

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

Fiscal year ended March 31, 2023

Notes to Consolidated financial statements (Income taxes)

(1) Income taxes

Breakdown of income taxes

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022
Income taxes – current (Note 1)	13,282	13,856
Income taxes – deferred (Note 2)	(25,106)	(5,115)
Total	(11,824)	8,741

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

(Note 2) For the fiscal year ended March 31, 2023, as part of the Group’s capital policy to optimize the global allocation of cash in the Group, the Company received a repayment of paid-in capital of ¥63,622 million from its consolidated U.S. subsidiary, Eisai Corporation of North America. As a result, the Company recognized losses on transferring of investments in subsidiaries for tax purposes and income taxes decreased by ¥21,588 million.

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, 2023	Fiscal year ended March 31, 2022
Statutory tax rate	30.5	30.5
Repayment of paid-in capital from U.S. subsidiary	(48.0)	—
Tax rate differences in subsidiaries	(8.6)	(5.9)
Tax credit for experiment and research expenses	(4.1)	(8.0)
Uncertain tax positions	(1.0)	0.4
Expenses not permanently deductible for income tax purposes, such as entertainment expenses	(0.3)	0.2
Tax credit	(0.0)	(1.2)
Valuation allowances	0.6	(0.1)
Incomes taxes in the past	0.6	0.6
Withholding tax related with dividends from subsidiaries and others	0.8	0.0
Foreign tax deductible adjustment	1.4	—
Others	1.8	(0.5)
Effective tax rate	(26.3)	16.1

(2) Deferred tax assets and deferred tax liabilities

Breakdown of deferred tax assets and deferred tax liabilities

The Group applies the exception to recognizing and disclosing information about deferred tax assets and deferred tax liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD).

For the fiscal year ended March 31, 2023

(Unit: Millions of Yen)

	As of April 1, 2022	Recognized through P&L	Recognized through OCI	As of March 31, 2023
Deferred tax assets				
Entrusted R&D expenses	15,978	(1,245)	—	14,733
Tax credit for experiment and research expenses	28,784	(5,179)	—	23,605
Retirement benefit liabilities	3,866	(204)	(439)	3,223
Depreciation and amortization	2,501	(107)	—	2,394
Accrued bonuses	4,740	(580)	—	4,160
Deferred charges for tax purposes	9,480	8,497	—	17,977
Unrealized gain on inventories	16,431	(753)	—	15,678
Net operating loss carryforward	2,462	27,878	—	30,340
Others	17,689	(1,024)	—	16,665
Sub-total	101,932	27,284	(439)	128,776
Deferred tax liabilities				
Intangible assets	14,116	(1,254)	—	12,862
Depreciation and amortization	4,900	26	—	4,926
Financial assets measured at fair value through OCI	5,819	—	1,549	7,368
Others	959	733	—	1,691
Sub-total	25,793	(495)	1,549	26,848
Balance (Note 1)	76,138	27,778	(1,988)	101,928

(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, 2022

(Unit: Millions of Yen)

	As of April 1, 2021	Recognized through P&L	Recognized through OCI	As of March 31, 2022
Deferred tax assets				
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
Deferred tax liabilities				
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.

Deferred tax assets and deferred tax liabilities

(Unit: Millions of Yen)

	As of March 31, 2023	As of March 31, 2022
Deferred tax assets	102,592	76,622
Deferred tax liabilities	664	483
Balance	101,928	76,138

(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, 2023	As of March 31, 2022
Deductible temporary difference	4,326	3,765
Net operating loss carryforward (Note 1)	13,619	12,223
Tax credit carryforward (Note 2)	5,506	5,703
Total	23,451	21,691

(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, 2023	As of March 31, 2022
Within one year	—	—
Over one year, within five years	1,703	1,272
Over five years	11,915	10,951
Total	13,619	12,223

(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, 2023	As of March 31, 2022
Within one year	—	145
Over one year, within five years	—	335
Over five years	5,506	5,223
Total	5,506	5,703

(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, 2023, the amount of temporary differences regarding investments in subsidiaries on which deferred tax liabilities are not recognized in the consolidated statements is ¥523,581 million (¥435,779 million for the fiscal year ended March 31, 2022). 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.