 thousand) for the years ended March 31, 2015 and 2016, respectively, which are included in “Other expenses” in the consolidated statement of income.

Impairment losses recognized for the years ended March 31, 2015 and 2016, 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, 2014	¥ 22,881	¥ 6,205	¥ 2,587	¥ 31,674
Acquisition	12,851	622	498	13,971
Transfer	—	917	(917)	—
Disposal	(2,263)	(331)	(406)	(3,000)
Exchange differences on translation of foreign operations	—	1	—	1
Other	—	—	(323)	(323)
Balance at March 31, 2015	¥ 33,469	¥ 7,414	¥ 1,439	¥ 42,322
Acquisition	6,000	484	682	7,165
Transfer	—	458	(458)	—
Disposal	(1,565)	(224)	(304)	(2,094)
Exchange differences on translation of foreign operations	—	(2)	—	(2)
Other	—	—	(42)	(42)
Balance at March 31, 2016	¥ 37,904	¥ 8,129	¥ 1,317	¥ 47,350

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2015	$ 298,829	$ 66,198	$ 12,852	$ 377,879
Acquisition	53,571	4,319	6,085	63,976
Transfer	—	4,088	(4,088)	—
Disposal	(13,973)	(2,004)	(2,717)	(18,695)
Exchange differences on translation of foreign operations	—	(17)	—	(17)
Other	—	—	(374)	(374)
Balance at March 31, 2016	$ 338,427	$ 72,584	$ 11,758	$ 422,770

Accumulated amortization and accumulated impairment losses

	Millions of Yen			
	Patents and licenses	Software	Other	Total
Balance at April 1, 2014	¥ (4,240)	¥ (3,871)	¥ (874)	¥ (8,984)
Amortization	(950)	(690)	(13)	(1,652)
Disposal	2,263	283	287	2,834
Impairment losses	(530)	—	—	(530)
Exchange differences on translation of foreign operations	—	(1)	—	(1)
Other	—	—	(75)	(75)
Balance at March 31, 2015	¥ (3,457)	¥ (4,278)	¥ (674)	¥ (8,409)
Amortization	(1,009)	(642)	(13)	(1,664)
Disposal	1,565	217	268	2,050
Impairment losses	(1,000)	—	(3)	(1,003)
Exchange differences on translation of foreign operations	—	0	—	0
Other	—	—	—	—
Balance at March 31, 2016	¥ (3,901)	¥ (4,703)	¥ (422)	¥ (9,026)

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2015	$ (30,866)	$ (38,197)	$ (6,020)	$ (75,083)
Amortization	(9,013)	(5,732)	(115)	(14,860)
Disposal	13,973	1,934	2,397	18,304
Impairment losses	(8,929)	—	(25)	(8,954)
Exchange differences on translation of foreign operations	—	4	—	4
Other	—	—	—	—
Balance at March 31, 2016	$ (34,835)	$ (41,991)	$ (3,763)	$ (80,589)

Carrying amount

	Millions of Yen			
	Patents and licenses	Software	Other	Total
Balance at April 1, 2014	¥ 18,641	¥ 2,335	¥ 1,714	¥ 22,690
Balance at March 31, 2015	30,012	3,136	765	33,913
Balance at March 31, 2016	34,002	3,426	895	38,324

	Thousands of U.S. Dollars			
	Patents and licenses	Software	Other	Total
Balance at March 31, 2016	$ 303,593	$ 30,594	$ 7,995	$ 342,181

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 ¥19,898 million and ¥24,898 million ($222,303 thousand) as of March 31, 2015 and 2016, respectively. These mainly consist of separately acquired in-process research and development costs recorded in “Patents and licenses,” which are still in research and development phases, and accordingly, they are not in a condition available for use until the phase where marketing approvals have been obtained from related authorities and they are finally made into products.

3. Commitments related to intangible asset purchases are described in Note 38. 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
		March 31, 2015	March 31, 2016	March 31, 2016
Patents and licenses	In-process research and development costs acquired separately	¥ 19,898	¥ 24,898	$ 222,303
	Sales licenses	10,114	9,104	81,290

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:

	March 31, 2015	March 31, 2016
In-process research and development costs acquired separately	ONO-7643/RC-1291 ONO-7056/Salirasib ONO-7057/Carfilzomib ONO-5163/AMG-416 ONO-1162/Ivabradine ONO-2370/BIA9-1067	ONO-7643/RC-1291 ONO-7057/Carfilzomib ONO-5163/AMG-416 ONO-1162/Ivabradine ONO-2370/BIA9-1067
Sales licenses	RECALBON STAYBLA RIVASTACH FORXIGA	RECALBON STAYBLA RIVASTACH FORXIGA

§2 Remaining Amortization Period

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

Item	Details	March 31, 2015	March 31, 2016
Patents and licenses	In-process research and development costs acquired separately	—	—
	Sales licenses (years)	12.5	11.8

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Patents and licenses	In-process research and development costs acquired separately	¥ 530	¥ 1,000	$ 8,929
Other	Right of using facilities	—	3	25

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 based on the pretax weighted-average cost of capital and it was 6.5% and 7.5% for the ended March 31, 2015 and 2016 respectively.

2. Impairment losses on patents and licenses, representing impairment losses on separately acquired in-process research and development costs were included in "Research and development costs" while other impairment losses were included 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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Profit from continuing operations attributable to the Group	¥ 13	¥ (32)	$ (286)
Other comprehensive income attributable to the Group	4	(7)	(59)
Total comprehensive income attributable to the Group	¥ 17	¥ (39)	$ (345)

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, 2015

	Millions of Yen			
	March 31, 2014	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2015
(Deferred tax assets)				
Accrued bonuses	¥ 1,583	¥ (133)	¥ —	¥ 1,450
Accrued enterprise tax	412	295	—	707
Expenses for research and development commissions and others	12,947	915	—	13,862
Property, plant, and equipment	4,071	(398)	—	3,673
Intangible assets	384	(85)	—	299
Retirement benefit liabilities	4,094	(569)	304	3,828
Long-term advances received	—	2,165	—	2,165
Other accounts payable	183	232	—	415
Other	1,841	499	4	2,343
Total	¥ 25,514	¥ 2,921	¥ 307	¥ 28,742
(Deferred tax liabilities)				
Property, plant, and equipment	¥ (3,679)	¥ 413	¥ —	¥ (3,267)
Intangible assets	(691)	(1,172)	—	(1,863)
Investment securities	(12,108)	(244)	(12,366)	(24,718)
Other	(34)	30	—	(5)
Total	¥ (16,513)	¥ (974)	¥ (12,366)	¥ (29,853)

For the year ended March 31, 2016

	Millions of Yen			
	March 31, 2015	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2016
(Deferred tax assets)				
Accrued bonuses	¥ 1,450	¥52	¥ —	¥ 1,502
Accrued enterprise tax	707	(82)	—	625
Expenses for research and development commissions and others	13,862	2,600	—	16,462
Property, plant, and equipment	3,673	(234)	—	3,439
Intangible assets	299	(76)	—	223
Retirement benefit liabilities	3,828	(2,037)	1,438	3,230
Long-term advances received	2,165	(386)	—	1,779
Other accounts payable	415	1,323	—	1,738
Other	2,343	242	—	2,585
Total	¥ 28,742	¥ 1,402	¥ 1,438	¥ 31,582
(Deferred tax liabilities)				
Property, plant, and equipment	¥ (3,267)	¥ 108	¥ —	¥ (3,159)
Intangible assets	(1,863)	(717)	—	(2,580)
Investment securities	(24,718)	256	2,927	(21,535)
Other	(5)	(9)	—	(14)
Total	¥ (29,853)	¥ (362)	¥ 2,927	¥ (27,288)

	Thousands of U.S. Dollars			
	March 31, 2015	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2016
(Deferred tax assets)				
Accrued bonuses	$ 12,944	$ 465	$ —	$ 13,409
Accrued enterprise tax	6,315	(734)	—	5,581
Expenses for research and development commissions and others	123,768	23,215	—	146,983
Property, plant, and equipment	32,791	(2,089)	—	30,702
Intangible assets	2,667	(679)	—	1,987
Retirement benefit liabilities	34,183	(18,185)	12,839	28,837
Long-term advances received	19,330	(3,445)	—	15,885
Other accounts payable	3,707	11,810	—	15,517
Other	20,918	2,161	—	23,080
Total	$ 256,624	$ 12,518	$ 12,839	$ 281,981
(Deferred tax liabilities)				
Property, plant, and equipment	$ (29,167)	$ 963	$ —	$ (28,205)
Intangible assets	(16,635)	(6,403)	—	(23,038)
Investment securities	(220,699)	2,288	26,133	(192,278)
Other	(40)	(83)	—	(123)
Total	$ (266,542)	$ (3,235)	$ 26,133	$ (243,644)

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

2. The effective statutory tax rate used to calculate deferred tax assets and liabilities as of March 31, 2015, in Japan is 33.0% for expected reversals up to March 31, 2016, and 32.2% for expected reversals on or after April 1, 2016. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2016, in Japan is 30.8% for expected reversals up to March 31, 2018, and 30.6% for expected reversals on or after April 1, 2018.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥2,017 million and ¥1,934 million ($17,267 thousand) as of March 31, 2015 and 2016, 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. “Other accounts payable” that was included in “Other” of Deferred tax assets in the previous period, is presented separately effective the current period since its quantitative materiality increased. As a result, ¥415 million included in “Other” for the previous year was reclassified to “Other accounts payable.”

(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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Current tax expense	¥ 7,036	¥ 9,120	$ 81,429
Deferred tax expense	(1,947)	(1,040)	(9,289)
Total	¥ 5,089	¥ 8,080	$ 72,140

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 35.6% for the year ended March 31, 2015, and approximately 33.0% for the year ended March 31, 2016. 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. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act, etc.," (Act No. 13 of 2016) were enacted on March 29, 2016. 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, 2016, in Japan (limited to those to be eliminated on and after April 1, 2016), was changed from 32.2% in the previous fiscal year to 30.8% for those that are expected to be recovered or paid from April 1, 2016 to March 31, 2018, and to 30.6% for those that are expected to be recovered or paid on and after April 1, 2018.
As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥56 million ($502 thousand), while other components of equity increased by ¥1,052 million ($9,392 thousand) and deferred tax expense for the current fiscal year increased by ¥1,108 million ($9,894 thousand).

(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, 2015	For the year ended March 31, 2016
Applicable tax rates	35.60 %	33.00 %
Permanent non-deductible items	1.77	0.57
Non-taxable dividends	(2.08)	(0.49)
Tax credit for research and other	(18.34)	(14.42)
Effect of change in tax rates	10.41	4.90
Other	0.44	0.72
Average actual tax rates	27.80 %	24.28 %

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
	March 31, 2015	March 31, 2016	March 31, 2016
Notes payable	¥ 366	¥ 5,264	$ 46,999
Trade accounts payable	3,413	4,529	40,439
Other accounts payable	9,966	21,457	191,582
Total	¥ 13,745	¥ 31,250	$ 279,021

Note 18

Borrowings

(1) Details

Details of borrowings are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
(Current liabilities)			
Short-term borrowings	¥ 26	¥ 37	$ 330
Current portion of long-term borrowings	26	1	9
Short-term lease obligations	235	290	2,591
Total	¥ 287	¥ 328	$ 2,930
(Non-current liabilities)			
Long-term borrowings	¥ 1	¥ 0	$ 4
Long-term lease obligations	316	515	4,598
Total	¥ 317	¥ 515	$ 4,602

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 1.51% for long-term borrowings is calculated based on the applicable outstanding balance at March 31, 2016.

(2) Repayment Terms

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
More than 1 year to 2 years	¥ 50	¥ 40	$ 353
More than 2 years to 3 years	81	305	2,722
More than 3 years to 4 years	15	16	141
More than 4 years to 5 years	16	16	146
More than 5 years	155	139	1,240
Total	¥ 317	¥ 515	$ 4,602

Note 19

Other Financial Liabilities

Details of other financial liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
(Current liabilities)			
Dividends payable	¥ 88	¥ 89	$ 797
Deposits received	2,497	2,979	26,595
Total	¥ 2,585	¥ 3,068	$ 27,392
(Non-current liabilities)			
Other	¥ 21	¥ 19	$ 171
Total	¥ 21	¥ 19	$ 171

Note 20

Assets Pledged as Collateral

Assets pledged as collateral are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Marketable securities	¥ 998	¥ 998	$ 8,915
Other current assets	—	1,000	$ 8,929
Investment securities	997	—	—
Total	¥ 1,995	¥ 1,998	$ 17,843

Note: The marketable securities and 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		
	March 31, 2015	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2016
1 year or less	¥ 245	¥ 301	$ 2,686	¥ 235	¥ 290	$ 2,591
More than 1 year to 5 years	190	404	3,604	160	376	3,357
More than 5 years	181	159	1,423	155	139	1,240
Total	¥ 616	¥ 864	$ 7,714	¥ 551	¥ 805	$ 7,189

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 ¥65 million and ¥59 million ($525 thousand) as of March 31, 2015 and 2016, respectively.

(2) Operating Leases

Lessee

§1 Non-cancelable Operating Lease Contracts

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
1 year or less	¥ 254	¥ 186	$ 1,663
More than 1 year to 5 years	486	339	3,026
More than 5 years	50	—	—
Total	¥ 790	¥ 525	$ 4,689

Note: The Group engages in office rental, etc., classified as operating leases. 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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Minimum lease payments	¥ 247	¥ 294	$ 2,621

Lessor

§1 Non-cancelable Operating Lease Contracts

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
1 year or less	¥ 2	¥ 2	$ 15
More than 1 year to 5 years	7	7	60
More than 5 years	12	10	93
Total	¥ 21	¥ 19	$ 169

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

Note 22

Other Liabilities

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
(Other current liabilities)			
Accrued consumption taxes	¥ 1,452	¥ 1,501	$ 13,400
Accrued salary and bonus	4,435	4,927	43,989
Accrued compensated vacation	1,696	1,934	17,265
Accrued expenses	1,974	1,134	10,124
Other	1,552	112	997
Total	¥ 11,109	¥ 9,607	$ 85,776
(Other non-current liabilities)			
Compensated long-service benefit obligations	¥ 514	¥ 531	$ 4,744
Other	132	112	1,002
Total	¥ 645	¥ 643	$ 5,746

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 employees the option to select a defined contribution plan for certain lump-sum payment plans. In addition, the Company has set up a retirement benefit trust in order to supplement funding deficits in benefit obligations.

Further, three overseas subsidiaries have defined contribution plans, one overseas subsidiary has a lump-sum payment plan, and two domestic subsidiaries participate in employees' pension fund plans (multiemployer 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
	March 31, 2015	March 31, 2016	March 31, 2016
(Contributory)			
Defined benefit obligations	¥ 46,132	¥ 45,138	$ 403,017
Fair value of plan assets (including retirement benefit trust)	(41,251)	(41,700)	(372,324)
Subtotal	4,881	3,438	30,693
(Non-contributory)			
Defined benefit obligations	545	656	5,855
Subtotal	545	656	5,855
Net defined benefit liability	¥ 5,426	¥ 4,093	$ 36,547
Retirement benefit liabilities stated in the consolidated statement of financial position	¥ 5,426	¥ 4,093	$ 36,547

§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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Opening balance of defined benefit obligations	¥ 43,838	¥ 46,677	$ 416,760
Service cost	1,640	1,617	14,438
Interest cost	682	536	4,781
Remeasurements			
Actuarial losses (gains) due to changes in financial assumptions	1,508	4,642	41,442
Other	185	(179)	(1,594)
Past service cost	—	(6,297)	(56,221)
Benefits paid	(1,176)	(1,202)	(10,734)
Closing balance of defined benefit obligations	¥ 46,677	¥ 45,794	$ 408,871

Notes: 1. The weighted-average payment years for the defined benefit obligations as of March 31, 2015 and 2016, were 17.4 years and 17.6 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. The Company revised its retirement benefit plan for its stable business management. The main revision of this plan was the introduction of a points system. As the retirement benefits plan was agreed between labor and management in April 2015, the Company computed actuarial calculations based on the revised retirement benefit plan and past service costs of retirement benefits obligations for the current fiscal year. As a result, defined benefit obligations decreased by ¥6,297 million ($56,221 thousand).
Additionally, "Cost of sales" decreased by ¥431 million ($3,848 thousand), "Selling, general, and administrative expenses" decreased by ¥3,645 million ($32,545 thousand), and "Research and development costs" decreased by ¥2,221 million ($19,828 thousand). As a result, "Operating profit" and "Profit before tax" both increased by ¥6,297 million ($56,221 thousand).

§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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Opening balance of fair value of plan assets	¥ 40,798	¥ 41,251	$ 368,317
Interest income	647	522	4,657
Remeasurements			
Return on plan assets	749	(236)	(2,110)
Contributions from employers	167	1,304	11,643
Benefits paid	(1,110)	(1,141)	(10,184)
Closing balance of fair value of plan assets	¥ 41,251	¥ 41,700	$ 372,324

Note: The Group expected to make contributions of ¥1,219 million and ¥1,358 million ($12,126 thousand) to the defined benefit corporate pension plans in the year subsequent to March 31, 2015 and 2016, respectively.

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

	Millions of Yen						Thousands of U.S. Dollars		
	March 31, 2015			March 31, 2016			March 31, 2016		
	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	¥ 2,318	¥ —	¥ 2,318	¥ 2,151	¥ —	¥ 2,151	$ 19,208	$ —	$ 19,208
Overseas equity instruments	1,668	—	1,668	1,702	—	1,702	15,196	—	15,196
(Debt instruments)									
Domestic debt instruments	—	7,731	7,731	—	6,132	6,132	—	54,749	54,749
Overseas debt instruments	—	695	695	—	662	662	—	5,912	5,912
General accounts at life insurance companies	—	28,336	28,336	—	29,077	29,077	—	259,615	259,615
Other	—	505	505	—	1,976	1,976	—	17,644	17,644
Total	¥ 3,985	¥ 37,266	¥ 41,251	¥ 3,853	¥ 37,847	¥ 41,700	$ 34,405	$ 337,919	$ 372,324

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Service costs	¥ 1,640	¥ 1,617	$ 14,438
Past service costs	—	(6,297)	(56,221)
Net interest	35	14	124
Expenses recognized in the consolidated statement of income	¥ 1,675	¥ (4,666)	$ (41,660)

Note: Among the expenses above, net interest is included in "Finance income" or "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:

	March 31, 2015	March 31, 2016
Discount rate (%)	1.4	0.7
Expected rate of salary increase (%)	3.4	3.4
Expected average remaining lives of current pensioners at age 60 at year-end (years)	25.0	24.8
Expected average remaining lives from age 60, of future pensioners at age 40 at year-end (years)	26.6	26.4

§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 effects of any changes in assumptions used for measuring defined benefit obligations are as follows:

	Changes in principal assumptions	Millions of Yen				Thousands of U.S. Dollars	
		March 31, 2015		March 31, 2016		March 31, 2016	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
(Defined benefit obligations)							
Discount rate	0.5% increase/decrease	¥ (3,825)	¥ 4,188	¥ (3,807)	¥ 4,174	$ (33,989)	$ 37,271
Expected average remaining lives	1 year increase/decrease	640	(671)	858	(892)	7,659	(7,963)

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

(2) Multiemployer Pension Plans

Two domestic consolidated subsidiaries have joined employees' pension funds (multiemployer pension plans). The plan is integrated-type defined benefit plan, and therefore, the amount of pension assets corresponding to the contributions made by each company cannot be determined reasonably. Thus, the amount of the contribution is recognized as 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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Contributions	¥ 43	¥ 42	$ 374

Notes: 1. The Group expected to make contributions of ¥43 million and ¥42 million ($374 thousand) in the year subsequent to March 31, 2015 and 2016, respectively.

2. Funded status of pension plans
The aggregate funded status for the plan is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Plan assets	¥ 292,417	¥ 334,668	$ 2,988,106
Benefit obligations for purposes of pension financing calculations	366,867	381,438	3,405,694
Net total	¥ (74,450)	¥ (46,770)	$ (417,587)

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

March 31, 2015	March 31, 2016
0.3496%	0.3421%

(3) Defined Contribution Plans

The Group recognized ¥2,316 million and ¥2,564 million ($22,893 thousand) as expenses for defined contribution plans for the years ended March 31, 2015 and 2016, respectively.

Note 24

Provisions

(1) Details

Details of provisions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Provision for asset retirement obligations	¥ 59	¥ —	$ —
Provision for sales rebates	648	1,343	11,992
Others	65	42	377
Total	¥ 773	¥ 1,385	$ 12,370
Current liabilities	¥ 684	¥ 1,355	$ 12,102
Non-current liabilities	89	30	268

(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, 2014	¥ 55	¥ 1,025	¥ 70	¥ 1,151
Added to provisions	—	648	35	684
Interest cost on discounted provisions due to passage of time	4	—	—	4
Settled	—	(1,025)	(40)	(1,065)
Reversed	—	—	(0)	(0)
Balance at March 31, 2015	59	648	65	773
Added to provisions	—	1,343	12	1,355
Interest cost on discounted provisions due to passage of time	8	—	—	8
Settled	(68)	(648)	(35)	(751)
Reversed	—	—	—	—
Balance at March 31, 2016	¥ —	¥ 1,343	¥ 42	¥ 1,385

	Thousands of U.S. Dollars			
	Provision for asset retirement obligations	Provision for sales rebates	Others	Total
Balance at March 31, 2015	$ 530	$ 5,788	$ 583	$ 6,901
Added to provisions	—	11,992	109	12,102
Interest cost on provisions due to passage of time	75	—	—	75
Settled	(604)	(5,788)	(315)	(6,707)
Reversed	—	—	—	—
Balance at March 31, 2016	$ —	$ 11,992	$ 377	$ 12,370

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.

2. Provision for sales rebates is recognized and measured based on the estimated future sales rebate payments etc., 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, 2014	300,000,000	117,847,500	¥ 17,358	¥ 17,080
Increase (decrease)	—	—	—	—
Balance at March 31, 2015	300,000,000	117,847,500	¥ 17,358	¥ 17,080
Increase (decrease)	—	—	—	23
Balance at March 31, 2016	300,000,000	117,847,500	¥ 17,358	¥ 17,103

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Thousands of U.S. Dollars	
			Share capital	Capital reserves
Balance at March 31, 2015	300,000,000	117,847,500	$ 154,985	$ 152,499
Increase (decrease)	—	—	—	209
Balance at March 31, 2016	300,000,000	117,847,500	$ 154,985	$ 152,708

Notes: 1. All shares issued by the Company are fully paid-up ordinary shares with no par value.
2. The Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As a result, total number of authorized shares increased by 1,200,000,000 shares to 1,500,000,000 shares and the number of issued shares increased by 471,390,000 shares to 589,237,500 shares.

(2) Treasury Shares

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

	Number of shares (Shares)	Amount (Millions of Yen)
Balance at April 1, 2014	11,836,546	¥ 59,274
Increase (decrease)	3,196	34
Balance at March 31, 2015	11,839,742	¥ 59,308
Increase (decrease)	2,885	50
Balance at March 31, 2016	11,842,627	¥ 59,358

	Number of shares (Shares)	Amount (Thousands of U.S. Dollars)
Balance at March 31, 2015	11,839,742	$ 529,537
Increase (decrease)	2,885	448
Balance at March 31, 2016	11,842,627	$ 529,986

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 March 31, 2015 and 2016, were ¥21 million and ¥23 million ($201 thousand), respectively.
3. The Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As a result, total number of treasury shares increased by 47,370,510 shares to 59,213,137 shares.

(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 loss on derivatives under hedge accounting	Net gain (loss) on financial assets measured at FVOCI	Remeasurement of defined benefit plans	Total
Balance at April 1, 2014	¥ 668	¥ 6	¥ 14,952	¥ —	¥ 15,626
Increase (decrease)					
(Other comprehensive income)	505	(6)	29,529	(640)	29,389
Transfer to retained earnings	—	—	102	640	742
Other increase (decrease)	—	—	—	—	—
Balance at March 31, 2015	¥ 1,173	¥ —	¥ 44,583	¥ —	¥ 45,756
Increase (decrease)					
(Other comprehensive income)	(360)	—	(1,432)	(3,261)	(5,054)
Transfer to retained earnings	—	—	(657)	3,261	2,605
Other increase (decrease)	—	—	—	—	—
Balance at March 31, 2016	¥ 813	¥ —	¥ 42,494	¥ —	¥ 43,307

	Thousands of U.S. Dollars				
	Exchange differences on translation of foreign operations	Net fair value loss on derivatives under hedge accounting	Net gain (loss) on financial assets measured at FVOCI	Remeasurement of defined benefit plans	Total
Balance at March 31, 2015	$ 10,472	$ —	$ 398,064	$ —	$ 408,536
Increase (decrease)					
(Other comprehensive income)	(3,216)	—	(12,786)	(29,119)	(45,121)
Transfer to retained earnings	—	—	(5,864)	29,119	23,255
Other increase (decrease)	—	—	—	—	—
Balance at March 31, 2016	$ 7,256	$ —	$ 379,413	$ —	$ 386,669

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

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

4. Remeasurement of defined benefit plans 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, 2015

Date of resolution	Share type	Total dividends (Millions of Yen)	Dividends per share (Yen)	Record date	Effective date
General shareholders' meeting held on June 27, 2014	Ordinary shares	¥ 9,541	¥ 90	March 31, 2014	June 30, 2014
Board of Directors' meeting held on November 5, 2014	Ordinary shares	¥ 9,541	¥ 90	September 30, 2014	December 1, 2014

For the year ended March 31, 2016

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, 2015	Ordinary shares	¥ 9,541	¥ 90	$ 85,185	$ 1	March 31, 2015	June 29, 2015
Board of Directors' meeting held on November 4, 2015	Ordinary shares	¥ 9,541	¥ 90	$ 85,184	$ 1	September 30, 2015	December 1, 2015

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

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

For the year ended March 31, 2015

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, 2015	Ordinary shares	¥ 9,541	¥ 90	March 31, 2015	June 29, 2015

For the year ended March 31, 2016

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 29, 2016	Ordinary shares	¥ 9,540	¥ 90	$ 85,182	$ 1	March 31, 2016	June 30, 2016

Note: The Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for "Dividends per share" for the current fiscal year, the amount before the stock split is presented.

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Business planning expenses	¥ 5,318	¥ 4,464	$ 39,856
Sales promotion expenses	1,095	1,293	11,547
Employee benefit expenses	19,324	18,882	168,587
Depreciation and amortization	1,398	1,351	12,066
Others	15,087	17,989	160,615
Total	¥ 42,222	¥ 43,979	$ 392,671

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Salary and bonus	¥ 28,699	¥ 30,856	$ 275,497
Retirement benefit expenses (Defined benefit plans)	1,640	(4,680)	(41,784)
Retirement benefit expenses (Multiemployer pension plans)	43	42	374
Retirement benefit expenses (Defined contribution plans)	2,316	2,564	22,893
Legal welfare expenses	1,687	1,702	15,193
Other welfare expenses	1,433	1,604	14,319
Other employee benefit expenses	2,082	2,591	23,134
Total	¥ 37,900	¥ 34,678	$ 309,626

Notes: 1. Employee benefit expenses are included in "Cost of sales," "Selling, general, and administrative expenses," and "Research and development costs" in the consolidated statements of income.
2. The employee benefit expenses above include remuneration of key management personnel. Remuneration of key management personnel is described in "Note 37. Related Parties."
3. Retirement benefit expenses (Defined benefit plans) decreased by ¥6,297 million ($56,221 thousand) due to the revision of the Company's retirement benefit plan. The detail of the revision is described in "Note 23. Retirement Benefits."

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
(Other income)			
Rent	¥ 41	¥ 39	$ 352
Gain on sale of non-current assets	0	331	2,956
Insurance proceeds	233	215	1,923
Others	94	122	1,088
Total	¥ 368	¥ 708	$ 6,320
(Other expenses)			
Impairment losses	¥ 30	¥ 188	$ 1,680
Loss on disposal of non-current assets	122	26	233
Donations	1,334	1,348	12,039
Settlement package	777	—	—
Others	383	50	444
Total	¥ 2,645	¥ 1,612	$ 14,396

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
(Finance income)			
Interest income			
Financial assets measured at amortized cost	¥ 342	¥ 221	$ 1,973
Financial assets measured at FVPL	49	38	343
Dividend income			
Financial assets measured at FVPL	9	92	819
Financial assets measured at FVOCI	2,129	2,431	21,701
Gains and losses on marketable securities			
Financial assets measured at FVPL	144	—	—
Exchange gains	765	68	607
Others	128	238	2,126
Total	¥ 3,565	¥ 3,088	$ 27,568
(Finance costs)			
Interest expenses			
Financial liabilities measured at amortized cost	¥ 13	¥ 13	$ 112
Gains and losses on marketable securities			
Financial assets measured at FVPL	—	53	470
Net interest on employee benefits	35	14	124
Others	18	212	1,894
Total	¥ 67	¥ 291	$ 2,600

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, 2015

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVOCI	¥ 41,839	¥ —	¥ 41,839	¥ (12,310)	¥ 29,529
Remeasurement of defined benefit plans	(943)	—	(943)	304	(640)
Share of net gain (loss) on financial assets measured at FVOCI of associates	3	—	3	2	4
Total	40,898	—	40,898	(12,004)	28,894
(Items that may be reclassified to profit or loss)					
Exchange differences on translation of foreign operations	505	—	505	—	505
Net fair value gain (loss) on cash flow hedges (*Note)	(205)	195	(10)	4	(6)
Total	300	195	495	4	499
Total other comprehensive income	¥ 41,198	¥ 195	¥ 41,394	¥ (12,001)	¥ 29,393

Note: The reclassification adjustment of net fair value gain (loss) on cash flow hedges includes ¥7 million, which was excluded from equity and excluded from 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, and ¥56 million, which was excluded from equity and added to the acquisition cost of the non-financial liability relating to the forecast transaction for the acquisition of the non-financial liability as a hedged item.

For the year ended March 31, 2016

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVOCI	¥ (3,722)	¥ —	¥ (3,722)	¥ 2,310	¥ (1,411)
Remeasurement of defined benefit plans	(4,699)	—	(4,699)	1,438	(3,261)
Share of net gain (loss) on financial assets measured at FVOCI of associates	(11)	—	(11)	4	(7)
Total	(8,432)	—	(8,432)	3,753	(4,679)
(Items that may be reclassified to profit or loss)					
Exchange differences on translation of foreign operations	(360)	—	(360)	—	(360)
Net fair value gain (loss) on cash flow hedges	(17)	17	—	—	—
Total	(377)	17	(360)	—	(360)
Total other comprehensive income	¥ (8,809)	¥ 17	¥ (8,792)	¥ 3,753	¥ (5,039)

	Thousands of U.S. Dollars				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
(Items that will not be reclassified to profit or loss)					
Net gain (loss) on financial assets measured at FVOCI	$ (33,228)	$ —	$ (33,228)	$ 20,629	$ (12,599)
Remeasurement of defined benefit plans	(41,958)	—	(41,958)	12,839	(29,119)
Share of net gain (loss) on financial assets measured at FVOCI of associates	(98)	—	(98)	40	(59)
Total	(75,284)	—	(75,284)	33,508	(41,776)
(Items that may be reclassified subsequently to profit or loss)					
Exchange differences on translation of foreign operations	(3,216)	—	(3,216)	—	(3,216)
Net fair value gain (loss) on cash flow hedges	(151)	151	—	—	—
Total	(3,367)	151	(3,216)	—	(3,216)
Total other comprehensive income	$ (78,651)	$ 151	$ (78,500)	$ 33,508	$ (44,992)

(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, 2015

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Net gain (loss) on financial assets measured at FVOCI	¥ (0)	¥ —	¥ (0)	¥ 4	¥ 4
Total other comprehensive income attributable to non-controlling interests	¥ (0)	¥ —	¥ (0)	¥ 4	¥ 4

For the year ended March 31, 2016

	Millions of Yen				
	Amount incurred	Reclassification adjustments	Before tax effects	Tax effects	Net of tax amount
Net gain (loss) on financial assets measured at FVOCI	¥ 18	¥ —	¥ 18	¥ (3)	¥ 14
Total other comprehensive income attributable to non-controlling interests	¥ 18	¥ —	¥ 18	¥ (3)	¥ 14

	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 FVOCI	$ 159	$ —	$ 159	$ (30)	$ 129
Total other comprehensive income attributable to non-controlling interests	$ 159	$ —	$ 159	$ (30)	$ 129

Note 32

Earnings per Share

(1) Basic Earnings per Share

§1 Basic earnings per share are as follows:

	Yen		U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Basic earnings per share	¥ 24.48	¥ 47.13	$ 0.42

Note: The Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for "Basic earnings per share," it is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

§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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Profit for the year attributable to owners of the parent company	¥ 12,976	¥ 24,979	$ 223,028
Weighted-average number of ordinary shares outstanding (Thousands of shares)	530,048	530,032	

(2) Diluted Earnings per Share

§1 Diluted earnings per share are as follows:

	Yen		U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Diluted earnings per share	¥ —	¥ 47.13	$ 0.42

Notes: 1. The Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016. As for "Diluted earnings per share," it is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.
2. Diluted earnings per share for the previous fiscal year is not presented because there were no potentially dilutive shares.

§2 Basis of Calculation of Diluted Earnings per Share

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Profit for the year attributable to owners of the parent company	¥ —	¥ 24,979	$ 223,028
Weighted-average number of ordinary shares outstanding (Thousands of shares)	—	530,032	
Increased number of ordinary shares under subscription rights to share (Thousands of shares)	—	8	
Weighted-average number of diluted ordinary shares outstanding (Thousands of shares)	—	530,040	

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 pipelines to complement research and development risk. This evaluation will exert influence on decision-making regarding the level of dividend payments and the Group's market purchase of treasury shares.

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Interest-bearing debt	¥ 604	¥ 844	$ 7,532
Cash and cash equivalents	104,222	110,485	986,471
Net debt	¥ (103,619)	¥ (109,641)	$ (978,939)
Total equity	475,213	476,255	4,252,279

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, including credit risk, liquidity risk, market risks, and others (e.g., foreign exchange risk and price fluctuation risk). In order to avoid or mitigate these risks, the Group manages risks according to certain basic policies. The Group policy is not to enter into 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 associated 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 a small number of wholesale companies through which it sells its products. In cases where any of these wholesale companies face financial difficulties, there is a possibility 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 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 other highly-liquid assets and secures stable cash inflows from operating activities, this risk is low.

Financial liabilities by maturity are as follows:

March 31, 2015

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 13,745	¥ 13,745	¥ 13,745	¥ —
Borrowings				
Short-term borrowings	26	26	26	—
Current portion of long-term borrowings	26	26	26	—
Long-term borrowings	1	1	—	1
Short-term lease obligations	235	245	245	—
Long-term lease obligations	316	371	—	371
Other financial liabilities	2,606	2,606	2,585	21

March 31, 2016

	Millions of Yen			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	¥ 31,250	¥ 31,250	¥ 31,250	¥ —
Borrowings				
Short-term borrowings	37	37	37	—
Current portion of long-term borrowings	1	1	1	—
Long-term borrowings	0	0	—	0
Short-term lease obligations	290	301	301	—
Long-term lease obligations	515	563	—	563
Other financial liabilities	3,087	3,087	3,068	19

	Thousands of U.S. Dollars			
	Carrying amount	Contractual cash flows	One year or less	More than one year
Trade and other payables	$ 279,021	$ 279,021	$ 279,021	$ —
Borrowings				
Short-term borrowings	330	330	330	—
Current portion of long-term borrowings	9	9	9	—
Long-term borrowings	4	4	—	4
Short-term lease obligations	2,591	2,686	2,686	—
Long-term lease obligations	4,598	5,027	—	5,027
Other financial liabilities	27,563	27,563	27,392	171

(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 include maturities of one year or less.

2) Details of Forward Foreign Exchange Contracts by Currency

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

	March 31, 2015		March 31, 2016		March 31, 2016
	Contractual amount (Millions of U.S. Dollars)	Fair value (Millions of Yen)	Contractual amount (Millions of U.S. Dollars)	Fair value (Millions of Yen)	Fair value (Thousands of U.S. Dollars)
(Buy)					
U.S. Dollars	$ 20	¥ 20	$ —	¥ —	$ —
Cash flow hedge included in the 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, and British pounds is as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	March 31, 2015		March 31, 2016		March 31, 2016	
	Equity	Profit or (loss)	Equity	Profit or (loss)	Equity	Profit or (loss)
U.S. Dollars	¥ 315	¥ 969	¥ 302	¥ 536	$ 2,696	$ 4,782
Euro	—	27	—	(2)	—	(18)
British Pounds	85	63	90	(1)	801	(12)

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 and not for short-term trading purposes. In addition, the Group periodically reviews the fair value of the instruments and the financial condition of issuers and the like, and 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 ¥10,802 million and ¥10,657 million ($95,153 thousand) as of March 31, 2015 and 2016, respectively, as a result of changes in fair value of the equity instruments designated as financial assets measured at FVOCI.

(6) Fair Value of Financial Instruments

§1 Carrying Amount and Fair Value

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	
	March 31, 2015		March 31, 2016		March 31, 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
(Financial assets)						
Financial assets measured at amortized cost						
Cash and cash equivalents	¥ 104,222	¥ 104,222	¥ 110,485	¥ 110,485	$ 986,471	$ 986,471
Trade and other receivables	41,960	41,960	62,043	62,043	553,953	553,953
Marketable securities and investment securities	74,547	74,852	49,907	50,198	445,594	448,194
Other financial assets	800	800	800	800	7,143	7,143
Financial assets measured at FVPL						
Marketable securities and investment securities	1,040	1,040	512	512	4,569	4,569
Other financial assets	6,335	6,335	6,753	6,753	60,298	60,298
Financial assets measured at FVOCI						
Investment securities	159,321	159,321	153,561	153,561	1,371,080	1,371,080
(Financial liabilities)						
Financial liabilities measured at amortized cost						
Trade and other payables	13,745	13,745	31,250	31,250	279,021	279,021
Borrowings	604	604	844	844	7,532	7,532
Other financial liabilities	2,606	2,606	3,087	3,087	27,563	27,563

§2 Fair Value Measurements

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

Cash and cash equivalents, trade and other receivables, 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 and other financial liabilities

• Insurance reserve fund

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

• Forward foreign exchange contracts

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

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

§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			
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
Marketable securities and investment securities	¥ 893	¥ —	¥ 147	¥ 1,040
Other financial assets	—	20	6,314	6,335
Financial assets measured at FVOCI				
Investment securities	157,835	—	1,486	159,321
Total	¥ 158,728	¥ 20	¥ 7,948	¥ 166,696

	Millions of Yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
Marketable securities and investment securities	¥ 356	¥ —	¥ 156	¥ 512
Other financial assets	—	—	6,753	6,753
Financial assets measured at FVOCI				
Investment securities	151,845	—	1,715	153,561
Total	¥ 152,201	¥ —	¥ 8,625	¥ 160,826

	Thousands of U.S. Dollars			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at FVPL				
Marketable securities and investment securities	$ 3,175	$ —	$ 1,394	$ 4,569
Other financial assets	—	—	60,298	60,298
Financial assets measured at FVOCI				
Investment securities	1,355,763	—	15,317	1,371,080
Total	$ 1,358,939	$ —	$ 77,008	$ 1,435,947

Note: For the years ended March 31, 2015 and 2016, the Group has not transferred any financial assets or liabilities between Levels 1, 2, and 3.

2) Financial Assets and Financial Liabilities Measured at Amortized Cost

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

	Millions of Yen			
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	¥ 104,222	¥ —	¥ —	¥ 104,222
Trade and other receivables	—	41,960	—	41,960
Marketable securities and investment securities	—	74,852	—	74,852
Other financial assets	800	—	—	800
Total	¥ 105,022	¥ 116,813	¥ —	¥ 221,835
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	¥ —	¥ 13,745	¥ —	¥ 13,745
Borrowings	—	604	—	604
Other financial liabilities	—	2,606	—	2,606
Total	¥ —	¥ 16,955	¥ —	¥ 16,955

	Millions of Yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	¥ 110,485	¥ —	¥ —	¥ 110,485
Trade and other receivables	—	62,043	—	62,043
Marketable securities and investment securities	—	50,198	—	50,198
Other financial assets	800	—	—	800
Total	¥ 111,285	¥ 112,240	¥ —	¥ 223,525
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	¥ —	¥ 31,250	¥ —	¥ 31,250
Borrowings	—	844	—	844
Other financial liabilities	—	3,087	—	3,087
Total	¥ —	¥ 35,181	¥ —	¥ 35,181

	Thousands of U.S. Dollars			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
(Financial assets)				
Financial assets measured at amortized cost				
Cash and cash equivalents	$ 986,471	$ —	$ —	$ 986,471
Trade and other receivables	—	553,953	—	553,953
Marketable securities and investment securities	—	448,194	—	448,194
Other financial assets	7,143	—	—	7,143
Total	$ 993,614	$ 1,002,147	$ —	$ 1,995,761
(Financial liabilities)				
Financial liabilities measured at amortized cost				
Trade and other payable	$ —	$ 279,021	$ —	$ 279,021
Borrowings	—	7,532	—	7,532
Other financial liabilities	—	27,563	—	27,563
Total	$ —	$ 314,115	$ —	$ 314,115

Note: For the years ended March 31, 2015 and 2016, the Group has not transferred any financial assets or liabilities between Levels 1, 2, and 3.

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

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Balance at beginning of the year	¥ 7,396	¥ 7,948	$ 70,961
Total gains or losses	264	363	3,237
Profit or loss	98	133	1,191
Other comprehensive income	166	229	2,046
Purchase	373	404	3,608
Sale	(10)	—	—
Settlement	(75)	(89)	(797)
Balance at end of the year	¥ 7,948	¥ 8,625	$ 77,008
Changes in unrealized gains or losses recognized in net profit or loss for assets held at the end of the year	¥ 0	¥ 7	$ 64

Notes: 1. Profit or loss included in gains and losses are related to financial assets measured at FVPL 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 FVOCI as of the closing date. These gains and losses are included in "Net gain (loss) on financial assets measured at FVOCI."

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

Note 34

Share-based payment

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

(1) Contractual conditions of share options

	Eligible persons	Number of share options granted (Shares)	Grant date	Exercise period	Settlement method	Vesting conditions
2015 issued	The Company's directors (excluding outside directors)	2,900	July 13, 2015	From July 14, 2015 through July 13, 2055	Settled in equity	None

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

(2) Movement of the number of share options and their weighted-average exercise price

	March 31, 2015		March 31, 2016		March 31, 2016
	Number of share options (Shares)	Weighted-average exercise price (Yen)	Number of share options (Shares)	Weighted-average exercise price (Yen)	Weighted-average exercise price (Dollar)
Outstanding at the beginning of the period	—	—	—	—	—
Granted	—	—	2,900	1	0
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Outstanding at the end of the period	—	—	2,900	1	0
Options exercisable, at the end of the period	—	—	—	—	—

Notes: 1. Although the Company conducted a stock split of common stocks at a ratio of 1:5 with an effective date of April 1, 2016, the effect of this stock split is not reflected in the above table.
2. The exercise price of unexercised share options was ¥1 ($0.01) for the current fiscal year and the weighted-average remaining life was 39.3 years as of March 31, 2016.

(3) Fair value and fair value measurement method of share options

§1 Measurement method

Black-Scholes model

§2 Primary base assumptions and measurement method

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Fair value	—	¥ 10,776	$ 96
Share price at the grant date	—	¥ 13,950	$ 125
Exercise price	—	¥ 1	$ 0
Expected volatility	—	31.122%	
Option life	—	20years	
Expected dividend yield	—	¥ 180	$ 2
Risk-free interest rate	—	1.218%	

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

(4) Expenses related to share-based payment

Expenses related to share-based payments were ¥23 million ($209 thousand) for the current fiscal year.

Note 35

Non-cash Transactions

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

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Property, plant, and equipment acquired under finance leases	¥ 135	¥ 594	$ 5,305
Total	¥ 135	¥ 594	$ 5,305

Note 36

Subsidiaries

Details of the Group's subsidiaries are as follows:

Name	Primary business	Location	Proportion of voting rights held by the Group	
			March 31, 2015	March 31, 2016
			(%)	(%)
ONO PHARMA USA, INC.	Pharmaceutical business	New Jersey, United States of America	100.0	100.0
ONO PHARMA UK Ltd.	Pharmaceutical business	London, United Kingdom	100.0	100.0
ONO PHARMA KOREA CO., LTD.	Pharmaceutical business	Seoul, Korea	100.0	100.0
ONO PHARMA TAIWAN CO., LTD.	Pharmaceutical business	Taipei, Taiwan	100.0	100.0
Oriental Pharmaceutical & Synthetic Chemical Co., Ltd.	Pharmaceutical business	Chuo-ku, Osaka City	45.5	45.5
Bee Brand Medico Dental Co., Ltd.	Pharmaceutical business	Higashiyodogawa-ku, Osaka City	80.0 (40.0)	80.0 (40.0)

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.

Note 37

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, 2015		For the year ended March 31, 2016		For the year ended March 31, 2016	
			Transaction amount	Outstanding balance	Transaction amount	Outstanding balance	Transaction amount	Outstanding balance
Associate	Namicos Corporation	Purchase of medical glassware material	¥ 129	¥ 24	¥ 129	¥ 19	$ 1,147	$ 167

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, 2015	For the year ended March 31, 2016	For the year ended March 31, 2016
Remuneration	¥ 302	¥ 257	$ 2,292
Bonuses	40	39	344
Share-based payments	—	23	209
Total	¥ 342	¥ 319	$ 2,845

Notes: 1. Remuneration of key management personnel comprises the remuneration for 9 persons for the years ended March 31, 2015 and 2016, who are key management personnel having authority and responsibility for planning, supervising, and managing business activities of the Group.

2. As for remuneration of key management personnel, remuneration of internal directors consists of monthly fixed remuneration, bonuses and share-based payments, and remuneration of outside directors and auditors consists of only monthly fixed remuneration. The monthly fixed remuneration of internal directors is determined in consideration of factors such as the size of the Group's business, the nature of their duties, scope of responsibility of each management personnel, and consistency in treatment with respect to other employees with data from external institutions. The bonuses are determined in consideration of factors such as their annual performance. As for the stock options, the number of stock options to be granted is determined in consideration of factors such as contributions to enhancement of long-term corporate value. On the other hand, in consideration of factors such as the nature of their duties and to ensure the independence from the execution of business, the remuneration of outside directors and auditors consists of only monthly fixed remuneration. To determine the level of remuneration of outside directors, the Company refers to levels of remuneration in other companies so that the Company can seek suitable persons who have significant experience and broad knowledge.

Note 38

Commitments for Expenditure

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

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Property, plant, and equipment	¥ 9,135	¥ 6,188	$ 55,250
Intangible assets	—	126	1,125
Total	¥ 9,135	¥ 6,314	$ 56,376

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 that the Group may potentially pay within three years are ¥29,632 million and ¥26,727 million ($238,636 thousand) as of March 31, 2015 and 2016, 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 39

Approval of Financial Statements

The consolidated financial statements for the year ended March 31, 2016, were approved by Gyo Sagara, President and Representative Director, on June 29, 2016.

Note 40

Significant Subsequent Events

At the meeting of the Board of Directors held on March 4, 2016, the Company resolved to conduct a stock split of common stocks with an effective date of April 1, 2016 as follows:

(1) Purpose of stock split

The purpose of the stock split is to expand the Company's investor base and enhance the liquidity of its stock by reducing the price per unit of shares to provide investors with more affordable purchase opportunities.

(2) Outline of stock split

§1 Method of stock split

The stock split had a record date of March 31, 2016 and involved the splitting of common stock owned by shareholders entered or recorded in the last register of shareholders as of the record date at a ratio of 1:5.

§2 Number of increase in shares by stock split

Total number of issued shares before stock split : 117,847,500 shares

Number of increase in shares by stock split : 471,390,000 shares

Total number of issued shares after stock split : 589,237,500 shares

Total number of authorized shares after stock split : 1,500,000,000 shares

§3 Schedule of stock split

Public notice date of record date :	March 16, 2016
Record date :	March 31, 2016
Effective date :	April 1, 2016

(3) The effects on per share information, etc.

As for the effects by the stock split, earnings per share is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year and is described in "Note 32. Earnings per share."

Independent Auditor's Report

Deloitte.

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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, 2016, 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, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 29, 2016

Member of
Deloitte Touche Tohmatsu Limited

ISO 26000 Comparison Table

ISO26000		ONO PHARMACEUTICAL Corporate Report 2016	
Core subjects	Issues	Pages	Related items
Organizational Governance		P. 016-017 P. 018-019 P. 019 P. 019 P. 020 P. 020	• CSR Management • Corporate Governance Structure • Internal Control System • Corporate Governance Code • Risk Management • Business Continuity Plan (BCP)
Human Rights	Due diligence	P. 033 P. 034	• Diversity Promotion Initiatives • Enhancing Cultivation of Employee-friendly Workplaces
	Human rights risk situations		
	Avoidance of complicity		
	Resolving grievances		
	Discrimination and vulnerable groups		
	Civil and political rights		
	Economic, social and cultural rights		
	Fundamental principles and rights at work		
Labor Practices	Employment and employment relationships	P. 032 P. 033 P. 034	• Development of Human Resources • Diversity Promotion Initiatives • Enhancing Cultivation of Employee-friendly Workplaces
	Conditions of work and social protection		
	Social dialog		
	Health and safety at work		
	Human development and training in the workplace		
The Environment	Prevention of pollution	P. 036 P. 036-038 P. 038	• Promotion of Environmental Management • Ongoing Environmental Protection Activities • Environmental Efficiency / Environmental Accounting
	Sustainable resource use		
	Climate change mitigation and adaptation		
	Protection of the environment, biodiversity and restoration of natural habitats		
Fair Operating Practices	Anti-corruption	P. 040 P. 040-041	• ONO's Ethical System • Compliance Promotion Initiatives
	Responsible political involvement		
	Fair competition		
	Promoting social responsibility in the value chain		
	Respect for property rights		
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	P. 012-015 P. 022-031	• Key Product Profiles • Innovative Pharmaceutical Products (Research, Development, Corporate Development and Strategy, Manufacturing, Corporate Regulatory Compliance Safety and Quality Assurance, and Marketing)
	Protecting consumers' health and safety		
	Sustainable consumption		
	Consumer service, support, and complaint and dispute resolution		
	Consumer data protection and privacy		
	Access to essential services		
	Education and awareness		
Community Involvement and Development	Community involvement	P. 042-043	Various Corporate Social Responsibility Activities
	Education and culture		
	Employment creation and skills development		
	Technology development and access		
	Wealth and income creation		
	Health		
	Social investment		

Independent Practitioner's Assurance Report

Deloitte.
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(TRANSLATION)

Independent Practitioner's Assurance Report

August 9, 2016

Mr. Gyo Sagara
President, Representative Director, and Chief Executive Officer
ONO PHARMACEUTICAL CO., LTD.

Hiroshi Inanaga
Chief Executive Officer
Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the Energy-derived CO_2 Emissions (the "CO2 Information") for the year ended March 31, 2016, included on page 37 of the *Corporate Report 2016* (the "Report") of ONO PHARMACEUTICAL CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the CO_2 Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO_2 Information included in the Report). CO_2 quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO_2 Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's CO_2 Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Management (as of June 29, 2016)

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 / Corporate Regulatory Compliance Safety & Quality	Kazuhito Kawabata, Ph.D	
Member of the Board of Directors, Executive Officer / Director, Corporate Research	Isao Ono	
Member of the Board of Directors, Outside Director	Yutaka Kato	Dean, Professor, Graduate School of Business, Doshisha University
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

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member	Katsuyoshi Nishimura	
Full-time Audit & Supervisory Board Member	Shinji Fujiyoshi	
Outside Audit & Supervisory Board Member	Hiromi Sakka	CPA
Outside Audit & Supervisory Board Member	Yasuo Hishiyama	Attorney-at-law

Corporate Officers

Corporate Officer / Director, Medical Affairs	Shozo Matsuoka, Ph.D
Corporate Officer / Senior Director, Metropolitan area Management & Metropolitan area First Branch	Hiroshi Ichikawa
Corporate Officer / Executive Director, Corporate Development & Strategy	Toichi Takino, Ph.D
Corporate Officer / Director, Kyusyu-Okinawa Branch	Katsuji Teranishi
Corporate Officer, Executive Director, Sales & Marketing	Noriyoshi Matsumoto
Corporate Officer, Executive Director, CMC Production & CMC Research	Takuya Seko, Ph.D
Corporate Officer, Director, Corporate Communications	Yukio Tani
Corporate Officer, Business Unit Director, Oncology Business Unit, Sales & Marketing	Toshihiro Tsujinaka
Corporate Officer, Executive Director, Discovery & Research	Hiromu Habashita, Ph.D

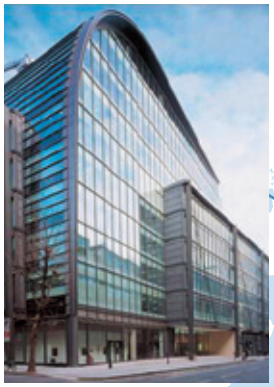
From left:
Kawabata, Awata, Kato,
Sagara, Kurihara, Sano, Ono

From left:
Nishimura, Hishiyama, Sakka, Fujiyoshi

Corporate Information

Corporate Profile (as of March 31, 2016)

Company Name	ONO PHARMACEUTICAL CO., LTD.
Founded	1717
Date of Incorporation	July 4, 1947
Paid-in Capital	¥17,358 million
Number of Shareholders	20,919
Number of Employees	3,116 (consolidated) 2,902 (unconsolidated)



EUROPE
ONO PHARMA UK LTD.

Fukui Research Institute

Tsukuba Research Institute

Minase Research Institute

Fujiyama Plant

Joto Plant

JAPAN
ONO PHARMACEUTICAL CO., LTD.
Headquarters

SOUTH KOREA
ONO PHARMA KOREA CO., LTD.

TAIWAN
ONO PHARMA TAIWAN CO., LTD.

NORTH AMERICA
ONO PHARMA USA, INC.

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

Tokyo Office
2-5, Kanda Suda-cho, Chiyoda-ku, Tokyo 101-0041, Japan

Branches in Japan (as of March 31, 2016)
Hokkaido, Tohoku, Metropolitan area First,
Metropolitan area Second, Kanto-Koushinetsu,
Tokai, Kansai-Hokuriku, Chugoku-Shikoku,
Kyusyu-Okinawa
✻ 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
ONO PHARMA USA, INC.
2000 Lenox Drive, Lawrenceville, NJ 08648, USA
Tel: +1-609-219-1010 Fax: +1-609-219-9229
ONO PHARMA UK LTD.
MidCity Place, 71 High Holborn, London WC1V 6EA, UK
Tel: +44-20-7421-4920 Fax: +44-20-7831-6306
ONO PHARMA KOREA CO., LTD.
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Seoul, 110-150, South Korea
Tel: +82-2-928-8423 Fax: +82-2-925-2151
ONO PHARMA TAIWAN CO., LTD.
Farglory Financial Center 7F-3, No. 1 Songgao Road,
Xinyi District, Taipei City, Taiwan
Tel: +886-2-8786-9750
Oriental Pharmaceutical & Synthetic Chemical Co., Ltd.
Bee Brand Medico Dental Co., Ltd.
Namicos Corporation
Tokai Capsule Co., Ltd.

Corporate Website
http://www.ono.co.jp/eng/

ONO PHARMACEUTICAL CO.,LTD.

VEGETABLE OIL INK

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