

**Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”)**

**Fiscal year ended March 31, 2022**

**Notes to Consolidated financial statements (Income taxes)**

(1) Income taxes

Breakdown of income taxes

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Income taxes – current (Note 1)	13,856	12,069
Income taxes – deferred	(5,115)	(2,079)
Total	8,741	9,990

(Note 1) Movements of liabilities due to valuation of uncertain tax positions are included in “income taxes – current” in each fiscal year.

Reconciliation between the statutory tax rate and the effective income tax rate

The effective tax rate represents ratio of income taxes to profit before income taxes. The Company has been mainly imposed corporate income taxes, resident taxes and business taxes, then the statutory tax rate based on these items is 30.5%. Overseas subsidiaries have been imposed corporate income taxes in each jurisdiction.

(Unit: %)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021
Statutory tax rate	30.5	30.5
Tax credit for experiment and research expenses	(8.0)	(5.6)
Tax rate differences in subsidiaries	(5.9)	(4.8)
Tax credit	(1.2)	(0.9)
Incomes taxes in the past	0.6	(2.1)
Uncertain tax positions	0.4	0.5
Expenses not permanently deductible for income tax purposes, such as entertainment expenses	0.2	1.1
Valuation allowances	(0.1)	(0.5)
Others	(0.5)	0.9
Effective tax rate	16.1	19.1

## (2) Deferred tax assets and deferred tax liabilities

## Breakdown of deferred tax assets and deferred tax liabilities

For the fiscal year ended March 31, 2022

(Unit: Millions of Yen)

	As of April 1, 2021	Recognized through P&L	Recognized through OCI	As of March 31, 2022
<b>Deferred tax assets</b>				
Entrusted R&D expenses	16,334	(356)	—	15,978
Tax credit for experiment and research expenses	28,696	89	—	28,784
Retirement benefit liabilities	3,187	203	476	3,866
Depreciation and amortization	2,718	(217)	—	2,501
Accrued bonuses	3,093	1,647	—	4,740
Deferred charges for tax purposes	9,818	(338)	—	9,480
Unrealized gain on inventories	13,071	3,360	—	16,431
Net operating loss carryforward	914	1,548	—	2,462
Others	17,408	311	(30)	17,689
Sub-total	95,240	6,246	446	101,932
<b>Deferred tax liabilities</b>				
Intangible assets	19,054	(4,938)	—	14,116
Depreciation and amortization	1,433	3,467	—	4,900
Financial assets measured at fair value through OCI	6,551	—	(732)	5,819
Others	1,150	(192)	—	959
Sub-total	28,187	(1,662)	(732)	25,793
Balance (Note 1)	67,052	7,908	1,178	76,138

(Note 1) The difference between the balance recognized through P&L and income taxes – deferred is mainly due to movements of liabilities due to valuation of uncertain tax positions which are offset with deferred tax assets in consolidated statement of financial position and included in income taxes – current in consolidated statement of income, and movements of foreign currencies.

For the fiscal year ended March 31, 2021

(Unit: Millions of Yen)

	As of April 1, 2020	Recognized through P&L	Recognized through OCI	As of March 31, 2021
<b>Deferred tax assets</b>				
Entrusted R&D expenses	13,974	2,360	—	16,334
Tax credit for experiment and research expenses	27,323	1,372	—	28,696
Retirement benefit liabilities	2,300	2,288	(1,401)	3,187
Depreciation and amortization	2,079	639	—	2,718
Accrued bonuses	3,932	(839)	—	3,093
Deferred charges for tax purposes	9,470	349	—	9,818
Unrealized gain on inventories	15,664	(2,593)	—	13,071
Net operating loss carryforward	1,216	(301)	—	914
Others	18,637	(1,175)	(54)	17,408
<b>Sub-total</b>	<b>94,595</b>	<b>2,100</b>	<b>(1,455)</b>	<b>95,240</b>
<b>Deferred tax liabilities</b>				
Intangible assets	18,957	96	—	19,054
Depreciation and amortization	2,622	(1,189)	—	1,433
Financial assets measured at fair value through OCI	5,585	—	965	6,551
Others	1,001	149	—	1,150
<b>Sub-total</b>	<b>28,165</b>	<b>(943)</b>	<b>965</b>	<b>28,187</b>
<b>Balance (Note 1)</b>	<b>66,430</b>	<b>3,043</b>	<b>(2,420)</b>	<b>67,052</b>

(Note 1) The difference between the balance recognized through P&L and income taxes – deferred is mainly due to movements of liabilities due to valuation of uncertain tax positions which are offset with deferred tax assets in consolidated statement of financial position and included in income taxes – current in consolidated statement of income, and movements of foreign currencies.

Deferred tax assets and deferred tax liabilities

(Unit: Millions of Yen)

	As of March 31, 2022	As of March 31, 2021
Deferred tax assets	76,622	67,563
Deferred tax liabilities	483	511
<b>Balance</b>	<b>76,138</b>	<b>67,052</b>

(3) Deferred tax assets not recognized in the consolidated financial statements

The Group does not recognize deferred tax assets when it is not likely to arise sufficient taxable income in the future period to utilize the benefit.

Breakdown of deferred tax assets not recognized in the consolidated financial statements

(Unit: Millions of Yen)

	As of March 31, 2022	As of March 31, 2021
Deductible temporary difference	3,765	3,910
Net operating loss carryforward (Note 1)	12,223	10,752
Tax credit carryforward (Note 2)	5,703	5,304
Total	21,691	19,965

(Note 1) Breakdown by timing of expiration of net operating loss carryforward on which deferred tax assets are not recognized in the consolidated statements

(Unit: Millions of Yen)

	As of March 31, 2022	As of March 31, 2021
Within one year	—	—
Over one year, within five years	1,272	677
Over five years	10,951	10,074
Total	12,223	10,752

(Note 2) Breakdown by timing of expiration of tax credit carryforward on which deferred tax assets are not recognized in the consolidated statements

(Unit: Millions of Yen)

	As of March 31, 2022	As of March 31, 2021
Within one year	145	90
Over one year, within five years	335	46
Over five years	5,223	5,168
Total	5,703	5,304

(4) Temporary differences regarding investments in subsidiaries on which deferred tax liabilities are not recognized in the consolidated statement

For the fiscal year ended March 31, 2022, the amount of temporary differences regarding investments in subsidiaries on which deferred tax liabilities are not recognized in the consolidated statements is ¥435,779 million (¥332,529 million for the fiscal year ended March 31, 2021). The Group does not recognize deferred tax liabilities on the temporary differences when the Company can control the timing of dissolution of the temporary differences and it is likely not to be dissolved within foreseeable period.