

ONO PHARMACEUTICAL CO., LTD.

Notes to Consolidated Financial Statements (Income taxes)

Fiscal year ended March 31, 2022

**16. Income Taxes**

(1) Deferred Income Taxes

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

	<i>Millions of Yen</i>	
	March 31, 2021	March 31, 2022
Deferred tax assets	¥ 34,242	¥ 25,074
Deferred tax liabilities	1,052	1,009
Net	¥ 33,190	¥ 24,064

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

For the year ended March 31, 2021

	<i>Millions of Yen</i>					
	Balance at March 31, 2020	Changes in Accounting Policies	Restated balance at April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Balance at March 31, 2021
Deferred tax assets						
Accrued bonuses	¥ 1,730	¥ –	¥ 1,730	¥ 37	¥ –	¥ 1,768
Accrued enterprise tax	1,087	–	1,087	250	–	1,337
Expenses for research and development commissions and others	41,107	–	41,107	3,961	–	45,068
Investment securities	33	–	33	(10)	–	23
Property, plant, and equipment	2,306	–	2,306	(80)	–	2,226
Intangible assets	61	438	500	6	–	506
Retirement benefit liabilities	3,806	–	3,806	123	(1,045)	2,884
Other accounts payable	1,817	–	1,817	502	–	2,319
Provision for patent royalties	6,341	–	6,341	–	–	6,341
Others	5,664	–	5,664	859	–	6,523
Total	¥ 63,953	¥ 438	¥ 64,391	¥ 5,650	¥ (1,045)	¥ 68,996
Deferred tax liabilities						
Property, plant, and equipment	¥ (4,138)	¥ –	¥ (4,138)	¥ (234)	¥ –	¥ (4,372)
Intangible assets	(2,755)	185	(2,570)	(10)	–	(2,580)
Investment securities	(23,302)	–	(23,302)	(35)	(5,516)	(28,854)
Others	(0)	–	(0)	0	–	–
Total	¥ (30,195)	¥ 185	¥ (30,010)	¥ (279)	¥ (5,516)	¥ (35,806)
Net	¥ 33,758	¥ 623	¥ 34,381	¥ 5,371	¥ (6,561)	¥ 33,190

For the year ended March 31, 2022

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

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

2. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities as of March 31, 2021 and 2022 in Japan is 30.6%.

3. Taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities were not recognized, amounted to ¥4,098 million and ¥5,436 million as of March 31, 2021 and 2022, respectively. This is because the Group is able to control the timing of the reversal of the temporary differences, and it is certain that the temporary differences will not reverse in the foreseeable future.

4. The Group has changed the accounting policy for configuration or customization costs in cloud computing agreements. This change in accounting policy has been applied retrospectively to related accounts for the previous fiscal year.

## (2) Income Tax Expense

Details of income tax expense are as follows:

	<i>Millions of Yen</i>	
	For the year ended March 31, 2021	For the year ended March 31, 2022
Current tax expense	¥ 30,736	¥ 10,018
Deferred tax expense	(5,344)	14,323
Total	¥ 25,392	¥ 24,340

Note: The Group is subject to corporate tax, inhabitant tax, and enterprise tax in Japan, which in the aggregate resulted in an applicable tax rate for current tax expense of 30.6% for the years ended March 31, 2021 and 2022. Overseas subsidiaries use the income tax rates of the countries in which they are located.

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

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

	For the year ended March 31, 2021	For the year ended March 31, 2022
Applicable tax rates	30.6 %	30.6 %
Permanent non-deductible items	0.2	0.2
Non-taxable dividends	(0.1)	(0.1)
Tax credit for research and development, etc.	(6.2)	(7.7)
Others	0.7	0.2
Average actual tax rates	25.2 %	23.2 %

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