Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”)
Fiscal year ended March 31, 2024
Notes to Consolidated financial statements (Income taxes)

(1) Income taxes

Breakdown of income taxes

(Unit: Millions of Yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
Income taxes – current (Note 1)	14,502	13,282
Income taxes – deferred (Note 2)	3,537	(25,106)
Total	18,040	(11,824)

(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, 2024	Fiscal year ended March 31, 2023
Statutory tax rate	30.5	30.5
Tax credit for experiment and research expenses	(2.7)	(4.1)
Tax rate differences in subsidiaries	(2.3)	(8.6)
Tax credit	(1.2)	(0.0)
Incomes taxes in the past	0.0	0.6
Withholding tax related with dividends from subsidiaries and others	0.1	0.8
Uncertain tax positions	0.3	(1.0)
Valuation allowances	0.9	0.6
Size-based business tax (Added value component)	1.1	0.4
Expenses not permanently deductible for income tax purposes, such as entertainment expenses	1.3	(0.3)
Repayment of paid-in capital from U.S. subsidiary	—	(48.0)
Foreign tax deductible adjustment	—	1.4
Others	1.0	1.3
Effective tax rate	29.2	(26.3)

(2) Deferred tax assets and deferred tax liabilities

Breakdown of deferred tax assets and deferred tax liabilities

The Group applies “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)” from the fiscal year ended March 31, 2024 and represents amounts after applying retroactively.

For the fiscal year ended March 31, 2024

(Unit: Millions of Yen)

	As of April 1, 2023	Recognized through P&L	Recognized through OCI	As of March 31, 2024
Deferred tax assets				
Entrusted R&D expenses	14,733	352	—	15,085
Tax credit for experiment and research expenses	23,605	10,358	—	33,963
Retirement benefit liabilities	3,223	2,705	(2,360)	3,568
Depreciation and amortization	2,394	(194)	—	2,200
Accrued bonuses	4,160	174	—	4,334
Deferred charges for tax purposes	17,977	(10,163)	—	7,814
Unrealized gain on inventories	15,678	(231)	—	15,447
Net operating loss carryforward	30,340	(2,627)	—	27,713
Others	19,179	929	—	20,108
Sub-total	131,290	1,303	(2,360)	130,232
Deferred tax liabilities				
Intangible assets	12,862	(291)	—	12,571
Depreciation and amortization	4,926	564	—	5,490
Financial assets measured at fair value through OCI	7,368	—	544	7,912
Others	4,205	(68)	—	4,137
Sub-total	29,361	205	544	30,110
Balance (Note 1)	101,928	1,098	(2,904)	100,122

(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, 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	20,707	(1,528)	—	19,179
Sub-total	104,949	26,779	(439)	131,290
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	3,976	228	—	4,205
Sub-total	28,811	(999)	1,549	29,361
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.

Deferred tax assets and deferred tax liabilities

(Unit: Millions of Yen)

	As of March 31, 2024	As of March 31, 2023
Deferred tax assets	100,826	102,592
Deferred tax liabilities	704	664
Balance	100,122	101,928

(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, 2024	As of March 31, 2023
Deductible temporary difference	5,552	4,326
Net operating loss carryforward (Note 1)	12,924	13,619
Tax credit carryforward (Note 2)	6,440	5,506
Total	24,916	23,451

(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, 2024	As of March 31, 2023
Within one year	—	—
Over one year, within five years	—	1,703
Over five years	12,924	11,915
Total	12,924	13,619

(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, 2024	As of March 31, 2023
Within one year	—	—
Over one year, within five years	—	—
Over five years	6,440	5,506
Total	6,440	5,506

(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, 2024, the amount of temporary differences regarding investments in subsidiaries on which deferred tax liabilities are not recognized in the consolidated statements is ¥625,059 million (¥523,581 million for the fiscal year ended March 31, 2023). 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.

(5) Global minimum tax

On March 28, 2023, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 3 of 2023) was enacted in Japan, to introduce a global minimum tax system based on the Pillar Two model rules. The Act is effective for the Company on or after the fiscal year beginning April 1, 2024. The Company evaluated the potential impact of the application of the global minimum tax system based on the most recent Country-by-Country Reports and financial statements of the constituent entities subject to the system, and have concluded that the impact on our consolidated financial statements is not material, although there is a possibility of top-up taxation on the Company until the tax burden in the countries where some subsidiaries are located reaches the 15% Minimum tax rate. 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.