

CONSOLIDATED FINANCIAL REPORT [IFRS] for Fiscal 2020 (Year Ended March 31, 2021)

May 12, 2021

Eisai Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange (TSE)

TSE Code: 4523

URL: <https://www.eisai.com>

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Expected date of ordinary general meeting of shareholders: June 18, 2021

Expected date of annual report submission: June 18, 2021

Expected date of dividend payment commencement: May 21, 2021

Preparation of annual supplementary explanatory material: Yes

Annual results briefing held: Yes

(Figures are rounded to the nearest million yen)

1. Consolidated Annual Financial Results (April 1, 2020 – March 31, 2021)

(1) Consolidated Operating Results

(Percentage figures show year on year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Comprehensive income for the year	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY 2020	645,942	-7.1	51,766	-58.8	52,551	-59.0	42,483	-65.3	42,119	-65.4	71,038	-26.1
FY 2019	695,621	8.2	125,502	45.7	128,063	43.2	122,467	84.2	121,767	92.1	96,190	21.0

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)	Profit ratio to equity attributable to owners of the parent	Profit before income taxes ratio to total assets	Operating profit ratio to revenue
	(¥)	(¥)	(%)	(%)	(%)
FY 2020	146.95	146.90	6.1	4.9	8.0
FY 2019	425.01	424.80	18.6	11.9	18.0

(Reference) Equity in earnings of affiliates: for FY2020: -¥203 million, for FY2019: ¥10 million

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity per share attributable to owners of the parent
	(¥ million)	(¥ million)	(¥ million)	(%)	(¥)
As of March 31, 2021	1,090,009	727,942	703,183	64.5	2,452.97
As of March 31, 2020	1,062,140	702,630	678,127	63.8	2,366.29

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY 2020	73,853	-36,873	-55,908	248,740
FY 2019	102,782	-27,625	-103,528	254,244

2. Dividends

	Annual dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity attributable to owners of the parent ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
FY 2019	—	80.00	—	80.00	160.00	45,860	37.6	7.0
FY 2020	—	80.00	—	80.00	160.00	45,873	108.9	6.6
FY 2021 (Forecast)	—	80.00	—	80.00	160.00		101.3	

3. Consolidated Financial Forecast for Fiscal 2021 (April 1, 2021 – March 31, 2022)

(Percentage figures show year on year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal Year	681,000	5.4	58,000	12.0	58,500	11.3	45,000	5.9	44,500	5.7	158.00

* Explanatory Notes

- (1) Changes in number of significant subsidiaries during the year (changes in specified subsidiaries resulting in a change in scope of consolidation): No
- (2) Changes in accounting policies and accounting estimates:
 - 1) Changes in accounting policies required by IFRS: Yes
 - 2) Changes in accounting policies other than 1): Yes
 - 3) Changes in accounting estimates: No

- (3) Number of shares issued (common shares):

1) Number of shares issued (including treasury shares)	As of March 31, 2021	296,566,949	As of March 31, 2020	296,566,949
2) Number of treasury shares	As of March 31, 2021	9,839,021	As of March 31, 2020	9,903,184
3) Weighted average number of shares outstanding	For FY 2020	286,616,063	For FY 2019	286,506,432

The Company's shares held through a trust (61,510 shares) are not included in the number of treasury shares as of the end of this fiscal year, but are included in the average number of shares outstanding as treasury shares that are deducted from the calculation of earnings per share.

(Reference) Non-consolidated Annual Financial Results (April 1, 2020 – March 31, 2021)

(1) Non-consolidated Operating Results

(Percentage figures show year on year change)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY 2020	345,726	-24.8	7,394	-93.1	8,657	-92.8	7,229	-93.9
FY 2019	459,723	22.4	107,411	78.5	120,876	102.9	118,127	152.6

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
FY 2020	25.22	25.21
FY 2019	412.30	412.10

(2) Non-consolidated Financial Positions

	Total assets	Equity	Shareholders' equity ratio	Shareholders' equity per share
	(¥ million)	(¥ million)	(%)	(¥)
As of March 31, 2021	747,676	508,094	67.9	1,772.24
As of March 31, 2020	779,524	544,176	69.8	1,898.56

(Reference) Shareholders' equity:

As of March 31, 2021 ¥508,041 million

As of March 31, 2020 ¥544,086 million

* This financial report is not subject to audit procedures by independent auditors.

* Explanation concerning the appropriate use of results forecast and other special instructions:

(Caution concerning forward-looking statements)

Materials and information provided in this financial disclosure may contain "forward-looking statements" based on expectations, business goals, estimates, forecasts and assumptions that are subject to risks and uncertainties as of the publication date of these materials. Accordingly, actual outcomes and results may differ materially from these statements depending on a number of important factors. Please refer to pages 16, 52-59 for details with regard to the assumptions and other related matters concerning the consolidated financial forecast.

(Methods for obtaining supplementary materials and content of financial results disclosure meeting)

Supplementary materials are attached to this financial report. The Company plans to hold a financial results disclosure meeting for institutional investors and securities analysts on Wednesday, May 12, 2021. The handouts from the disclosure meeting will be made available on the Company's website after the event.

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1. Overview of Operating Results and Other Information

1) Overview of Operating Results and Financial Position for Fiscal 2020

(1) Overview of Operations

- Based on the medium-term business plan “Plan EWAY” which started in FY 2016, Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”) are aiming to become a Medico Societal Innovator (a company that changes society through the creation of medicines and provision of solutions) and are conducting various efforts for spawning innovation focused on the neurology and oncology areas with strategic partnerships.
- In the neurology area, regarding anti-amyloid beta antibody aducanumab, which is being jointly developed by Eisai and Biogen Inc. (the U.S., hereinafter “Biogen”), Biogen has submitted new drug applications in the United States, Europe, Japan and other countries. Also, we are proactively investing for the launch preparation of aducanumab in order to contribute to patients promptly after obtaining approval. Regarding anti-amyloid beta protofibril antibody lecanemab (development code: BAN2401), which is also being jointly developed with Biogen, the Phase III Study (Clarity AD) for the treatment of early AD is underway. Eisai and Biogen are aiming to obtain the topline results of this study in the second quarter of FY 2022. In addition, a Phase III study (AHEAD 3-45) for preclinical (asymptomatic) AD has been initiated. An in-house created new insomnia treatment Dayvigo was launched in Japan, the United States and other countries. Also, we are expanding the countries in which an antiepileptic agent Fycompa is launched, and adding new indications and additional dosage forms for the agent.
- In the oncology area, revenue for anticancer agent Lenvima became ¥133.9 billion, increasing significantly compared to revenue in the previous fiscal year mainly due to approval for monotherapy as a treatment for thyroid cancer in China and enhanced patient contribution through an indication of endometrial carcinoma in combination with the anti-PD-1 antibody pembrolizumab of Merck & Co., Inc., Kenilworth, N.J., U.S.A. which has been approved in the United States and other countries in the previous fiscal year. The clinical studies for the combination therapy of Lenvima and pembrolizumab in 14 different tumor types across more than 20 indications are underway.

(2) Overview of Operating Results

[Revenue and Profit]

- The Group recorded the following consolidated financial results for the fiscal year from April 1, 2020 to March 31, 2021.

			(¥billion)
	FY 2019	FY 2020	Year on year change (%)
Revenue	695.6	645.9	92.9
Cost of sales	175.7	161.3	91.8
Gross profit	519.9	484.6	93.2
Selling, general and administrative expenses	256.3	281.4	109.8
Research and development expenses	140.1	150.3	107.3
Operating profit	125.5	51.8	41.2
Profit before income taxes	128.1	52.6	41.0
Profit for the year	122.5	42.5	34.7
Profit for the year attributable to owners of the parent	121.8	42.1	34.6
Comprehensive income for the year:	96.2	71.0	73.9
Earnings per share attributable to owners of the parent (basic) (yen):	¥425.01	¥146.95	34.6

- While the continuous growth of the anticancer agent Lenvima, the Group's revenue decreased primarily due to the impact of COVID-19 and the drug price revision in Japan, and decrease in one-time payments for certain option rights and sales milestone payments from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the Group's strategic collaboration (¥33.6 billion for FY 2020, ¥76.2 billion for FY 2019).
- Regarding revenue from global brands, revenue for Lenvima, anticancer agent Halaven, Fycompa and Dayvigo was ¥133.9 billion (119.7% year on year), ¥37.6 billion (93.5% year on year), ¥26.7 billion (105.8% year on year) and ¥3.1 billion, respectively.
- Selling, general and administrative expenses increased significantly mainly due to the increase in shared profit paid to Merck & Co., Inc., Kenilworth, N.J., U.S.A. following Lenvima's revenue growth, proactive investment for the launch of Dayvigo in Japan, the United States and other countries, and launch preparation assuming approval of aducanumab, even though promotion expenses decreased due to the impact of COVID-19.
- Research and development expenses increased significantly due to aggressive resource investment in projects such as lecanemab and aducanumab as well as Lenvima's combination therapy with pembrolizumab, despite factors contributing to decrease in

research and development expenses, such as delays in the progress of some clinical trials due to the impact of COVID-19.

- As a result of the above, operating profit decreased. Profit for the year also decreased due to decrease in operating profit and the impact of income taxes reduction owing to temporary factors in the previous fiscal year.
- Due to COVID-19 infection spread, there was negative impact on revenue following restraint of medical consultation, while there was also a delay in progress of selling, general and administrative expenses and research and development expenses. As a result, the impact of COVID-19 on operating profit and profit for the year was minor.

[Performance by Segment]

(Revenue for each segment indicates revenue from external customers)

The Group's business is comprised of pharmaceutical business and other business. The pharmaceutical business is organized into the following six reporting segments in this report: Japan, Americas (North America), China, EMEA (Europe, the Middle East, Africa, Russia and Oceania), Asia and Latin America (primarily South Korea, Taiwan, Hong Kong, India, ASEAN, Central and South America) and OTC and others (Japan).

<Japan pharmaceutical business>

- Total revenue came to ¥231.9 billion (93.8% year on year), with a segment profit of ¥83.9 billion (89.0% year on year).
- Regarding revenue by products, from neurology products, revenue for insomnia treatment Lunesta totaled ¥13.9 billion (110.3% year on year) and revenue for Fycompa totaled ¥5.1 billion (129.4% year on year), each achieving growth. Co-promotion revenue for Lyrica, a pain treatment being co-promoted with Pfizer Japan Inc., totaled ¥21.5 billion (75.2% year on year) due to launch of generics. Revenue for Aricept, a treatment for AD, totaled ¥9.3 billion (69.9% year on year). Among oncology products, revenue for Lenvima and Halaven came to ¥12.2 billion (92.9% year on year) and ¥8.5 billion (91.6% year on year), respectively. Revenue for fully human anti-TNF- α monoclonal antibody Humira came to ¥52.0 billion (100.2% year on year).
- Dayvigo was launched in July 2020.
- For Fycompa, a new fine granule formulation was launched in July 2020.
- Jyseleca, a JAK (Janus kinase) inhibitor, was launched in November 2020.

<Americas pharmaceutical business>

- Total revenue came to ¥142.8 billion (111.6% year on year), with a segment profit of ¥64.7 billion (107.9% year on year).
- Regarding revenue by products, from neurology products, revenue for antiepileptic agent Banzel and Fycompa came to ¥18.9 billion (84.6% year on year) and ¥12.2 billion (94.0% year on year), respectively. Among oncology products, Lenvima earned ¥81.0 billion (119.0% year on year) demonstrating growth. Revenue for Halaven came to ¥12.6 billion

(86.0% year on year). In November 2020, the rights to receive sales milestone payments for thrombocytopenia treatment avatrombopag were transferred.

- Dayvigo was launched in the United States in June 2020.

<China pharmaceutical business>

- Revenue totaled ¥85.1 billion (110.5% year on year), with a segment profit of ¥40.4 billion (123.3% year on year).
- Regarding revenue by products, revenue for Lenvima totaled ¥18.5 billion (139.2% year on year) achieving growth. Revenue for peripheral neuropathy treatment Methycobal was ¥17.5 billion (86.9% year on year) due to sales price reduction as a result of application of the government's centralized procurement system. Liver disease and anti-allergy agents Stronger Neo-Minophagen C and Glycyron Tablets together recorded ¥10.1 billion (97.9% year on year). Revenue for Aricept was ¥5.8 billion (59.2% year on year) due to share expansion of generics.

<EMEA pharmaceutical business>

- Revenue totaled ¥55.2 billion (103.0% year on year), with a segment profit of ¥25.7 billion (111.8% year on year).
- Regarding revenue by products from neurology products, revenue for Fycompa came to ¥7.6 billion (106.8% year on year), achieving growth. Revenue for antiepileptic agent Zebinix and antiepileptic agent Zonegran came to ¥5.8 billion (89.8% year on year) and ¥3.9 billion (99.3% year on year), respectively. Among oncology products, Lenvima/Kisplyx achieved growth, recording revenue of ¥15.8 billion (124.6% year on year). Revenue for Halaven was ¥12.4 billion (89.6% year on year). The license and co-promotion agreement with Bial-Portela & Ca., S.A. (Portugal) for Zebinix in Europe expired in February 2021.

<Asia and Latin America pharmaceutical business>

- Revenue totaled ¥45.9 billion (98.4% year on year), with a segment profit of ¥18.6 billion (116.8% year on year).
- Regarding revenue by products, Lenvima achieved growth, recording revenue of ¥6.5 billion (135.2% year on year). Revenue from Aricept and Humira came to ¥10.9 billion (100.3% year on year) and ¥8.5 billion (88.6% year on year), respectively.
- Lenvima was launched in Vietnam in September 2020.
- Parkinson's disease treatment Equfina was launched in South Korea in February 2021.

< OTC and others business>

- Revenue totaled ¥25.2 billion (101.0% year on year), with a segment profit of ¥5.1 billion (111.6% year on year).
- While revenue for Chocla BB Group came to ¥13.4 billion (86.7% year on year), the revenue for Etak Group including Etak Antimicrobial Spray α increased.
- New Selbelle Premium was launched in May 2020.
- Sahne Medical Spray and Sahne Medical Cream were launched in August 2020.

(3) Overview of Financial Position

[Assets, Liabilities, and Equity]

- Total assets as of the end of the year amounted to ¥1,090.0 billion (up ¥27.9 billion from the end of the previous fiscal year). Inventories increased as a result of stockpiling for stable supply. In addition, property, plant and equipment increased due to expansion of research facilities and production facilities.
- Total liabilities as of the end of the year amounted to ¥362.1 billion, the same level as the end of the previous fiscal year (up ¥2.6 billion from the end of the previous fiscal year). Although other financial liabilities decreased following the amortization of deposits received (reimbursement for research and development payment from Merck & Co., Inc., Kenilworth, N.J., U.S.A.), trade and other payables increased mainly due to increase of launch preparation expense assuming approval of aducanumab.
- Total equity as of the end of the year amounted to ¥727.9 billion (up ¥25.3 billion from the end of the previous fiscal year). Exchange differences on translation of foreign operations increased due to depreciation of yen.
- As a result of the above, the ratio of equity attributable to owners of the parent was 64.5% (up 0.7 percentage points from the end of the previous fiscal year).

[Cash Flows]

- Net cash from operating activities amounted to an inflow of ¥73.9 billion (down ¥28.9 billion from the previous fiscal year), mainly due to decrease in profit before income taxes.
- Net cash used in investing activities amounted to an outflow of ¥36.9 billion (up ¥9.2 billion from the previous fiscal year), mainly due to capital expenditures (¥37.4 billion, up ¥2.9 billion from the previous fiscal year).
- Net cash used in financing activities amounted to an outflow of ¥55.9 billion (down ¥47.6 billion from the previous fiscal year), mainly due to dividends paid.
- As a result of the above, cash and cash equivalents as of the end of the year stood at ¥248.7 billion (down ¥5.5 billion from the end of the previous fiscal year). Free cash flow (cash flow from operating activities less capital expenditures) for the year was ¥36.4 billion.

(4) Research & Development Pipeline, Alliances, and Other Events

[Status of Ongoing Research & Development Pipelines]

- Anticancer agent Lenvima (product name for renal cell carcinoma indication in Europe: Kispplx, lenvatinib, jointly developed with Merck & Co., Inc., Kenilworth, N.J., U.S.A.)
 - ✧ Approved for use in the treatment of thyroid cancer in over 70 countries including Japan, the United States, in Europe and in Asia. The agent was approved in China in November 2020.
 - ✧ Approved in combination with everolimus for use in the treatment of renal cell carcinoma (second-line) in over 60 countries, including the United States and in Europe.
 - ✧ Approved for use in the treatment of hepatocellular carcinoma (first-line) in over 70 countries including Japan, the United States, in Europe, China and in Asia.
 - ✧ Approved in combination with the anti-PD-1 antibody pembrolizumab from Merck & Co., Inc., Kenilworth, N.J., U.S.A. for the treatment of patients with advanced endometrial carcinoma that is not microsatellite instability-high (MSI-H) or mismatch repair deficient

(dMMR), who have disease progression following prior systemic therapy and are not candidates for curative surgery or radiation in more than 10 countries including the United States, Canada and Australia.

- ✧ In July 2020, regarding applications seeking accelerated approval of the combination therapy with pembrolizumab for the first-line treatment of patients with unresectable hepatocellular carcinoma in the United States, a Complete Response Letter (CRL) was received from the U.S. Food and Drug Administration (FDA). The applications were based on data from the Phase Ib Study 116. Eisai and Merck & Co., Inc., Kenilworth, N.J., U.S.A. will continue to discuss with the FDA to take appropriate next steps, which include conducting a well-controlled clinical trial that demonstrates substantial evidence of effectiveness and the clinical benefit of the combination. The Phase III trial (LEAP-002) evaluating the combination therapy as a treatment for advanced hepatocellular carcinoma (first-line) is currently underway and fully enrolled.
- ✧ In March 2021, the agent was approved for an additional indication (monotherapy) for the treatment of unresectable thymic carcinoma in Japan. In June 2020, the agent received an orphan drug designation for this indication from the Ministry of Health, Labor and Welfare (MHLW) in Japan.
- ✧ In March 2021, the European Medicines Agency accepted the marketing authorization applications in Europe for two additional indications of the combination therapy with pembrolizumab as a treatment for patients with advanced renal cell carcinoma and advanced endometrial carcinoma.
- ✧ In March 2021, an application was submitted in Japan for the additional indication of the combination therapy with pembrolizumab as a treatment for patients with advanced renal cell carcinoma.
- ✧ In April 2021, an application was submitted in Japan for additional indication of the combination therapy with pembrolizumab as a treatment for advanced uterine body cancer. The combination therapy has received orphan drug designation for the indication from the MHLW in Japan in March 2021.
- ✧ In April 2021, the FDA accepted the applications for two additional indications of the combination therapy with pembrolizumab for advanced renal cell carcinoma and for advanced endometrial carcinoma. The FDA has granted Priority Review for both of the applications.
- ✧ The combination therapy with pembrolizumab was granted Breakthrough Therapy Designations for advanced and/or metastatic renal cell carcinoma, and for the potential first-line treatment of patients with advanced unresectable hepatocellular carcinoma not amenable to locoregional treatment in the United States.
- ✧ Regarding studies of the agent in combination with pembrolizumab, respective Phase III studies for endometrial carcinoma (first-line), hepatocellular carcinoma (first-line), melanoma (first-line), nonsquamous non-small cell lung cancer (first-line), PD-L1 positive non-small cell lung cancer (first-line), non-small cell lung cancer (second-line), head and neck cancer (first-line), bladder cancer (first-line) and hepatocellular carcinoma (first-line, in combination with transarterial chemoembolization) are underway in the United States, Europe and other countries. A Phase III study for gastric cancer (first-line) has been initiated and is underway in Japan, the United States, Europe and China. A

Phase III study for colorectal cancer (third-line) has been initiated in the United States, Europe and other countries. A Phase II study for melanoma (second-line), as well as a Phase II basket trial in multiple cancer types are underway in the United States, Europe and other countries. A Phase II study for head and neck cancer (second-line) has been initiated and is underway in the United States and Europe.

○ Anticancer agent Halaven (eribulin)

- ✧ Approved for use in the treatment of breast cancer in over 75 countries including Japan, the United States, in Europe, China and in Asia.
- ✧ Approved for use in the treatment of liposarcoma (soft tissue sarcoma in Japan) in over 75 countries, including Japan, the United States, in Europe and in Asia.
- ✧ A Phase I/II study for the combination therapy of the liposomal formulation of Halaven and anti-PD-1 antibody nivolumab of Ono Pharmaceutical Co., Ltd. (Osaka, Japan) is underway in Japan.
- ✧ The development of the agent in combination with PEGPH20 (a PEGylated recombinant human hyaluronidase being developed by Halozyme Therapeutics, Inc., U.S.) in HER2-negative breast cancer which was in Phase I/II stage in the United States has been finished.
- ✧ The development of the agent in combination with pembrolizumab in triple-negative breast cancer which was in Phase I/II stage in the United States has been finished.

○ Antiepileptic agent Fycompa (perampanel)

- ✧ Approved in over 70 countries including Japan, the United States, in Europe, China and in Asia, as an adjunctive therapy for use in the treatment of partial-onset seizures in patients with epilepsy 12 years of age and older. The agent was approved for monotherapy and adjunctive use in the treatment of partial-onset seizures in patients with epilepsy 4 years of age and older in Japan and the United States.
- ✧ Approved in over 70 countries including Japan, the United States, in Europe and in Asia, as an adjunctive therapy for use in the treatment of primary generalized tonic-clonic seizures in patients with epilepsy 12 years of age and older.
- ✧ In November 2020, the agent was approved by the European Commission for an adjunctive therapy for partial-onset seizures and primary generalized tonic-clonic seizures in pediatric patients with epilepsy.
- ✧ In October 2020, the supplemental new drug applications for monotherapy for partial-onset seizures and pediatric indication for partial onset seizures in patients with epilepsy 4 years or older were accepted in China.
- ✧ A Phase III study for Lennox-Gastaut syndrome is underway in Japan, the United States and Europe.

○ Orexin receptor antagonist Dayvigo (lemborexant)

- ✧ The agent was approved for the treatment of insomnia characterized by difficulties with sleep onset and/or sleep maintenance in adults in the United States.
- ✧ The agent was approved for the treatment of insomnia in Japan.
- ✧ The agent was approved for the treatment of insomnia in Canada and Hong Kong, while

new drug applications seeking approval for the treatment of insomnia were submitted in Australia, Asia and other countries.

- ✧ A Phase II study for irregular sleep-wake rhythm disorder associated with Alzheimer's disease dementia is finished and consideration for future development is underway.
- Anti-amyloid beta antibody aducanumab (jointly developed with Biogen)
 - ✧ In August 2020, a Biologics License Application (BLA) for aducanumab as a treatment for Alzheimer's disease (AD) was accepted in the United States and the application has been granted Priority Review. The Peripheral and Central Nervous System Drugs Advisory Committee Meeting of the FDA was held on November 6, 2020. In January 2021, the FDA has extended the review period by three months and the updated Prescription Drug User Fee Act (PDUFA) action date is set on June 7, 2021.
 - ✧ In October 2020, the Marketing Authorization Application was submitted and accepted in Europe.
 - ✧ In December 2020, a new drug application was submitted in Japan.
 - ✧ In April 2021, Biogen disclosed that it submitted the Marketing Authorization Applications in Brazil, Canada, Australia and Switzerland. The authorities of Canada, Australia and Switzerland are validating whether or not to accept the applications for review.
- Anti-amyloid beta protofibril antibody lecanemab (development code: BAN2401, jointly developed with Biogen)
 - ✧ A Phase III study (Clarity AD) in patients with mild cognitive impairment due to AD or mild AD (collectively known as early AD) is underway in Japan, the United States, Europe and China.
 - ✧ A Phase III study (AHEAD 3-45) for preclinical (asymptomatic) AD has been initiated and is underway. In this study, the agent has been selected by the Alzheimer's Clinical Trials Consortium (ACTC) as a treatment to be evaluated.
- In May 2020, partial changes for additional dosage and administration of fully human anti-TNF- α monoclonal antibody Humira for the treatment of hidradenitis suppurativa were approved in Japan.
- In June 2020, Parkinson's disease treatment Equfina was approved for the treatment of Parkinson's disease in South Korea.
- In November 2020, an additional indication of Humira for the treatment of pyoderma gangrenosum was approved in Japan. This made Humira the world's first drug indicated for the treatment of pyoderma gangrenosum.
- In November 2020, Eleview was approved as a medical device for use as a submucosal injectable composition for endoscopic mucosal resection and submucosal dissection in Japan. Eleview, a submucosal injectable composition, is in-licensed from Cosmo Technologies Ltd. (Ireland) by Eisai's subsidiary EA Pharma Co., Ltd. (Tokyo).
- In March 2021, the manufacturing and marketing approval was obtained for anticancer agent Remitoro (denileukin diftitox (genetic recombinant), development code: E7777) in Japan for the indications of Peripheral T-cell Lymphoma and Cutaneous T-cell Lymphoma.

- In June 2020, a new drug application seeking approval of anticancer agent tazemetostat (development code: E7438) for the treatment of EZH2 gene mutation-positive follicular lymphoma was submitted in Japan.
- In September 2020, a Phase III clinical study of lorcaserin, a selective serotonin 2C receptor agonist, in patients with Dravet syndrome has been initiated and is underway in the United States. Dravet syndrome is a severe type of epilepsy characterized by prolonged seizures that begin in the first year of life. The agent received an orphan drug designation from the FDA for this indication.
- In February 2021, E7090, received an orphan drug designation for a prospective indication for unresectable biliary tract cancer with FGFR2 gene fusion by the MHLW in Japan. E7090 is currently under development as a novel anticancer agent.
- In January 2021, the primary endpoint was met in a Phase III study conducted in Japan for ulcerative colitis treatment carotegrast methyl (development code: AJM300). The agent has been jointly developed by EA Pharma Co., Ltd. and Kissei Pharmaceutical Co., Ltd. (Nagano, Japan).
- In March 2021, anti-microtubule binding region (MTBR) tau antibody E2814 was selected by the Dominantly Inherited Alzheimer Network Trials Unit (DIAN-TU) led by Washington University School of Medicine (U.S.) as the first investigational medicine among anti-tau drugs for their DIAN-TU tau study.
- A Phase II study of E2027, a phosphodiesterase (PDE) 9 inhibitor, for treatment of dementia with Lewy bodies and Parkinson's disease dementia, was initiated in the United States.

[Major Alliances, Agreements and Other Events]

- In April 2020, Eisai and Seikagaku Corporation (Tokyo) entered into an agreement for a co-development and marketing alliance in China for SI-613, a therapeutic agent for osteoarthritis discovered by Seikagaku Corporation. In September 2020, the two companies entered into an agreement for a marketing alliance in South Korea.
- In July 2020, in collaboration with the Global Coalition for Adaptive Research (U.S.), a nonprofit organization, and University of Pittsburgh Medical Center (U.S.), Eisai joined the REMAP-COVID clinical trial that tests multiple interventions for the treatment of patients hospitalized with COVID-19. The enrollment of patients was commenced in October 2020. Eritoran, an investigational TLR (Toll-Like Receptor) 4 antagonist discovered and developed by Eisai, has been selected to be evaluated in the trial.
- In July 2020, Eisai entered into an industry-academia-government joint research agreement with four universities in Japan aiming to create a therapeutic drug for systemic lupus erythematosus by using its in-house discovered new oral TLR 7/8 inhibitor E6742. This joint research project has been selected by the Japan Agency for Medical Research and Development (AMED) for its Cyclic Innovation for Clinical Empowerment (CiCLE) grant program.
- In July 2020, an industry-academia-government joint research agreement among Eisai, Allm Inc. (Tokyo) and Tokyo Medical and Dental University (Tokyo) has been concluded for study of the smartphone application SpO₂ monitoring system linking with “LINE” for COVID-

19 patients in home/hotel recuperation. The joint project has been selected by AMED for its “Technology Development Project for Measures against Viruses and Other Infectious Diseases”.

- In July 2020, Eisai and DeNA Co., Ltd.’s subsidiary DeSC Healthcare Co., Ltd. (Tokyo) began provision of the brain performance application “Easiit App”, co-developed by the two companies, for preparation against dementia based on a business alliance agreement. With the beginning of provision of the Easiit App, the Eisai Dementia Platform has commenced.
- In September 2020, Eisai took over the manufacturing and marketing approval of Equfina in Japan from Meiji Seika Pharma Co., Ltd. (Tokyo).
- In September 2020, Eisai established Eisai Vietnam Co., Ltd., a pharmaceutical sales subsidiary, in Ho Chi Minh City, Socialist Republic of Viet Nam.
- In September 2020, the regulatory approval of Jyseleca (filgotinib) for the treatment of rheumatoid arthritis in patients who have had an inadequate response to conventional therapies, including the prevention of structural joint damage, was granted to Gilead K.K. (Tokyo). Jyseleca is a new, oral, JAK inhibitor. Gilead K.K. holds the manufacturing and marketing approval and Eisai is responsible for product distribution in Japan. The companies collaborate to provide product information in Japan.
- In October 2020, Eisai entered into an industry-academia-government joint development agreement with four research organizations for drug discovery to prevent the aggravation of COVID-19 by utilizing eritoran, and an anti-FKN (fractalkine) antibody E6011, discovered by Eisai’s research subsidiary KAN Research Institute (Hyogo, Japan), and commenced the non-clinical research activities. This project was adopted for the public call by AMED for “Development of therapeutic drugs for the novel coronavirus infection (COVID-19)”.
- In October 2020, Eisai entered into a research collaboration for the development and drug discovery of targeted protein degradation with the University of Tokyo (Tokyo), and established a social cooperation program, “Protein Degradation Drug Discovery” within the Graduate School of Pharmaceutical Sciences in the University of Tokyo.
- In October 2020, Eisai entered into a collaboration with Cogstate, Ltd. (Australia, U.S.) to secure the global development rights and exclusive commercialization rights of all cognitive function tests developed by Cogstate Ltd., including the “Cogstate Brief Battery”. This agreement is an expansion of an existing partnership executed in August 2019 whereby Eisai secured exclusive development and commercialization rights in Japan for the above-mentioned cognitive function tests.
- In October 2020, Eisai’s Chinese subsidiary Eisai China Holdings Ltd. (China) and JD Health (China) established a joint venture company, Unlimit Health Limited, to build a one-stop Health Service Platform for the elderly in China.
- In December 2020, rights for anticancer agent Treakisym were transferred to SymBio Pharmaceuticals Limited (Tokyo) due to expiration of the business alliance.
- In December 2020, the construction of the 5th manufacturing building, a facility specifically designated for formulating anti-cancer drugs, at the Kawashima Industrial Park located (Gifu, Japan) was completed. In addition, the construction of a new injection/research building at Kawashima Industrial Park has begun in March 2021.
- In December 2020, Eisai offered the voluntary retirement program (effective date of retirement: March 31, 2021) and the number of applicants was 150.

- In March 2021, Eisai decided to assent to and support a project led by CA Medlynks Kenya, Ltd., a subsidiary of the healthcare startup company engaged in improving healthcare access in Africa, Connect Afya Co., Ltd. (Hyogo, Japan), which aims to build a new structure for the efficient testing framework for the novel coronavirus infection in Kenya.
- In March 2021, Eisai entered into a research collaboration agreement with Deutsches Zentrum für Neurodegenerative Erkrankungen aiming to create potential novel treatments for neurodegenerative disorders including AD which modulate immune competence in neurons and glia cells.
- In March 2021, Eisai entered into a license agreement with KYORIN Pharmaceutical Co., Ltd. (Tokyo), a subsidiary of KYORIN Holdings, Inc. (Tokyo), for development and distribution of vibegron, a therapeutic agent for overactive bladder, in Thailand, the Philippines, Malaysia and Brunei.
- In April 2021, Gilead K.K. submitted an application for an additional indication for Jyseleca for the treatment of ulcerative colitis with an inadequate response to conventional therapies.
- In April 2021, Eisai entered into a business alliance agreement with Saitama Resona Bank, Limited (Saitama, Japan), a corporation of the Resona Group, for building an ecosystem with the aim of supporting people living with and preventing dementia in Saitama Prefecture.

2) Outlook for the Future (April 1, 2021 – March 31, 2022)

[Consolidated Financial Forecast]

(Percentage figures show year on year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit for the year attributable to owners of the parent		Earnings per share attributable to owners of the parent (basic)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal Year	681,000	5.4	58,000	12.0	58,500	11.3	45,000	5.9	44,500	5.7	158.00

* Assumptions: 1 USD = ¥104.5, 1 EUR = ¥123.5, 1 GBP = ¥136.5, 1 RMB = ¥15.5

<Revenue>

- Revenue is expected to be ¥681,000 million (up 5.4% year on year) primarily due to growth of global brands of Lenvima and Fycompa, and milestone payments expected to be received from Merck & Co., Inc., Kenilworth, N.J., U.S.A. for Lenvima, despite the factors which contribute to decrease in revenue such as the launch of generics for Lyrica and the impact of drug price revision in Japan, patent expiration and contract expiration of some products launched overseas.
- Revenue for Lenvima, Halaven and Fycompa is expected to be ¥172,000 million (up 28.4% year on year), ¥35,000 million (down 6.9% year on year) and ¥32,000 million (up 19.7% year on year), respectively.

<Profit>

- Gross profit is expected to increase 7.9% from the previous fiscal year, as the cost of sales ratio will decrease due to the improvement of the product mix and increase in revenue due to the expansion of global brands.
- As FY 2021 is the first year of a new medium-term business plan “EWAY Future & Beyond”, the Group will continue to invest for the enhancement of medium- to long-term corporate value. Regarding research and development, the Company will continue to invest resources in the development of lecanemab and combination therapies of Lenvima and pembrolizumab which target tumor with high unmet medical needs. Also, in addition to the increase of shared profit following the increase of revenue from Lenvima, the Company will make proactive investment under the partnership with Biogen for projects such as creating a market environment in order to contribute to patients with a next-generation AD treatment. Furthermore, based on the *hhc* philosophy, the Company will invest in digital transformation for the realization of “*hhceco*” (*hhc* philosophy + ecosystem), an ecosystem in which other industries and organizations coexist aiming at removing anxieties. On the other hand, as efficient investment will be made by prioritization, operating profit is expected to come to ¥58,000 million (up 12.0% year on year).
- Profit for the year attributable to owners of the parent is expected to come to ¥44,500 million (up 5.7% year on year) due to increase in operating profit.

3) Basic Policy on Profit Appropriation and Dividend for Fiscal 2020 and 2021

At the Company, the dividend payments are determined by a resolution of the Board of Directors as specified in the Company's Articles of Incorporation. The Company has set the year-end dividend for FY 2020 at ¥80 per share as previously projected. With the interim dividend of ¥80 per share, the Company intends to pay the total dividend of ¥160 per share for the year (the same amount as the previous fiscal year). In this context, the Dividends on Equity (DOE) ratio is 6.6%. The annual dividend for FY 2021 (the fiscal year ending March 31, 2022) is expected to be ¥160 per share (¥80 for interim and ¥80 for year-end dividend), the same amount as FY 2020.

For further information on the Company's dividend policy, please refer to "2. Management Policy 3) Basic Policy for Capital Strategy (2) Sustainable and Stable Shareholder Returns" on page 20.

2. Management Policy

1) Corporate Mission

The Group defines its corporate philosophy as "Giving first thought to patients and their families, and to increasing the benefits that health care provides." Guided by this philosophy, all directors, corporate officers and employees aspire to meet the various needs of global health care as representatives of a "*human health care (hhc)* company" that is capable of making a meaningful contribution under any health care system. The Group's mission is the enhancement of patient satisfaction. The Group believes that revenues and earnings will be generated by fulfilling this mission. The Group places importance on this sequence of placing the mission before the ensuing results.

Translating this *hhc* philosophy into action, the Group is committed to deepening the relationships built on trust with its principal stakeholders, namely patients and their families, shareholders, and employees, while continuously ensuring compliance with applicable laws and ethical standards, thereby enhancing corporate value.

The Company codified this corporate philosophy into its Articles of Incorporation and endeavors to share its basic concept with shareholders.

2) Medium- to Long-term Corporate Management Strategy and Issues that Need to be Addressed

As the super-aging of society progresses not only in industrialized nations but also globally, the structure of the healthcare industry, including pharmaceutical companies, is undergoing significant changes under the innovation taking place in AI and other digital and network technologies. It is shifting from the conventional model with a coherent supply chain to a horizontal division of roles among various players that include start-up companies. To deal with such changes, the Group launched "EWAY Future & Beyond" in April 2021 - a new medium-term business plan that follows "EWAY Current", which commenced in FY 2016.

(1) New Medium-Term Business Plan “EWAY Future & Beyond”

In “EWAY Future & Beyond”, the first five years starting in FY2021 is “EWAY Future”, while FY2026 onward is “EWAY Beyond”. The perspective will be shifted from that of patients to The People or each consumer. With “empowering The People to realize their fullest life” as the vision, we will promote creating solutions based on scientific evidence in the areas of our expertise: neurology and oncology. Additionally, we will further enhance the *hhc* process that is based on the *hhc* philosophy that we have long been implementing. In the *hhc* process, we obtain an understanding of the anxieties of our customers, and we resolve those anxieties by formulating strategies for their removal. We will keep ourselves close to the lives of The People by enhancing this process. As a result of such efforts, we will aim to evolve the *hhc* process to “*hhceco*”, which is a combination of the *hhc* philosophy and an ecosystem that will support and enable The People to realize their fullest life from the time that they are in good health up to the final moments of their lives.

The Eisai Universal Platform (EUP) is the pillar for the achievement of *hhceco*. The EUP is a platform consisting of the assets that are the Group’s strengths. It will aim to remove the diverse anxieties of The People through the construction of an ecosystem in collaboration with various industries, local governments, and others. Through the synchronization of the technologies of various external partners and the in-house technologies (R&D) of the Company, the EUP will also include the virtual or actual delivery of packaged solutions, including pharmaceuticals. Specifically, we will aim to create new solutions through organic collaboration between external technologies and in-house digital technologies, such as data sciences, gene analysis, and data analysis, and drug-discovery technologies. Expected solutions include the following: in the area of daily life, solutions to maintain and support good health, to build awareness related to diseases, as well as those for disease prevention, checkups, and hospital searches; in the medical field, solutions for accurate diagnosis and confirmation of the effectiveness of treatments (drug and non-drug treatments) as well as measures that will contribute to improving quality of life. In relation to the area of daily life, such solutions will be delivered through digital (virtual) means such as apps, websites and social media. In the medical field, the solutions will be delivered through owned media, online services such as digital promotions as well as face-to-face communication. Through these solutions, we will aim to remove the anxieties of The People. Furthermore, in regard to the ecosystem, we will promote the development of insurance products in insurance industry, the development of new programs in relation to disease prevention in fitness industry, and promotion of projects by local governments for disease prevention.

As for research and development under “EWAY Future & Beyond”, through the evolution of biomarkers, we will shift from diagnosis based on symptoms and/or tumors to disease continuum analysis based on pathophysiology, and we will aim for the provision of precision medicine. Specifically, in regard to Alzheimer’s disease (AD), we will realize continuous brain health panel diagnosis, which makes quantitative and over time measurements of pathophysiological biomarkers for a precise diagnosis of each person’s stage within the disease continuum and aim to realize appropriate treatment in which drugs are determined based on precise diagnosis. Meanwhile, in the area of oncology, we will aim to achieve early diagnosis based on genome information and realize individualized medicine that enables selection of the optimal treatment method for each patient by obtaining an even deeper understanding of cancer evolution through

the continuous DNA analysis of the circulating tumor cells in the bloodstream, and next-generation DNA sequence analysis.

Under “EWAY Future & Beyond”, the Group will continue to carry out efforts for new drug development and generation of new evidence to contribute to the elimination of neglected tropical diseases (NTDs) under the partnership with the Japan-based Global Health Innovative Technology (GHIT) Fund, and NPOs and NGOs with extensive experience in drug discovery related to NTDs.

(2) Neurology Area

In the area of neurology, new drug development targeting the AD continuum is currently underway. In regard to the anti-amyloid β antibody aducanumab under joint development with Biogen, applications are currently undergoing reviews by regulatory authorities in the United States, Europe, Japan, and other countries, and we are aiming for its launch as the world’s first disease-modifying drug for AD. As for lecanemab, the anti-amyloid β protofibril antibody which is also under joint development with Biogen, the registration of patients participating in Phase III clinical studies was completed, and we are aiming to obtain topline results by the end of the second quarter of FY2022. AHEAD 3-45, a Phase III clinical study for preclinical (asymptomatic) AD is also currently underway. In addition, joint development with Sysmex Corporation (Hyogo, Japan) is in progress for amyloid β blood tests that enable a simpler diagnosis of AD.

Development of other projects based on the AD continuum are also in progress. In March 2021, anti-microtubule binding region (MTBR) tau antibody E2814 was selected on a clinical study for Dominantly Inherited AD by Dominantly Inherited Alzheimer Network Trials Unit (DIAN-TU) as the first investigational medicine among anti-tau drugs. A Phase II clinical study of E2814 targeting sporadic AD is being planned. As for E2511, the selective Tropomyosin receptor kinase A (TrkA) synapse binding regnerant, Phase I clinical study is underway. It is expected that E2511 will help the restoration of damaged cholinergic nerves to functional neuron and prevent the degeneration of cholinergic nerves.

(3) Oncology Area

Approvals have been obtained globally for the anticancer agent Lenvima for the treatment of five kinds of cancer. Clinical studies (LEAP trials) for the combination therapy of Lenvima and the anti-PD-1 antibody pembrolizumab from Merck & Co., Inc., Kenilworth, N.J., U.S.A. in 14 different tumor types across more than 20 indications are underway. Development of fibroblast growth factor (FGF) receptor selective tyrosine kinase inhibitor E7090, and of CBP/ β -catenin inhibitor E7386, which is expected to inhibit Wnt signaling pathway that is involved in the development of cancer, is currently underway as agents against resistivity related to the combination therapy of Lenvima and pembrolizumab. As treatment agents for low sensitivity related to cancer immunotherapy, we will accelerate the development of selective estrogen receptor alpha covalent antagonist investigational H3B-6545 and MORAb-202, the next-generation antibody-drug conjugate (ADC), which conjugated the approved agent eribulin to an antibody. Furthermore, we are also proceeding with the development of new next-generation pipelines, such as protein

degradation inducing agents and neoantigen inducers, through joint research and development that is merged with external technologies.

3) Basic Policy for Capital Strategy

The Group's capital strategy policy is to improve shareholder value based on "medium- to long-term Return on Equity (ROE^{*1}) management", "sustainable and stable shareholder returns" and "value-creative investment criteria for growth", while maintaining the integrity of its finances.

(1) Medium- to Long-term ROE Management

The Group believes that ROE is an important indicator of the sustainable creation of value for shareholders. In terms of medium- to long-term ROE management, the Company aims for an ROE that exceeds the cost of capital (creation of a positive equity spread^{*2}) by constantly improving profit margins, financial leverage and asset turnover in the medium- to long-term.

(2) Sustainable and Stable Shareholder Returns

In terms of shareholder returns, profits are returned to all shareholders in a sustainable and stable way based on factors such as a healthy balance sheet and comprehensive consideration of the consolidated financial results, Dividends on Equity (DOE^{*3}) and free cash flow, as well as taking into consideration the signaling effect. Because DOE indicates the ratio of dividends to consolidated net assets, the Group has positioned it as an indicator that reflects balance sheet management, and, consequently, capital policy. Acquisition of treasury stock will be carried out appropriately after factors such as the market environment and capital efficiency are taken into account. The Group uses the ratio of equity attributable to owners of the parent and net debt equity ratio as indicators to measure a healthy balance sheet.

(3) Value-Creative Investment Criteria for Growth

To ensure that strategic investments create shareholder value, the Group invests selectively using its Value-Creative Investment Criteria based on Net Present Value and the Internal Rate of Return spread using a risk-adjusted hurdle rate.

^{*1} ROE = Profit attributable to owners of the parent / equity attributable to owners of the parent

^{*2} Equity spread = ROE – Cost of shareholder capital

^{*3} DOE = Dividends paid / equity attributable to owners of the parent

4) Enhancing Non-Financial Value including ESG and Information Disclosure

Eisai believes that the value of a company is a combination of financial value and non-financial value, including environment, society, and governance (ESG). While engaging in business with the *hbc* philosophy at the core, the Group has been strengthening its ESG-related efforts such as reducing the impact on the global environment (environment), improving access to medicines, respecting of human rights and developing human resources (society), and ensuring fairness and transparency of management (governance). In addition, the Group positions these efforts as consistent with the Sustainable Development Goals (SDGs), which are international goals adopted by the United Nations (UN) Summit.

Among ESGs, in particular, Eisai considers making efforts to resolve the global issue of access to medicines to be its duty as well as a long-term investment for the future. Eisai is promoting such efforts proactively under public-private partnerships with governments, international organizations, private non-profit organizations and others. For the elimination of lymphatic filariasis, one of the NTDs endemic in developing and emerging countries, the Group is providing lymphatic filariasis treatment diethylcarbamazine (DEC) tablets to the World Health Organization (WHO) for price zero (free of charge). These DEC tablets are manufactured at the Group's Vizag Plant in India. The Group will continue to supply DEC tablets until lymphatic filariasis is eliminated in all endemic countries that need DEC tablets. As of the end of March 2021, 2.01 billion tablets had been supplied to 28 countries. Furthermore, the Group is carrying out new drug development for tuberculosis, malaria and other NTDs such as mycetoma. The Group is also supporting activities to raise awareness and enable early detection of non-infectious diseases, such as dementia and cancer. Affordable pricing, which makes it easier for patients to purchase medication, and tiered pricing, which sets prices according to income levels, are also being implemented as part of activities carried out by the Group to improve access to medicines around the world.

Regarding the environment, Eisai has set a scientifically-based greenhouse gas reduction target for FY 2030 and obtained approval from the Science Based Targets (SBT) initiative. In addition, the entire Group is actively working for the formation of a low-carbon society with initiatives such as systematically increasing the rate of renewable energy. Also, Eisai set a medium-term goal of switching all electricity used by the entire the Group to renewable energy in 2030 and a long-term goal of aiming to achieve carbon neutrality which results in no net release of carbon dioxide into the atmosphere by balancing greenhouse gas emissions and its absorption in 2040. Furthermore, the Group has endorsed the TCFD (Task Force on Climate-related Financial Disclosure), an international framework for analyzing the risks and opportunities of climate change impacts on companies and seeking information disclosure and is constantly investigating how to strengthen the Group's climate strategy.

Regarding human rights, the Group has been working on further to improve non-financial value by creating a human rights policy and constructing a due diligence mechanism based on the United Nations "Guiding Principles on Business and Human Rights", which is internationally recognized as a guideline. Information regarding non-financial value of the Group, including ESG, is disclosed in the Integrated Report and Environmental Report, based on the framework of the IIRC (International Integrated Reporting Council).

<https://www.eisai.com/ir/library/annual/index.html>

The Company is always aiming for the best corporate governance and strives continually for its enhancement. The Company's corporate governance initiatives, including the Corporate Governance Report, are posted on its website.

<https://www.eisai.com/company/governance/index.html>

5) Compliance and Risk Management

The Group defines “compliance” as the observance of the highest legal and ethical standards and positions it at the core of its management activities. In addition, the Group defines “internal control” as the systems and processes that are constructed and operated within the company in order to carry out its business activities properly and efficiently and shares the “Internal Control Policy” with all its officers and employees. At the same time, the Group has appointed a Corporate Officer to take the role of Chief Compliance Officer & Internal Control to further enhance compliance and internal control globally. These compliance activities periodically undergo objective reviews by the Compliance Committee that consists of external experts for further improvement.

3. Basic Approach to the Selection of Accounting Standards

In order to make it more convenient for various stakeholders including shareholders and investors in Japan and overseas by improving disclosure and comparability of financial information on an international basis, the Company voluntarily adopted IFRS from the fiscal year ended March 31, 2014 and has disclosed its consolidated financial statements in accordance with IFRS from the first three-month period ended March 31, 2015.

4. Consolidated Financial Statements and Major Notes

1) Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Revenue	645,942	695,621
Cost of sales	(161,310)	(175,693)
Gross profit	484,632	519,929
Selling, general and administrative expenses	(281,396)	(256,297)
Research and development expenses	(150,299)	(140,116)
Other income	1,450	6,393
Other expenses	(2,621)	(4,406)
Operating profit	51,766	125,502
Financial income	2,145	4,023
Financial costs	(1,360)	(1,462)
Profit before income taxes	52,551	128,063
Income taxes	(10,068)	(5,596)
Profit for the year	42,483	122,467
Profit for the year attributable to		
Owners of the parent	42,119	121,767
Non-controlling interests	364	700
Earnings per share		
Basic (yen)	146.95	425.01
Diluted (yen)	146.90	424.80

2) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Profit for the year	42,483	122,467
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income (loss)	3,216	(6,151)
Remeasurements of defined benefit plans	3,185	(2,918)
Subtotal	6,401	(9,068)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	22,031	(17,434)
Cash flow hedges	124	226
Subtotal	22,155	(17,208)
Total other comprehensive income (loss), net of tax	28,556	(26,276)
Comprehensive income (loss) for the year	71,038	96,190
Comprehensive income (loss) for the year attributable to		
Owners of the parent	70,607	95,485
Non-controlling interests	431	705

3) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2021	As of March 31, 2020
Assets		
Non-current assets		
Property, plant and equipment	160,933	144,638
Goodwill	171,783	168,682
Intangible assets	108,641	106,094
Other financial assets	43,817	39,779
Other assets	19,567	15,104
Deferred tax assets	66,923	66,438
Total non-current assets	571,665	540,735
Current assets		
Inventories	85,118	65,735
Trade and other receivables	160,310	180,022
Other financial assets	267	1,555
Other assets	23,909	19,849
Cash and cash equivalents	248,740	254,244
Total current assets	518,344	521,405
Total assets	1,090,009	1,062,140

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2020
Equity		
Equity attributable to owners of the parent		
Share capital	44,986	44,986
Capital surplus	77,628	77,609
Treasury shares	(34,049)	(34,338)
Retained earnings	507,976	505,359
Other components of equity	106,641	84,511
Total equity attributable to owners of the parent	703,183	678,127
Non-controlling interests	24,759	24,503
Total equity	727,942	702,630
Liabilities		
Non-current liabilities		
Borrowings	49,908	54,945
Other financial liabilities	39,825	36,572
Provisions	1,386	1,346
Other liabilities	14,420	14,112
Deferred tax liabilities	511	569
Total non-current liabilities	106,050	107,545
Current liabilities		
Borrowings	39,985	34,994
Trade and other payables	94,548	76,879
Other financial liabilities	16,992	25,507
Income taxes payable	2,522	5,355
Provisions	17,850	18,739
Other liabilities	84,119	90,492
Total current liabilities	256,017	251,965
Total liabilities	362,067	359,510
Total equity and liabilities	1,090,009	1,062,140

4) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of the parent				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial assets measured at fair value through other comprehensive income (loss)	Remeasurements of defined benefit plans
As of April 1, 2020	44,986	77,609	(34,338)	505,359	—	—
Profit for the year	—	—	—	42,119	—	—
Other comprehensive income (loss)	—	—	—	—	3,216	3,143
Comprehensive income (loss) for the year	—	—	—	42,119	3,216	3,143
Dividends	—	—	—	(45,868)	—	—
Share-based payments	—	(37)	—	—	—	—
Acquisition of treasury shares	—	—	(22)	—	—	—
Disposal of treasury shares	—	84	312	—	—	—
Reclassification	—	—	—	6,359	(3,216)	(3,143)
Other changes	—	(28)	—	8	—	—
Total transactions with owners	—	20	290	(39,502)	(3,216)	(3,143)
As of March 31, 2021	44,986	77,628	(34,049)	507,976	—	—

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Equity attributable to owners of the parent		
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity			
As of April 1, 2020	84,704	(192)	84,511	678,127	24,503	702,630
Profit for the year	—	—	—	42,119	364	42,483
Other comprehensive income (loss)	22,006	124	28,489	28,489	67	28,556
Comprehensive income (loss) for the year	22,006	124	28,489	70,607	431	71,038
Dividends	—	—	—	(45,868)	(214)	(46,082)
Share-based payments	—	—	—	(37)	—	(37)
Acquisition of treasury shares	—	—	—	(22)	—	(22)
Disposal of treasury shares	—	—	—	396	—	396
Reclassification	—	—	(6,359)	—	—	—
Other changes	—	—	—	(21)	39	18
Total transactions with owners	—	—	(6,359)	(45,551)	(175)	(45,726)
As of March 31, 2021	106,710	(69)	106,641	703,183	24,759	727,942

Fiscal year ended March 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Retained earnings	Financial assets measured at fair value through other comprehensive income (loss)	Remeasurements of defined benefit plans
As of April 1, 2019	44,986	77,590	(34,671)	438,489	—	—
Profit for the year	—	—	—	121,767	—	—
Other comprehensive income (loss)	—	—	—	—	(6,151)	(2,917)
Comprehensive income (loss) for the year	—	—	—	121,767	(6,151)	(2,917)
Dividends	—	—	—	(45,849)	—	—
Share-based payments	—	(62)	—	—	—	—
Acquisition of treasury shares	—	—	(64)	—	—	—
Disposal of treasury shares	—	67	396	—	—	—
Reclassification	—	—	—	(9,068)	6,151	2,917
Other changes	—	13	—	20	—	—
Total transactions with owners	—	19	332	(54,896)	6,151	2,917
As of March 31, 2020	44,986	77,609	(34,338)	505,359	—	—

	Equity attributable to owners of the parent					
	Other components of equity					
	Exchange differences on translation of foreign operations	Cash flow hedges	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2019	102,144	(418)	101,726	628,120	23,862	651,981
Profit for the year	—	—	—	121,767	700	122,467
Other comprehensive income (loss)	(17,440)	226	(26,282)	(26,282)	6	(26,276)
Comprehensive income (loss) for the year	(17,440)	226	(26,282)	95,485	705	96,190
Dividends	—	—	—	(45,849)	(45)	(45,894)
Share-based payments	—	—	—	(62)	—	(62)
Acquisition of treasury shares	—	—	—	(64)	—	(64)
Disposal of treasury shares	—	—	—	464	—	464
Reclassification	—	—	9,068	—	—	—
Other changes	—	—	—	33	(18)	15
Total transactions with owners	—	—	9,068	(45,478)	(64)	(45,542)
As of March 31, 2020	84,704	(192)	84,511	678,127	24,503	702,630

5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Operating activities		
Profit before income taxes	52,551	128,063
Depreciation and amortization	36,299	33,700
Impairment losses	213	12,296
(Increase) decrease in working capital	264	(43,926)
Interest and dividends received	1,855	4,027
Interest paid	(1,026)	(1,079)
Income taxes paid	(17,889)	(19,970)
Income taxes refund	1,067	639
Other	518	(10,968)
Net cash from (used in) operating activities	73,853	102,782
Investing activities		
Purchases of property, plant and equipment	(19,148)	(15,263)
Proceeds from sale of property, plant and equipment	37	5,750
Purchases of intangible assets	(18,996)	(34,963)
Proceeds from sale of subsidiaries	—	5,832
Payments on investments in joint ventures	(227)	—
Purchases of financial assets	(2,650)	(1,907)
Proceeds from sale and redemption of financial assets	3,548	6,000
Payments of time deposits exceeding three months	(5)	(241)
Proceeds from redemption of time deposits exceeding three months	201	7,039
Other	367	128
Net cash from (used in) investing activities	(36,873)	(27,625)
Financing activities		
Net increase (decrease) in short-term borrowings	—	(9,000)
Proceeds from long-term borrowings	34,918	—
Repayments of long-term borrowings	(35,000)	(40,000)
Repayments of lease liabilities	(9,960)	(8,931)
Dividends paid	(45,868)	(45,849)
Other	1	252
Net cash from (used in) financing activities	(55,908)	(103,528)
Effect of exchange rate change on cash and cash equivalents	13,424	(9,309)
Net increase (decrease) in cash and cash equivalents	(5,503)	(37,680)
Cash and cash equivalents at beginning of year	254,244	291,924
Cash and cash equivalents at end of year	248,740	254,244

6) Notes to Consolidated Financial Statements

(Going Concern)

Not applicable

(Basis of Preparing Consolidated Financial Statements)

(1) Compliance

As the Company meets the requirements of a "Specified Company," pursuant to Article 1-2 of the Consolidated Financial Statement Ordinance, the consolidated financial statements of the Group have been prepared in accordance with IFRS subject to the provisions of Article 93 of said Ordinance.

(2) Basis of measurement

The consolidated financial statements are prepared on an acquisition cost basis except for the financial instruments that are measured at fair value, assets (liabilities) of post-employment benefit plans and other factors.

(3) Presentation currency and unit

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures less than 1 million yen are rounded to the nearest million yen.

(4) Changes in accounting policies

Below are the accounting policies and interpretations the Group applied from the fiscal year ended March 31, 2021. None of the following accounting standards and interpretations applied by the Group has any major impact on the consolidated financial statements for the fiscal year ended March 31, 2021.

Effective from the fiscal year ended March 31, 2021, the Group adopts early application of IFRS 16 "Leases" in order to be able to use any practical expedient to exempt the evaluation whether it corresponds to the amendment of lease terms in case the rent concessions related to COVID-19 occurs.

Accounting standards and interpretations		Mandatory application (Date of commencement)	Date applied by the Group	Description
IAS 1	Presentation of Financial Statements	January 1, 2020	Fiscal year ended March 31, 2021	Amendments of definition of "Material"
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			
IFRS 7	Financial Instruments: Disclosures	January 1, 2020	Fiscal year ended March 31, 2021	Providing temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform
IFRS 9	Financial Instruments			
IAS 39	Financial Instruments: Recognition and Measurements			
IFRS 16	Leases	June 1, 2020	Fiscal year ended March 31, 2021 Early application	Amendments of rent concessions related to COVID-19

(5) New accounting standards and interpretations not yet applied by the Group

As of the date of approval of the consolidated financial statements by the Group, main new accounting standards and interpretations that have been issued are as follows:

Accounting standards and interpretations	Mandatory application (Date of commencement)	To be applied by the Group	Description
IFRS 4 Insurance Contracts IFRS 7 Financial Instruments: Disclosures IFRS 9 Financial Instruments IFRS 16 Leases IAS 39 Financial Instruments: Recognition and Measurements	January 1, 2021	Fiscal year ending March 31, 2022	Amendments to the effects on financial statements when replacing the old interest rate benchmark with an alternative benchmark rate as a result of IBOR reform
IFRS 16 Leases	April 1, 2021	Fiscal year ending March 31, 2022	Amendments to the extension of the application period concerning rent concessions related to COVID-19
IAS 16 Property, Plant and Equipment	January 1, 2022	Fiscal year ending March 31, 2023	Amendments to proceeds before intended use of property, plant and equipment
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Fiscal year ending March 31, 2023	Clarifying cost of fulfilling onerous contracts
IFRS 3 Business Combinations	January 1, 2022	Fiscal year ending March 31, 2023	Amendments to reference to the Conceptual Framework
IAS 1 Presentation of Financial Statements	January 1, 2023	Fiscal year ending March 31, 2024	Clarifying of the classification of liabilities as current or non-current
IAS 1 Presentation of Financial Statements	January 1, 2023	Fiscal year ending March 31, 2024	Amendments to disclosure of material accounting policy information
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	Fiscal year ending March 31, 2024	Clarifying the distinction between changes in accounting policies and changes in accounting estimates
IFRS 10 Consolidated Financial Statements IAS 28 Investments in Associates and Joint Ventures	Not decided	Not decided	Amendments to accounting for selling assets to associates

As of the reporting date, the Group has not yet applied these accounting standards and interpretations. The impact on the consolidated financial statements by these standards and interpretations which are to be applied by the Group is under evaluation.

(Significant Accounting Policies)

The Group's significant accounting policies described below are applied to the consolidated financial statements throughout the period.

(1) Basis of consolidation

The Group's consolidated financial statements are prepared based on the financial statements of the Company, its subsidiaries, its associate and its equity in joint ventures (associated companies accounted for using the equity method) under uniform accounting policies. In cases where accounting policies applied by a subsidiary or associated companies accounted for using the equity method are different from those applied by the Group, adjustments are made to their financial statements as needed. In addition, all inter-company transactions, balances and unrealized gains/losses from inter-company transactions are eliminated in the consolidated financial statements.

a) Subsidiary

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when the Group has the power over the investee, is exposed to variable returns from involvement with the investee, and has the ability to use power over the investee to affect the investor's return.

A subsidiary's financial statements are included in the consolidated statements from the date the Group obtains control of the subsidiary until the date the Group loses control of it. Changes in the Group's interest in a subsidiary that do not result in losing control of the subsidiary are accounted for as equity transactions in which the difference between the adjustment amount of non-controlling interests and fair value of the consideration is directly recognized as retained earnings and made attributable to the owners of the parent.

b) Associate

An associate is an entity over which the Group has significant influence on their management policies but does not have control. An investment in an associate is accounted for using the equity method on all associates from the date the Group obtains significant influence until the date the Group loses significant influence.

c) Joint arrangements

A joint arrangement is an arrangement in which the Group has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

The Group classifies its involvement in joint arrangements, depending on the rights and obligations of the parties involved in the arrangements, into joint operations (where the Group has rights to the assets and obligations to the liabilities in relation to the arrangements) and joint ventures (where the Group has only rights to the net assets in the arrangements).

The Group recognizes its share of the assets, liabilities, income and expenses related to joint operations.

The Group accounts for its equity in joint ventures using the equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

Based on the acquisition method, acquisition costs are the sum of the considerations measured at fair value at the acquisition date and the amount of non-controlling interest in the acquiree. Non-controlling interests are measured at either fair value or the proportionate share in the recognized net amount of the acquiree's identifiable assets and liabilities. Acquisition-related costs are recognized as expenses in the period during which the costs are incurred.

In the case that the sum of fair value of the consideration, non-controlling interests in the acquiree and the fair value of the proportionate share that the Group has held before at the date the Group obtains control of the acquiree exceeds the net amount of identifiable assets and liabilities, the difference is recognized as goodwill. On the other hand, if the sum of the considerations of acquisition is lower than the net amount of identifiable assets and liabilities, the difference is recognized as profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting is incomplete are reported in the consolidated financial statements. The provisional amounts recognized at the acquisition date are retrospectively adjusted during the measurement period. The measurement period is the period starting from the acquisition date and lasting up to a maximum of one year, during which the Group obtains comprehensive information about facts and circumstances that existed at the acquisition date.

(3) Foreign currency translation

Each company in the Group determines its own functional currency for its separate financial statements, and transactions of these companies are presented in their functional currency. However, the consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

Foreign currency transactions are translated into the Company's functional currency using exchange rates at the date of transactions or approximations of rates at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rates at the consolidated fiscal year-end date. Exchange differences arising from translation or settlement are recognized in profit or loss.

For the purpose of recording operating results and financial positions of foreign operations in the consolidated financial statements, assets and liabilities of foreign operations are presented in Japanese yen translated at spot exchange rates at the consolidated fiscal year-end date. Income and expense items of foreign operations are translated at average exchange rates. The resulting translation differences are recognized as other comprehensive income, while the cumulative amounts are recognized as other components of equity. In addition, accumulated translation differences are recognized as profit or loss when the foreign operations are disposed of.

(4) Revenue

The Group recognizes revenue from contracts with customers based on the following five-step approach. Considerations of revenue recognized by the Group are usually received within one year from satisfaction of performance obligations and do not include any significant financing component.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

a) Revenue from pharmaceutical goods sales

The Group usually recognizes revenue from pharmaceutical goods sales on delivery of the goods as the Group judges that its performance obligations are satisfied when the customer obtains control of the goods on delivery. The amount of revenue is measured as the promised considerations in a contract with the customer less discounts, rebates and returned goods estimated by the most likely amount method, based on the contract conditions and past results.

b) License revenue

The Group recognizes license revenue such as upfront payments, milestone payments and sales-based royalties for its developing or developed products.

For revenue related to upfront payments and milestone payments, in case that the Group judges that the performance obligations are satisfied when the customer obtains control of the license at the point in time that the license is granted, the Group recognizes the revenue at that point in time.

The Group recognizes revenue from sales-based royalties when subsequent sales occur or the performance obligations allocated to sales-based royalties are satisfied, whichever is later.

c) Co-promotion revenue (provision of services)

The Group recognizes co-promotion revenue when it provides co-promotion activities to the customer as the Group judges that its performance obligations are satisfied at the point in time. The Group recognizes its portion of the expenses incurred from the co-promotion activities as selling, general and administrative expenses.

(5) Co-development and co-promotion

The Group has signed co-development and co-promotion agreements on its developing or developed products with its alliance partners. Pharmaceutical goods sales (goods sales) are recorded on revenue and the relevant expenses are recorded in total on cost of sales, selling, general and administrative expenses and research and development expenses (R&D expenses), respectively. The Group records the partners' proportionate share of revenue generated from its pharmaceutical goods sales on selling, general and administrative expenses as co-promotion expenses.

Based on the above agreements and the economic conditions, the Group allocates the received considerations (upfront payments, milestone payments) from the alliance partners to license grant, co-development activity, and co-promotion activity.

a) License grant

In accordance with the above "(4) Revenue: b) License revenue", license grant is recognized as revenue. Based on the above agreements and the economic conditions, revenue, which does not fall under the category of revenue from contracts with customers, is classified as revenue arising from other sources.

b) Co-development activity

Considerations allocated as co-development activity are recorded as reversal of R&D expenses according to the progress of co-development activity.

c) Co-promotion activity

Considerations allocated as co-promotion activity are recorded as reversal of other income or the relevant expenses (cost of sales and selling, general and administrative expenses) according to the progress and results of co-promotion activity.

Global Strategic Collaboration for anticancer agent Lenvima between Eisai Co., Ltd. and Merck & Co., Inc., Kenilworth, N.J., U.S.A.

In March 2018, the Company entered into Global Strategic Collaboration for anticancer agent Lenvima with Merck & Co., Inc., Kenilworth, N.J., U.S.A. focusing on the oncology field. Under the agreement, the Company and Merck & Co., Inc., Kenilworth, N.J., U.S.A. are co-developing and co-promoting Lenvima, both as monotherapy and in combination with Merck & Co., Inc., Kenilworth, N.J., U.S.A.'s anti-PD-1 therapy, KEYTRUDA (pembrolizumab).

Merck & Co., Inc., Kenilworth, N.J., U.S.A. paid the Group an upfront payment of \$300 million. In addition, Merck & Co., Inc., Kenilworth, N.J., U.S.A. paid up to a maximum payment of \$650 million for certain option rights before the fiscal year ended March 31, 2021. Besides, Merck & Co., Inc., Kenilworth, N.J., U.S.A. paid the Group \$450 million as reimbursement for R&D expenses when the agreement was conducted. Furthermore, the Group is eligible to receive up to \$385 million associated with the achievements of certain clinical and regulatory milestones and a maximum of up to \$3,975 million for the achievements of milestones associated with sales.

Accounting procedures regarding the agreement are as follows:

- Since establishment of the collaboration, revenue and cost of sales for Lenvima are recorded by the Group. Selling, general and administrative expenses related to Lenvima in the Group as well as shared profit for Lenvima paid by the Group to Merck & Co., Inc., Kenilworth, N.J., U.S.A. are recorded on selling, general and

administrative expenses.

- R&D expenses related to Lenvima in connection with monotherapy and in combination with KEYTRUDA are also shared equally between the two companies. When the agreement was conducted, the Group received \$450 million as reimbursement for R&D expenses from Merck & Co., Inc., Kenilworth, N.J., U.S.A. and recorded it as deposits received. On each occasion that R&D expenses related to Lenvima occur in the Group, the Group withdraw these deposits received and record as reversal of R&D expenses. The amount of the deposits received from Merck & Co., Inc., Kenilworth, N.J., U.S.A. was zero as of March 31, 2021.
- Under this agreement, the Group allocates the upfront payment, certain option rights and sales milestone payments to the consideration of the license grant. According to the regulatory milestone payments applied, the Group allocates them to the considerations of the licensing and co-development activity, respectively.

(6) Research and development expenses

a) Research expenses

Expenditures on research activities (including collaborative research and contract research) are recognized as R&D expenses.

b) Development expenses

Expenditures on development activities are recognized as intangible assets only if they meet the conditions of internally generated intangible assets. Internally incurred development expenses in the Group do not meet these conditions as there are risks that developing products may not get marketing authorization and developing activities may be delayed or discontinued. Therefore, these are recognized as R&D expenses.

Acquired in-process research and development investments from external entities are recognized as intangible assets.

In case that the Group receives contributions for developments from alliance partners in accordance with the collaborative research and development agreement, the contributions are deducted from R&D expenses according to the progress of development activities.

(7) Employee benefits

a) Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans.

Regarding defined benefit plans, current service costs are recognized as expenses using the projected unit credit method in actuarial calculations made at each consolidated fiscal year-end date. All of the actuarial gains/losses incurred in the period are recognized as other comprehensive income, while the cumulative amounts are reclassified to retained earnings after they are recognized as other components of equity. Retirement benefit liabilities recognized in the consolidated financial statements are the net defined benefit plan obligations that the present value of the defined benefit obligations less the fair value of the plan assets, while retirement benefit assets will be recognized if the fair value of the plan assets exceeds the present value of the defined benefit plan obligations. Regarding defined contribution plans, contributions of the Group are recognized as expenses at the time employees render services that give pension rights to them.

b) Termination benefits

Termination benefits are provided in case that the Group decides to terminate an employee's employment before the normal retirement date, or an employee voluntarily decides to accept an offer of benefits in exchange for the termination of employment. The termination benefits are recognized as expenses upon termination of employment when the Group can no longer withdraw the offer of the benefits or the restructuring costs related to termination benefits are recognized, whichever comes first. Termination benefits are measured based on the number of employees expected to accept the offer if the Group offers incentives to early voluntary retirement to employees.

(8) Share-based payments

a) Stock option system

The Company had granted a part of directors, corporate officers and employees equity-settled share-based payments (stock options) until the fiscal year ended March 31, 2013.

Services received as considerations of stock options are recognized as expenses, while corresponding amounts are recognized as an increase in equity. These expenses are the fair value of stock options that are evaluated by using appropriate price models at the grant date, and recognized as expenses using the straight-line method over the vesting period. Expired rates at the time of final vesting are considered when the Company makes estimations for evaluation. In case that the estimation is revised, adjustments are made over the remaining vesting period.

b) Performance-related share-based compensation system

The Company has introduced a performance-related share-based compensation system that distributes the Company's shares to corporate officers every year based on performance from the fiscal year ended March 31, 2014. The Group measures considerations of services rendered referring to the fair value of the Company's shares granted. Considerations of services calculated are recognized as expenses while the corresponding amount is recognized as an increase in equity.

(9) Income taxes

Income taxes are presented as the sum of current income taxes and deferred income taxes.

a) Current income taxes

Current income taxes are calculated based on current taxable income. Tax rates that have been enacted or substantively enacted at the consolidated fiscal year-end date are used for tax calculation. Income taxes receivable and payable are measured at the amount expected to be paid to or refunded from the taxation authorities.

b) Deferred income taxes

Deferred income taxes are calculated based on temporary differences between the tax base and the carrying amount for assets and liabilities using the balance sheet liability method. In principle, deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized only when it is probable that taxable income will be available against which the deductible temporary differences can be utilized. However, the following deferred tax assets and liabilities on temporary differences are not recognized.

(i) Temporary differences arising from goodwill

(ii) Temporary differences arising from the initial recognition of assets or liabilities in transactions which affect neither accounting profit nor taxable income (except for a business combination).

Regarding taxable temporary differences arising from investments in subsidiaries and associates, deferred tax liabilities are not recognized if the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

Furthermore, regarding deductible temporary differences arising from investments in subsidiaries and associates, deferred tax assets are recognized only when sufficient taxable income in order to realize benefits from the temporary differences will be available, and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated using tax rates that will be expected to be applied when the deferred tax assets will be recovered or the deferred tax liabilities will be settled based on acts that have been enacted or substantively enacted by the consolidated fiscal year-end date.

Deferred tax assets and liabilities are offset when the Company or its subsidiaries have legally enforceable rights to offset income tax receivables and payables, and they intend to settle them as offset amounts.

(10) Property, plant and equipment

Property, plant and equipment is measured using the cost model and is presented at acquisition cost less accumulated depreciation and accumulated impairment loss.

The acquisition cost includes any costs directly attributable to purchase of assets and present value of removal and restoration costs. In case that certain conditions are met, borrowing costs that are directly attributable to the acquisition and construction of assets are included in the acquisition costs of the assets.

Depreciation is recognized by reducing acquisition cost of assets less residual value using the straight-line method over the estimated useful lives of the assets. Estimated useful lives, residual value and depreciation methods are reviewed at each consolidated fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant property, plant and equipment are as follows. Details of Right-of-use assets are described in “(18) Leases”.

(i) Buildings	15 to 50 years
(ii) Machinery and equipment	5 to 20 years
(iii) Right-of-use assets	3 to 20 years

Gains/losses arising from sales or disposal of property, plant and equipment are presented as other income or other expenses.

(11) Intangible assets

Intangible assets are measured using the cost model and are presented at acquisition cost less accumulated amortization and accumulated impairment loss.

Intangible assets acquired separately are measured at the acquisition costs upon initial recognition. Those acquired through business combinations are measured at fair value at the acquisition date.

Amortization is recognized by using the straight-line method over the estimated useful lives of the intangible assets. Estimated useful lives, residual value and amortization methods are reviewed at each consolidated fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant intangible assets are as follows:

(i) Sales rights	5 to 15 years
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(ii) Core technology	20 years
(iii) Software	5 years

Accounting treatments for in-process research and development investments are as follows:

a) In-process research and development investments (IPR&D assets) acquired separately

Intangible assets acquired separately that meet the following conditions are recognized as assets:

- (i) It is probable that the expected future economic benefits attributable to the asset will flow to the Group
- (ii) The cost of the asset can be measured reliably

Expenditures of acquiring IPR&D investments from external entities (upfront payments and milestone payments) are recognized as IPR&D assets as they meet these conditions.

Subsequent internal development expenses on IPR&D assets are recognized as R&D expenses.

IPR&D assets are reclassified to sales rights when their products become available for sale, and are amortized using the straight-line method over their estimated useful lives. Estimated useful lives are determined by the projected cash flow period, which is based on the period of legal protection granted by patents.

b) IPR&D investments acquired through business combinations

IPR&D investments acquired through business combinations and recognized separately from goodwill meet the conditions listed in a) above. Therefore, these are measured at fair value at the acquisition date and recognized as IPR&D assets.

IPR&D assets are reclassified to sales rights when their products become available for sale, and are amortized using the straight-line method over the estimated useful lives. Estimated useful lives are determined by the projected cash flow period, which is based on the period of legal protection granted by patents.

(12) Impairment of property, plant and equipment and intangible assets

At the end of each fiscal year, the Group assesses whether there is any indication that property, plant and equipment and intangible assets are impaired, and if any such indication exists, an impairment test is performed. Intangible assets with indefinite useful lives or not yet available for use are tested for impairment at the same time every year or when there is an indication that the assets might be impaired.

As an impairment test, a recoverable amount is estimated and compared with a carrying amount. The recoverable amount is the higher of fair value less expenses for sales or value in use. Value in use is calculated as the present value of estimated future cash flows. In case that a recoverable amount of the asset is lower than the carrying amount, an impairment loss is recognized, and the carrying amount is reduced to the recoverable amount.

(13) Goodwill

Goodwill arising from business combinations is recognized as an asset at the date the Group obtains control of the entity (acquisition date). Goodwill is measured as the amount by which the sum of the fair value of the consideration, non-controlling interests in the acquiree and fair value of the proportionate share that the Group holds at the date the Group obtains control of the acquiree exceeds the net amount of identifiable assets and liabilities. On the other hand, if the sum of the acquisition costs is lower than the net amount of identifiable assets and liabilities, the difference is directly recognized as profit or loss.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is not amortized; however, an impairment test is performed for cash-generating units or groups of cash-generating units to which goodwill is allocated at the same time every year or when there is an indication that the assets might be impaired. In case that a recoverable amount of cash-generating units or groups of cash-generating units is lower than the carrying amount, the reduction is recognized as an impairment loss.

(14) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs are determined using the weighted-average cost method. The net realizable value is determined as the estimated selling price less the estimated costs necessary to complete goods and expenses necessary to sell.

(15) Financial assets

a) Classification of financial assets

All financial assets are classified at initial recognition as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI financial assets) or financial assets measured at fair value through profit or loss (FVTPL financial assets).

1) Financial assets measured at amortized cost

Debt financial assets that meet the conditions below are classified as financial assets measured at amortized cost.

- (i) The assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows
- (ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely related to payments of principal and interest on the principal amount outstanding

The financial assets measured at amortized cost are initially recognized as the sum of the fair value and transaction costs, and recognized at amortized cost calculated by the effective interest method less impairment loss after initial recognition.

2) FVTOCI financial assets (Debt financial assets)

Debt financial assets that meet the conditions below are classified as FVTOCI financial assets.

- (i) The assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- (ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely related to payments of principal and interest on the principal amount outstanding

The financial assets are initially recognized as the sum of fair value and transaction costs. Movements of fair value as well as gains/losses on derecognition are recognized in other comprehensive income.

3) FVTOCI financial assets (Equity financial assets)

All equity instruments are classified as FVTOCI financial assets.

The financial assets are initially recognized as the sum of fair value and transaction costs. Movements of fair value as well as gains/losses on derecognition are recognized in other comprehensive income, while the cumulative amounts are reclassified to retained earnings after they are recognized as other components of equity. Dividends on the financial assets are recognized as financial income when a right to receive dividends is vested except for the case that the dividend obviously indicates the collection of acquisition cost of investment.

4) FVTPL financial assets

Debt financial assets that are not classified as financial assets measured at amortized cost or FVTOCI financial assets are classified as FVTPL financial assets.

FVTPL financial assets are initially recognized at fair value, and any movements of fair value as well as gains/losses on derecognition are recognized as financial income/expenses after initial recognition.

b) Impairment of financial assets

The Group estimates expected credit losses on financial assets measured at amortized cost as well as FVTOCI financial assets (debt financial assets) and recognizes the loss allowance. The loss allowance for these financial assets is measured at an amount equal to 12-month expected credit losses if the credit risk of a financial asset has not increased significantly since initial recognition. As for trade receivables that do not contain a significant financing component, the allowance is measured at an amount equal to lifetime expected credit losses, regardless of whether the credit risk of a financial asset has not increased significantly since initial recognition.

The allowance is recognized as profit or loss. The reversal of loss allowance is recognized in profit or loss when a certain event occurs to reduce the allowance amount in latter periods. Previously recognized impairment loss is reversed by adjusting an allowance account when a certain event occurs to reduce the allowance amount in later periods.

c) Derecognition

The Group derecognizes financial assets only when the contractual right to the cash flows from the financial assets expire or the Group transfers the financial assets and almost all the risks and rewards of ownership of the asset to counterparty. Gains/losses on derecognition relating to financial assets measured at amortized cost and FVTPL financial assets are recognized as financial income/expenses. Gains/losses on derecognition relating to FVTOCI financial assets are recognized as a component of other comprehensive income.

(16) Hedge accounting

The Group utilizes derivatives, including interest rate swap contracts and forward foreign exchange contracts in order to reduce the risks related to changes in interest and exchange rates. These derivatives are measured at fair value and recognized as assets or liabilities at the contract date.

Change in fair value after initial recognition are recognized as profit or loss if the hedged items and hedging instruments do not meet the conditions of hedge accounting. The accounting treatments that meet the conditions of hedge accounting are as follows:

a) Fair value hedges

Regarding derivatives for the purpose of hedging risks of changes in fair value of hedged items, these changes in fair value are immediately recognized in profit or loss. At the same time, the changes in fair value on the hedged items attributable to the hedged risk adjust the carrying amount of the hedged items, and are recognized in profit or loss.

b) Cash flow hedges

Regarding derivatives for the purpose of hedging risks of changes in fair value of hedged cash flows, the change in fair value of derivative assets or liabilities are recognized in other comprehensive income, while cumulative amounts are recognized as other components of equity until the changes in fair value of hedged items are recognized as profit or loss. The amounts recognized as other components of equity are reclassified to profit or loss when the change in fair value of hedged items are recognized as profit or loss, in order to offset the effects.

(17) Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from a past event that can be measured with sufficient reliability as a present obligation, and it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated fiscal year-end date, considering risks and uncertainties. The carrying amount of a provision is measured at estimated cash flows that are discounted to be the present value when the effect of the time value of money is material. When discounting is used, the increase in carrying amount of a provision in each period to reflect the passage of time is recognized as a financial cost.

a) Provision for sales rebates

To account for possible sales rebates for finished goods and merchandise sold that may be incurred after the consolidated fiscal year-end date, provision for sales rebates is provided by multiplying the amount of revenue by the estimated sales rebate ratio. It is expected to be mainly settled within one year from the consolidated fiscal year-end date.

b) Provision for asset retirement obligations

To account for the obligation of restoring the rental buildings and lands on which the Group is located and removing harmful materials related to property, plant and equipment which the Group is using, a provision for asset retirement obligations is estimated and recognized depending on individual circumstances that is based on an estimated usage period determined by past results of restoration and the useful lives of additional fixtures in the rental buildings. It is expected to be mainly settled over one year from the consolidated fiscal year-end date.

c) Provision for restructuring costs

Provision for restructuring costs is mainly related to restructuring of the business organization and expected to be mainly settled within one year from the consolidated fiscal year-end date. Provision for restructuring costs is recognized when the Group has a detailed formal plan for restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its scheme .

(18) Leases

a) Lessee accounting

Right-of-use assets and lease liabilities are recognized by the Group at the lease commencement date.

Right-of-use assets are measured applying a cost model and the amount shown in the consolidated statement of financial position equals the cost less accumulated depreciation and accumulated impairment losses. The cost comprises the amount of the initial measurement of the lease liabilities, plus any initial direct costs incurred, and the present value of an estimate of costs to be incurred in removing and restoring the underlying assets, less any lease incentives received. Depreciation is recognized on a straight-line basis over the period from the lease commencement date to the end of the estimated useful life of the right-of-use asset or the end of the lease term, whichever comes first.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, the Group generally uses the Group's incremental borrowing rate as the discount rate. After the initial measurement, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made. In case that lease contracts are modified or renewed, the lease liabilities are subsequently reassessed by remeasuring to reflect changes to the lease conditions. Following the remeasurement of lease liabilities, a revision to the carrying amount of right-of-use assets is recognized.

The Group elects not to recognize right-of-use assets and lease liabilities for those leases with a short term of no more than 12 months and those with small amount of assets, but recognizes the lease payments related to aforementioned leases as expenses by applying a straight-line method over the lease terms.

b) Lessor accounting

Leases that transfer substantially all the risks and rewards incidental to ownership of underlying assets are classified as a finance lease. Assets held as a finance lease are recognized and presented as a receivable at an amount equal to the net investment in the lease.

Leases that do not transfer substantially all the risks and rewards incidental to ownership of underlying assets are classified as an operating lease. Lease payments from operating leases are recognized as income by applying a straight-line method over the lease terms.

(Significant Accounting Estimates and Judgments)

Preparation of the consolidated financial statements of the Group requires management estimates and judgments.

(1) Significant accounting estimates and assumptions

Significant items that require management estimates and assumptions are as follows. Underlying assumptions for estimation are continuously reviewed. Effects of changes in estimates are recognized in that period and future periods. Furthermore, significant revisions to carrying amounts of assets and liabilities may be required in the future as a result of uncertainties related to these estimates and assumptions.

a) Impairment test of goodwill and intangible assets

Impairment test of goodwill and intangible assets is performed based on the method of estimating future cash flows expected to arise from cash-generating units or groups of cash-generating units, growth rates and discount rates for measuring present value.

b) Estimates of useful lives of property, plant and equipment and intangible assets

Useful lives of property, plant and equipment and intangible assets are reviewed at the consolidated fiscal year-end date.

c) Evaluation of fair value of financial instruments

Evaluation methods including input that are not based on observable market data are used in order to estimate the fair value of specific financial assets.

d) Post-employment benefits

Defined benefit obligations are affected by assumptions used for actuarial calculation. Discount rate, future payroll level, turnover and mortality rates and other factors used for assumptions are determined based on the latest market data and statistics.

e) Income taxes

Current income taxes are recognized as the amount expected to be paid to each tax authority by reasonable estimates in accordance with tax laws and regulations.

Deferred tax liabilities are recognized based on the estimates of revised current income taxes as a result of the tax audit. The Group offsets deferred tax assets and deferred tax liabilities levied on the same taxable entity. If the actual amount settled by the tax audit is different from the estimated amount, the difference is recognized in the period in which the actual amount is settled.

Furthermore, deferred tax assets are recognized only when it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized. Based on its business plan and other factors, the Group makes reasonable estimates of the period and the amount of taxable profit will be available in future period, and evaluates the potential taxable profit.

(2) Significant accounting judgments

Significant judgements of recognizing the date and the amount of revenue generated from the contracts with customers is described in the above “(Significant Accounting Policies) (4) Revenue and (5) Co-development and co-promotion”.

(Segment Information)

(1) General information

Reporting segments are units for which the Group can obtain independent financial information and for which top management undertakes periodic reviews in order to determine the allocation of management resources and evaluate performance.

The Group's business is comprised of pharmaceutical business and other business. The pharmaceutical business is organized into the following six reporting segments in this report: Japan, Americas (North America), China, EMEA (Europe, the Middle East, Africa, Russia and Oceania), Asia and Latin America (primarily South Korea, Taiwan, Hong Kong, India, ASEAN, Central and South America), and OTC and others (Japan).

(2) Reporting segments

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2020	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan	231,899	83,869	247,134	94,198
Americas	142,801	64,679	127,931	59,969
China	85,080	40,396	77,004	32,767
EMEA	55,240	25,695	53,651	22,990
Asia and Latin America	45,889	18,639	46,643	15,961
OTC and others	25,150	5,075	24,904	4,548
Reporting segment total	586,060	238,354	577,267	230,432
Other business (Note 1)	59,881	51,485	118,355	108,525
Total	645,942	289,838	695,621	338,956
R&D expenses (Note 2)	—	(150,299)	—	(140,116)
Group headquarters' management costs and other expenses (Note 3)	—	(87,774)	—	(77,713)
Gain on sale of subsidiaries	—	—	—	4,374
Operating profit in the consolidated statement of income	—	51,766	—	125,502

(Note 1) "Other business" mainly includes the license revenue and pharmaceutical ingredient business of the parent company. Both revenue and segment profit (loss) included the following from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima: one-time option payment of ¥12,885 million (¥21,622 million for the fiscal year ended March 31, 2020) and milestone payments of ¥20,700 million (¥54,559 million for the fiscal year ended March 31, 2020) for the fiscal year ended March 31, 2021.

(Note 2) "R&D expenses" are not allocated to any particular segment as the Group manages such expenses on a global basis.

(Note 3) "Group headquarters' management costs and other expenses" are the costs and expenses covering Group-wide operations which include the amount of profits and expenses shared under strategic collaborations with partners. For the fiscal year ended March 31, 2021, shared profit of ¥60,219 million (¥49,436 million for the fiscal year ended March 31, 2020) for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Kenilworth, N.J., U.S.A. was included in Group headquarters' management costs and other expenses.

(3) Information on major products

Revenue from external customers

(Millions of yen)

	Neurology products	Oncology products	Others	Total
Fiscal year ended March 31, 2021	161,384	183,293	301,265	645,942
Fiscal year ended March 31, 2020	183,274	165,937	346,410	695,621

(4) Information on major customers

Major customers (including group companies) in the consolidated statement of income are as follows:

Fiscal year ended March 31, 2021

(Millions of yen)

Name of customer	Revenue	Related segment
Alfresa Holdings Corporation	57,738	Japan pharmaceutical business, etc.
Medipal Holdings Corporation	50,674	Japan pharmaceutical business, etc.
Suzuken Co., Ltd.	49,893	Japan pharmaceutical business, etc.

Fiscal year ended March 31, 2020

(Millions of yen)

Name of customer	Revenue	Related segment
Merck & Co., Inc., Kenilworth, N.J., U.S.A	76,181	Other business
Alfresa Holdings Corporation	59,304	Japan pharmaceutical business, etc.
Medipal Holdings Corporation	49,709	Japan pharmaceutical business, etc.

(5) Information on major regions

Revenue from external customers (Note 1)

(Millions of yen)

	Japan	Americas (Note 2)	Europe (Note 3)	China	Others	Total
Fiscal year ended March 31, 2021	263,520	160,433	87,562	84,883	49,544	645,942
Fiscal year ended March 31, 2020	279,696	160,773	128,962	77,386	48,804	695,621

(Note 1) Revenue from external customers are categorized by country or region based on the location of the customer.

Major areas and countries included in this category other than Japan and China are as follows:

- a) Americas: North America, Central and South America
- b) Europe: United Kingdom, France, Germany, Spain
- c) Others: Asia, Middle East, Oceania

(Note 2) Revenue for the fiscal year ended March 31, 2021, in the U.S., which is included in Americas, was ¥157,646 million (¥156,569 million for the fiscal year ended March 31, 2020).

(Note 3) Revenue included the following from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima: one-time option payment of ¥12,885 million (¥21,622 million for the fiscal year ended March 31, 2020) and milestone payments of ¥20,700 million (¥54,559 million for the fiscal year ended March 31, 2020) for the fiscal year ended March 31, 2021.

Non-current assets (Note 1)

(Millions of yen)

	Japan	Americas (Note 2)	Europe	China	Others	Total
As of March 31, 2021	187,477	218,388	15,341	17,484	6,792	445,481
As of March 31, 2020	178,704	209,658	14,290	15,528	6,168	424,349

(Note 1) Non-current assets are categorized by country or region based on the assets location.

Major areas and countries included in this category other than Japan and China are as follows:

a) Americas: North America, Central and South America

b) Europe: United Kingdom, France, Germany, Spain

c) Others: Asia, Middle East, Oceania

Non-current assets are mainly composed of property, plant and equipment, goodwill and intangible assets, excluding financial assets, deferred tax assets and retirement benefit assets.

(Note 2) The carrying amount of non-current assets as of March 31, 2021, in the U.S., which is included in Americas, was ¥218,217 million (¥209,465 million as of March 31, 2020).

(Consolidated Statement of Income)

(1) Revenue

The Group disaggregates revenue by type of goods or services. Disaggregation of revenue by reporting segment is as follows. All revenue for the fiscal years ended March 31, 2021 and March 31, 2020 was recognized based on contracts with customers.

Fiscal year ended March 31, 2021

(Millions of yen)

	Revenue from pharmaceutical goods sales	License revenue	Other revenue	Total
Pharmaceutical business				
Japan	205,859	2,067	23,974	231,899
Americas	132,854	9,864	84	142,801
China	85,072	8	—	85,080
EMEA	55,240	—	—	55,240
Asia and Latin America	45,765	124	—	45,889
OTC and others	25,150	—	—	25,150
Reporting segment total	549,940	12,062	24,058	586,060
Other business (Note 1)	—	50,009	9,872	59,881
Total	549,940	62,071	33,930	645,942

(Note 1) "Other business" mainly includes the license revenue and pharmaceutical ingredient business of the parent company. For the fiscal year ended March 31, 2021, one-time option payment of ¥12,885 million and milestone payments of ¥20,700 million from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima were included in license revenue.

Fiscal year ended March 31, 2020

(Millions of yen)

	Revenue from pharmaceutical goods sales	License revenue	Other revenue	Total
Pharmaceutical business				
Japan	213,911	2,294	30,928	247,134
Americas	127,805	12	115	127,931
China	77,004	—	—	77,004
EMEA	53,651	—	—	53,651
Asia and Latin America	45,358	1,285	—	46,643
OTC and others	24,904	—	—	24,904
Reporting segment total	542,633	3,590	31,044	577,267
Other business (Note 1)	788	106,032	11,534	118,355
Total	543,421	109,622	42,578	695,621

(Note 1) “Other business” mainly includes the license revenue and pharmaceutical ingredient business of the parent company. For the fiscal year ended March 31, 2020, one-time option payment of ¥21,622 million and milestone payments of ¥54,559 million from Merck & Co., Inc., Kenilworth, N.J., U.S.A. under the strategic collaboration for anticancer agent Lenvima were included in license revenue.

(2) Cost of sales

For the fiscal year ended March 31, 2020, the Group decided to voluntarily withdraw from the U.S. market and discontinue sales of antiobesity agent BELVIQ (product name in the U.S., generic name: lorcaserin). As a result, the Group made the fair value of relevant sales rights zero, and recorded its impairment loss of ¥8,016 million as cost of sales.

(3) Employee benefits

For the fiscal year ended March 31, 2021, the Company recorded termination benefits (premium retirement payments) of ¥2,965 million due to a voluntary retirement program (¥3,306 million for the fiscal year ended March 31, 2020). Breakdown of the termination benefits by item was cost of sales of ¥300 million, selling, general and administrative expenses of ¥2,160 million and R&D expenses of ¥505 million (cost of sales of ¥488 million, selling, general and administrative expenses of ¥2,371 million and R&D expenses of ¥448 million for the fiscal year ended March 31, 2020).

(4) Selling, general and administrative expenses

For the fiscal year ended March 31, 2021, the Group recorded shared profit of ¥60,219 million (¥49,436 million for the fiscal year ended March 31, 2020) for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Kenilworth, N.J., U.S.A. as selling, general and administrative expenses.

(5) R&D expenses

Fiscal year ended March 31, 2020

a) Sale of the Andover innovative Medicines Institute

For the fiscal year ended March 31, 2020, the Group sold the Andover innovative Medicines Institute held by the Company's U.S. consolidated subsidiary Eisai Inc. Following this sale, the recoverable amount of the institute was revalued, and ¥439 million of reversal of impairment loss was recognized. The reversal of impairment loss was recorded as reversal of R&D expenses. The recoverable amount was based on the sales price, and was calculated at fair value less disposal costs.

b) Impairment loss

For the fiscal year ended March 31, 2020, the Group terminated development of antiobesity agent BELVIQ (product name in the U.S., generic name: lorcaserin) for obesity outside the U.S. due to voluntary withdrawal from the U.S. market. As a result, the Group made the fair value of the relevant IPR&D assets zero, and recorded its impairment loss of ¥3,522 million as R&D expenses.

(6) Details regarding expenses

Information on the nature of cost of sales, selling, general and administrative expenses (SG&A expenses), and R&D expenses is as follows:

Fiscal year ended March 31, 2021

(Millions of yen)

	Cost of sales	SG&A expenses	R&D expenses	Total
Depreciation and amortization	16,500	8,828	10,972	36,299
Impairment losses (Note 1)	213	—	—	213
Reversal of impairment losses (Note 2)	(160)	—	—	(160)
Short-term employee benefits	13,213	84,880	45,191	143,284
Post-employment benefits	654	3,475	1,727	5,857
Termination benefits (Note 3)	300	2,747	505	3,553

(Note 1) The impairment losses recognized in "Japan pharmaceutical business" and "China pharmaceutical business" were ¥110 million and ¥102 million, respectively.

(Note 2) The reversal of impairment losses recognized in "Asia and Latin America pharmaceutical business" were ¥160 million.

(Note 3) The termination benefits are described in "(Consolidated Statement of Income) (3) Employee benefits".

Fiscal year ended March 31, 2020

(Millions of yen)

	Cost of sales	SG&A expenses	R&D expenses	Total
Depreciation and amortization	15,491	7,743	10,466	33,700
Impairment losses (Note 1)	8,145	—	4,151	12,296
Reversal of impairment losses (Note 2)	—	—	(439)	(439)
Short-term employee benefits	12,992	82,279	44,135	139,407
Post-employment benefits	689	3,335	1,786	5,810
Termination benefits (Note 3)	488	2,371	448	3,306

(Note 1) The impairment losses recognized in “Americas pharmaceutical business” and “China pharmaceutical business” were ¥8,016 million and ¥128 million, respectively. The impairment losses recognized in “R&D expenses” are not allocated to any particular segment. The impairment losses are described in “(Consolidated Statement of Income) (2) Cost of sales and (5) R&D expenses”.

(Note 2) The reversal of impairment losses recognized in “R&D expenses” are not allocated to any particular segment. The reversal of impairment losses are described in “(Consolidated Statement of Income) (5) R&D expenses”.

(Note 3) The termination benefits are described in “(Consolidated Statement of Income) (3) Employee benefits”.

(7) Other income

(8) Other expenses

For the fiscal year ended March 31, 2021, the Group recorded exchange loss of ¥1,453 million. For the fiscal year ended March 31, 2020, the Group recorded exchange loss of ¥2,105 million and loss of ¥1,684 million related to withdrawal of BELVIQ products.

(9) Income taxes

For the fiscal year ended March 31, 2020, Eisai Corporation of North America, the Company’s consolidated subsidiary in the U.S., paid the Company ¥54,514 million as return of its paid-in capital, in order to resolve cash imbalance between Japan and the U.S. in the Group. As a result, a decrease in tax expenses of ¥23,297 million was recorded due to the recognition of taxable items such as capital losses for the Company.

(Earnings Per Share)**(1) Earnings per share attributable to owners of the parent (basic)**

The basis for calculating earnings per share attributable to owners of the parent (basic) for the fiscal years ended March 31, 2021 and March 31, 2020, respectively, is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Profit for the year attributable to owners of the parent (Millions of yen)	42,119	121,767
Weighted average number of common shares during the year (Thousands of shares)	286,616	286,506
Earnings per share attributable to owners of the parent (basic) (Yen)	146.95	425.01

(2) Earnings per share attributable to owners of the parent (diluted)

The basis for calculating earnings per share attributable to owners of the parent (diluted) for the fiscal years ended March 31, 2021 and March 31, 2020, respectively, is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
Profit for the year attributable to owners of the parent (Millions of yen)	42,119	121,767
Adjustment of profit for the year attributable to owners of the parent (Millions of yen)	—	—
Profit for the year used for calculating diluted earnings per share (Millions of yen)	42,119	121,767
Weighted average number of common shares during the year (Thousands of shares)	286,616	286,506
Increase in number of common shares under stock options (Thousands of shares) (Note 1)	97	142
Weighted average number of diluted common shares during the year (Thousands of shares)	286,713	286,648
Earnings per share attributable to owners of the parent (diluted) (Yen)	146.90	424.80

(Note 1) There are no common shares reserved under the stock option plan that are excluded from the calculation of earnings per share attributable to owners of the parent (diluted) due to antidilutive effects for the fiscal years ended March 31, 2021 and March 31, 2020.

(Consolidated Statement of Cash Flows)

(1) The breakdown of the (increase) decrease in working capital for the fiscal years ended March 31, 2021 and March 31, 2020, respectively, is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020
(Increase) decrease in trade receivables	25,647	(35,171)
(Increase) decrease in inventories	(13,983)	(2,365)
(Increase) decrease in other receivables	(2,122)	8,950
Increase (decrease) in trade payables	(1,367)	335
Increase (decrease) in deposits received	(10,673)	(21,849)
Increase (decrease) in other payables	2,764	6,173
(Increase) decrease in working capital	264	(43,926)

(2) Proceeds from sale of subsidiaries

For the fiscal year ended March 31, 2020, the Group recorded proceeds from sale of subsidiaries of ¥5,832 million for the transfer of Elmed Eisai Co., Ltd.

(Significant Subsequent Events)

Not applicable

5. Other

1) Forecasts and Risk Factors

The materials and information provided in this announcement include current forecasts, targets, evaluations, estimates, assumptions that are accompanied by risks, and other matters that are based on uncertain factors. Accordingly, it is possible that actual results will deviate significantly from forecasts, etc., due to changes to a variety of factors. These risks and uncertainties include general industry and market conditions, fluctuation of interest rates and currency exchange rates, and other aspects of economic conditions in Japan and internationally.

Risks and uncertainties that could cause significant fluctuations in the results of the Group or have a material effect on investment decisions are as follows. However, these do not cover all of the risks and uncertainties faced by the Group, and it is possible that they will be affected in the future by other factors that cannot be foreseen, or are not deemed to be important, at this point in time. These are judgments as of the time of the announcement, and statements in the text regarding the future are not guarantees that they will occur or be achieved.

(1) Corporate Philosophy

Management based on the Corporate Philosophy	The Company has adopted the Corporate Philosophy of giving first thought to patients and their families, and to increasing the benefits health care provides. These aims are stipulated in our Articles of Incorporation as well and have been shared with stakeholders. Collectively, they constitute our “Purpose.” We believe that the increased benefit to patients and their families resulting from achievement of these aims will lead to improved performance of the Group and increased corporate value in the long term. The strategic intent of the new medium-term business plan “EWAY Future & Beyond” that started in April 2021 is also based on the Corporate Philosophy of <i>hhc</i>, and the powerful motivation generated by understanding the true needs of patients is the source of the Group’s innovation. In addition, we view the importance of promoting the information management/provision, etc., needed to promote further the research and development of new drugs, produce and sell high-quality products, and achieve safe use of pharmaceuticals, on a foundation of controls, aimed at creating patient value, as “Integrity.” This Philosophy is also the building block of our ESG efforts, such as provision of a lymphatic filariasis treatment free of charge, improvement of access to medicines, and building of a community that coexists with dementia. Accordingly, insufficient permeation of the Corporate Philosophy throughout the Group, stagnation of the implementation of management aimed at implementing the Philosophy, and other factors that hinder the full increase of benefit to patients and their families may have significant impact not only on the Group’s business performance, but also on the improvement of corporate value, including non-financial value.
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(2) Business Strategy

Establishment of AD franchise	The Group has established maximization of the value of next-generation Alzheimer's disease (AD) treatments as one of the most important strategies in the new medium-term business plan "EWAY Future & Beyond." However, considering the patients to whom the treatment would be directed, it may not be possible to provide next-generation AD treatments to patients in a broad manner by using conventional sales and promotion strategies. In short, it may not be possible to obtain the anticipated future revenue without the permeation of education on the illness that is aligned with the patient journey of Alzheimer's patients, from new recognition of the illness to diagnosis, treatment, and subsequent daily living, establishment of diagnosis methods that utilize cognitive function testing, positron emission tomography (PET), and cerebrospinal fluid (CSF), etc., establishment of a follow-up structure to ensure safety, and the establishment of an AD franchise, or in other words, a platform (Eisai Universal Platform: EUP) that takes into consideration the fostering of a culture that measures cognitive function in society in general.
Maximization of the value of Lenvima	The Group and U.S. Merck & Co., Inc., Kenilworth, N.J., U.S.A. are conducting trials of combination therapy using anticancer agent Lenvima and the anti-PD-1 antibody pembrolizumab in 14 different tumor types across more than 20 indications. The combination has been granted breakthrough therapy designation by the U.S. Food and Drug Administration (FDA) for hepatocellular carcinoma (first-line), renal cell carcinoma (first-line), and endometrial cancer. However, it is possible that we will not be able to achieve the sales plan for Lenvima due to changes in positioning resulting from unanticipated trial results for competing products or approval timing, preventing the acquisition of approval of additional indications for Lenvima at the originally expected timing, and weakening the competitiveness of the product. One-time payments for certain option rights, development milestones, and sales milestones, etc., have been set in the revenue obtained through the Lenvima partnership model, and if they are not achieved due to a failure to achieve sales targets or acquire approval, it may not be possible to obtain the revenue anticipated for the future.
Partnership model	The Group considers partnerships to be an effective means of improving efficiency and productivity. Partnerships may be established with the aim of accelerating new drug development through utilization of the latest science and technology, or with the aim of efficient resource usage and maximization of business value in each region. If there are differences of opinion with partners in pharmaceutical research and development, production, and sales activities that utilize partnerships, the aforementioned activities may be delayed or become inefficient. It is also possible that unanticipated partnership expenses will be generated, thereby reducing the planned and anticipated profits, or otherwise hindering the maximization of business value. In addition, in the event of differences in interpretation of contracts, it is possible that such differences will develop into litigation or mediation between the Group and partners, ultimately leading to dissolution of the partnership. In such cases, business performance may be significantly affected, including the prevention of the creation of new drugs or achievement of revenue in the future as expected.

Digital transformation	The Group has incorporated the major theme of implementing a digital transformation in all activities in the new medium-term business plan “EWAY Future & Beyond,” with the aim of linking the thoughts and feelings of all stakeholders, increasing the speed of solving problems, and executing solid management based on data. As the “Fourth Industrial Revolution” moves steadily forward, one of our important issues will be to achieve a digital transformation aimed at causing a paradigm shift in all aspects, from dramatically improving the speed of drug discovery and the probability of success through new technologies to providing patients and consumers or The People with drugs and other solutions. The Company will accelerate the Group-wide digital strategy, with Chief Digital Officer taking the lead. The changes in the business environment caused by the recent outbreak of a novel coronavirus (COVID-19) make the need for a digital transformation clear. Any delays in efforts to achieve it or factors that hinder achievement may have significant impact not only on the Group's business performance, but also on the improvement of corporate value, including non-financial value.
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(3) Pharmaceutical Research and Development, Production, and Sales Activities

New drug development	The Group is developing candidates for the next-generation AD treatments and many other new drugs. In regard to candidates for the next-generation AD treatments, the Group is taking the lead in the Phase III trial of the anti-amyloid β protofibril antibody lecanemab. In addition, the Group's partner Biogen is taking the lead in the Phase III trials of the anti-amyloid β antibody aducanumab. Drug development requires a long period of time and a large investment of capital. Further, it is possible that development of a drug candidate compound will be discontinued or interrupted from the perspective of efficacy or safety. For example, in 2019, Biogen and the Company announced the discontinuation of Phase III trials to verify the efficacy and safety of the beta-secretase cleaving enzyme inhibitor elenbecestat that was being developed to combat early-onset AD. Moreover, even if clinical trials yield expected results, it is possible that the new drug approval may not be granted as a result of a stringent regulatory process of a country, or it may be delayed by requests for additional data. The biologics license application (BLA) for aducanumab (being developed jointly with Biogen) in the United States was accepted, granted Priority Review and is currently being reviewed. With the uncertainty inherent to this type of new drug development, it may not be possible to obtain the anticipated future profit if the originally envisioned development plan is discontinued or delayed.
Side effects	Even when pharmaceuticals have been approved and sold, subsequent data and events may cause the benefit and risk profile of the pharmaceuticals to differ from that of the time when they were approved. Changes to product package inserts, suspension of sales, recall of products, or implementation of other measures in response to the discovery and collection of serious side effects, may significantly impact business performance. The Group has established a Safety Executive Committee consisting of the safety administrators, etc., of all regions, and a Global Safety Board consisting of the persons responsible for medical evaluation of safety for each product, etc., as a structure for scientific and medical evaluation of information on all adverse events and safety related to products, and to report on such to the regulatory authorities. The Group has established a global product safety monitoring structure with these structures at the center, and are working to thoroughly ensure proper use of products.

Product quality and stable supply	It is necessary to provide patients with high-quality pharmaceutical products in a stable manner, but if there are problems regarding product quality in relation to the raw materials used in products, the manufacturing process at the Company's plants or a manufacturing subcontractor, or other factors, or if suspension of supply of those raw materials, technical problems in the manufacturing process, a pandemic, or serious disasters, etc., causing plant operation to stop, result in the supply chain being cut off, not only is it possible that the health of patients may be adversely affected, but it is also possible that product recalls, suspension of sales, or other events may impact business performance. In addition, it is possible that sudden, sharp fluctuation of demand due to some cause would impact the stable supply of products. The Group conducts quality assurance activities that make it possible to provide high-quality pharmaceuticals that can be used without worry, and implements manufacturing control and quality control that comply with the GMP global standards (standards related to manufacturing control and quality control). In regard to manufacturing subcontractors as well, we conduct activities such as dispatching technicians to inspect manufacturing sites, in addition to periodic GMP audits. Further, we are working to ensure quality at the distribution stage. In addition, the Group has its own plants in major regions around the world, and supplies products from each plant in a timely manner. Moreover, we have established a business continuity plan (BCP), and are striving to maintain a structure that ensures stable supply even in the case of a pandemic or other serious disasters, or sudden, sharp fluctuation of demand.
Intellectual property	Ordinarily, it is possible for generic manufacturers to launch generics upon the expiration of the patent and data protection period of the originator drug. However, if an acquired patent cannot be properly protected due to dismissal of a patent application or as a result of an invalidation trial after the patent has been issued, generics and biosimilar products may enter the market earlier than expected, which could potentially lead to a decrease in revenue. For example, a judgment of partial invalidation was handed down in the patent invalidation trial regarding the Japanese method-of-use patent for the pain treatment agent Lyrica being co-promoted with Pfizer Japan Inc., and generics were launched in December 2020. In addition, an invalidation trial is currently being requested regarding Lenvima patents in China. In addition, there are some countries, such as the United States, in which drug applications for generics and biosimilar products can be submitted even during the patent period. In such countries, it is possible that there will be patent infringement lawsuits against companies that submit drug applications for generics or biosimilar products. Depending on the results of such patent infringement lawsuits, it is possible that generics or biosimilar products will be placed on the market prior to the end of the patent period, thereby significantly and rapidly shrinking the Group's share of the market in that country. For example, in 2018, a federal court of appeals in the United States finalized the ruling that the patent for the antiemetic Aloxi was invalid, and generic versions were placed on the market. In addition, if a substance patent that protects the Group's pharmaceuticals is judged to be invalid, the product's market value in that country may be lost, resulting in a significant impact on the Group's business performance. Meanwhile, although the Group always uses caution to avoid infringing upon the intellectual property rights of third parties, in the unlikely event that the Group's business activities do violate the intellectual property rights of a third party, it is possible that the third party will request termination of those business activities or demand compensation for damage.
Litigations	In the ordinary course of the Group's business activities, the Group is and may be, from time to time, involved in litigations, arbitrations or any other legal, regulatory, or administrative

	proceedings in connection with various matters, including product liability and other product-related matters (e.g., personal injury), consumer protection, regulation of trade, securities law, data protection, breach of contract, violation of laws and regulations and environmental regulation that arise through claims, investigations, or other actions by third parties, including governments. Litigation and other legal proceedings are inherently unpredictable. Although the Group believes that its defenses and counterclaims in matters in which it is or may become a defendant are substantial, it could in the future be the subject of judgments or enter into settlements, and such developments could have a material adverse effect on the Group's business, financial condition, results of operations or reputation. For example, with regard to the proton pump inhibitor Pariet/Aciphex, claims for personal injury have been filed against the Group as well as other claims against other manufacturers of other types of proton pump inhibitors. Cases filed in U.S. federal courts have been consolidated as a multi-district litigation in the U.S. District Court for the District of New Jersey. The number of pending lawsuits is expected to fluctuate significantly because certain lawsuits against the Group may be consolidated with other lawsuits that have been brought in federal and state courts in the United States involving multiple plaintiffs against multiple pharmaceutical companies claiming that they have been diagnosed with various injuries following treatment with various types of proton pump inhibitors and because certain lawsuits may be settled or dismissed, or additional lawsuits may be filed. A consumer class-action suit regarding the antiobesity agent BELVIQ (not approved and not sold in Japan) is currently pending in a U.S. Federal District Court. In addition, as of April 2021, there were more than 10 product-liability suits claiming damage to health pending in the U.S. Further, there is a consumer class-action suit currently pending in a court in Israel. It is not currently possible to estimate potential liability in connection with claims concerning Aciphex and BELVIQ.
Data reliability	One of the most critical concerns for a pharmaceutical company is ensuring the integrity (completeness, consistency, and accuracy) of its research data, production data, and data related to post-marketing surveillance and drug safety monitoring, etc., which establishes a basis for the safety and reliability of the company's products. If the Company cannot guarantee the integrity of those key data sets, it could find itself grappling with delays and stoppages in new drug development, product recalls, suspensions of product sales, and other circumstances with the potential to devastate business performance. The Group has thus created a Data Integrity Promotion Committee and a Data Integrity Planning and Coordination organization, set up a systematic framework for the recording, verification, approval, and storage of data, and established, maintained, and operated, etc., appropriate internal controls, all of which help the Group meet integrity needs. Not only does the Group's approach strengthen the integrity of data that corroborates product quality, data on clinical trials, and data related to post-marketing surveillance and other drug safety monitoring, but it also includes ongoing training programs for employees—in Japan and overseas as well—whose responsibilities involve working with important data.
Trend to contain medical costs	Governments around the world are exploring and implementing a variety of measures to contain drug costs in hopes of controlling rising medical expenses. In Japan, the government has taken steps to reduce the prices for prescription drugs and promote the use of generics. In China as well, significant price reductions accompanying placement on the National Reimbursement Drug List and the use of inexpensive generics in the centralized procurement system are being

	encouraged. For example, in FY2020, we lowered the sales price of Lenvima when it was placed on the National Reimbursement Drug List. In addition, the peripheral neuropathy treatment Methycobal became subject to government's centralized procurement, so we lowered the sales price. In some cases, a product that has already secured new-drug approval may not be eligible for health insurance reimbursement at the expected price in Europe. The promotion of these types of policies and the implementation of new measures may prevent the Group from earning the revenue that it originally anticipated for certain products. While it continues to track changes in governmental systems and policy trends worldwide, the Group is exploring ways not only to ensure that its new drugs are effective and safe but also to demonstrate that they offer unique forms of value, such as the ability to alleviate nursing-care needs and address the severity of target diseases. Together with the entire pharmaceuticals industry, the Group is also appealing to governmental organizations and other relevant parties to ensure that drug prices reflect those levels of quality and value.
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(4) Others

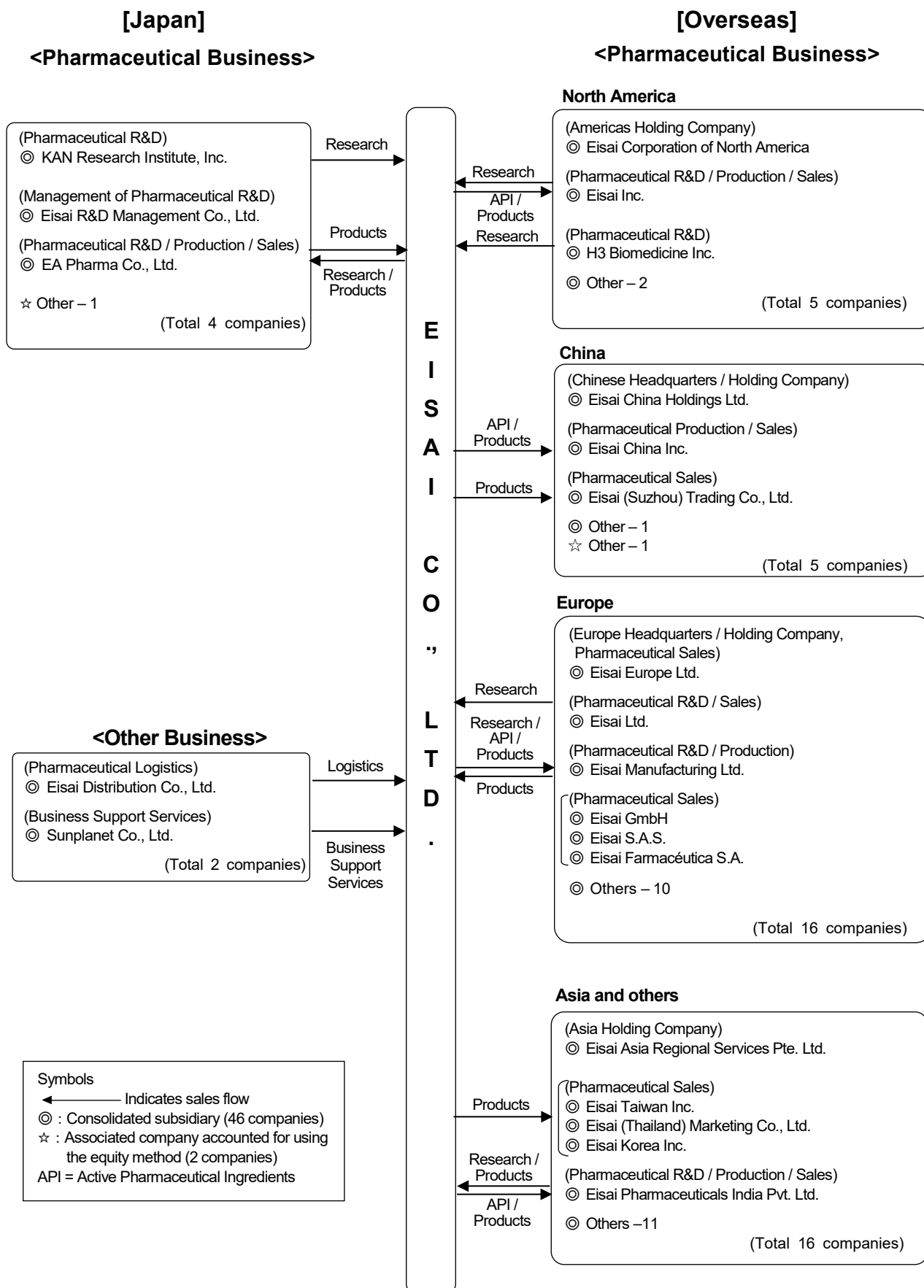
Succession	For over 30 years, the Group's current Representative Corporate Officer and CEO has used his strong leadership skills to help the Group develop its business activities and grow on a global scale. Looking forward, it will be important for the Representative Corporate Officer and CEO to take a planned, systematic approach to helping potential successors hone the abilities that they will need to thrive as future company leaders. The Group will also need to prepare as thoroughly as possible for any disruptions that may occur and ensure that the Board of Directors selects the future Representative Corporate Officer and CEO from an objective, fair perspective. Failing to take these types of vital steps, however, may impede the Group in its quest to fulfill its Corporate Philosophy and deal a serious blow to Group management. The Board of Directors positions the selection of the Representative Corporate Officer and CEO as one of the most important decisions it makes as an official body and has thus established rules and procedures relating to the Group's succession plan. The Group's independent outside directors also play a role in the processes for nurturing promising candidates for the position, among other initiatives, thereby serving a supervisory function for succession. Specifically, the <i>hhc</i> Governance Committee receives a proposal for a succession plan from the Representative Corporate Officer and CEO twice a year, shares information on the succession plan with all directors, and engages in discussions on the proposal. In addition to pursuing the above initiatives for ensuring an optimal succession process for the Representative Corporate Officer and CEO, the Group also engages in succession planning on a yearly basis to facilitate the transfer of leadership for corporate officer posts and other important positions across the company organization by selecting candidates for positions, helping those potential future leaders develop their skills, monitoring the progress of retention measures, and carrying out other relevant tasks.
Information security	The Group, whose digital-platform strategy, 5D (Data Driven Drug Discovery & Development) strategy, Eisai Data Lake vision, and other forward-looking initiatives are ushering business forward, now has more and more opportunities to utilize elements of the IT infrastructure such as AI, big data, and the cloud. As business in cyberspace makes strides forward, however, the Group is also confronting progressively sophisticated cyber attacks and grappling with increasingly serious security threats. The current circumstances thus elevate the possibility of a

	cyber attack triggering a suspension of operations or other outcome that would impact business activity. As a result, the need for an even stronger information-security framework is growing. Considering the personal information, undisclosed information, and other types of important information in its possession, the Group could also see its credibility and competitive advantages suffer if a data breach were to result in a leak of sensitive information. In recent years, the corporate community is also dealing with the growing need to respond appropriately to global demands for the protection of personal information. The Group is also fully aware that leaks of unreleased structural formulas for projects in the drug discovery phase would have a negative impact on the processes for filing and acquiring patents. For the Group, a loss of credibility in the public eye or competitive advantages in the business sphere could have a major impact on business results. This fiscal year, under the leadership of the Chief Information Security Officer, we confirmed the status of implementation of security measures in the Group and are implementing security measures regarding each identified issue, in order to prevent cyber attacks and other threats from interfering with important business, as well as safeguard against leaks of personal or confidential information, etc. Further, in addition to strengthening system infrastructure security, we have established regulations related to information management, etc., provided officers and employees with education on management of information in daily work and training on cyber security, etc., and are working to continually enhance governance related to global information security and implement related measures.
COVID-19	Vaccination has begun in some countries in an effort to bring an end to the novel coronavirus (COVID-19), but the spread of variant viruses, etc., can still affect the Group's business activities in various ways. R&D, for example, may see delays in the registration of patients for clinical trials and slower progress in actual testing processes. COVID-19 could also disrupt the Group's production activities, as suspensions of plant operations (both within the Group and at its suppliers) and other developments have the potential to interfere with supply chains and thereby endanger stable product supplies. Another area that stands to feel the effects of the pandemic is sales, as medical representatives may find themselves unable to collect information from and provide information to medical professionals in a timely, appropriate fashion. The Company has thus established a Crisis Countermeasure Team to handle the Company's response to the COVID-19 outbreak. Working with its subsidiaries around the world, the Company is also continuing to gather accurate information, work to keep its employees safe, and actively encourage the use of ICT technologies and other resources in hopes of minimizing the disease's impact on business activity. The Group's plants, which consistently stock the necessary inventory levels for ensuring stable product supplies, are also adapting frameworks and operating under the predetermined business continuity plans (BCP).
Climate change	The Group recognizes that climate change is a crucial issue with a substantial impact on corporate activities. The Group announced its endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) in June 2019 and launched a cross-organization project that used the TCFD framework to perform scenario analyses on the long-term effects of climate change. As a result, physical risks such as health risks increased, as did the need for access to medicines in developing countries in particular, and it was judged that expenditures for improvement of those issues would have the most impact. In addition, it was judged that continued investment

	related to damage and the loss of fixed assets resulting from production impediments caused by natural disasters, as well as a production backup structure, would be high, and also that the decrease in revenue resulting from delays in product supply caused by production or logistic stoppages would also be significant. As for transition risks, it was judged that the reputation risk would have significant impact in the event that reduction of greenhouse gas emissions and the related disclosure are insufficient, and a sharp increase in costs resulting from increased carbon taxes in carbon pricing would have significant impact too. In addition to accelerating efforts to reduce greenhouse gas emissions, etc., based on the Science Based Targets initiative (SBTi) that is already underway, we have newly launched a carbon-neutral project, set higher targets, and formulated a medium/long-term roadmap to achieve them. We will implement long-term, continued efforts and conduct related disclosure.
Impairment of goodwill and intangible assets	The Group records goodwill and intangible assets obtained as a result of merger and acquisition and the licensing-in of products and pipelines. If the fair values of these types of assets fall below the corresponding carrying amounts due to deviations in plans and actual performance, market changes, or other factors, the Group needs to book impairment losses accordingly. Such circumstances may have a negative impact on the Group's financial results and financial positions. For example, the Group's goodwill (¥171.8 billion as of the end of FY 2020) is mainly allocated to the Americas pharmaceutical business. Fair values are calculated using a variety of assumptions such as projected cash flows and growth rates for the Americas pharmaceutical business, determined based on management-approved business plans. These assumptions are affected by factors ranging from the possibility of future approvals and additional indications for new drugs, the timing of those changes, and post-marketing drug prices to sales volume, competing products, and interest-rate fluctuation.

2) Overview of the Eisai Group

The diagram below shows the principal operations and business flows within the Group.



As of March 31, 2021

List of Group Companies

(As of March 31, 2021)

Company Name	Location	Share Capital		Description of Operations (*1)	Voting Rights (*2)	Relationship	Note
(Consolidated Subsidiaries)							
Unit=million							
KAN Research Institute, Inc.	Kobe, Japan	70	JPY	Pharmaceutical R&D	100.00%	The Company commissions pharmaceutical R&D	
Eisai Distribution Co., Ltd.	Kanagawa, Japan	60	JPY	Pharmaceutical logistics	100.00%	The Company commissions pharmaceutical logistics	
Eisai R&D Management Co., Ltd.	Tokyo, Japan	16	JPY	Management of pharmaceutical R&D	100.00%	The Company commissions a part of management and other functions related to R&D	
Sunplanet Co., Ltd.	Tokyo, Japan	455	JPY	Business support services, etc.	85.30%	The Company purchases business support services, etc.	
EA Pharma Co., Ltd.	Tokyo, Japan	9,145	JPY	Pharmaceutical R&D / production / sales	60.00%	The Company commissions pharmaceutical R&D and production / purchases pharmaceutical products	*3
Unit=thousand							
Eisai Corporation of North America	New Jersey, USA	2,266,700	USD	Americas holding company	100.00%	-	*3
Eisai Inc.	New Jersey, USA	151,600	USD	Pharmaceutical R&D / production / sales	100.00% (100.00%)	The Company commissions pharmaceutical R&D and production / sells pharmaceutical products and API	*3 *5
H3 Biomedicine Inc.	Massachusetts, USA	8	USD	Pharmaceutical R&D	100.00% (100.00%)	The Company commissions pharmaceutical R&D	
Eisai Innovation, Inc.	Massachusetts, USA	1	USD	Management of pharmaceutical investment	100.00% (100.00%)	The Company commissions management of investment in the U.S. and Europe	
Eisai Ltd.	Ontario, Canada	30,000	CAD	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai China Holdings Ltd.	Jiangsu, China	664,465	RMB	Chinese headquarters / holding company	100.00% (100.00%)	-	*3
Eisai China Inc.	Jiangsu, China	576,125	RMB	Pharmaceutical production / sales	100.00% (100.00%)	The Company sells pharmaceutical products and API	*3
Eisai (Suzhou) Trading Co., Ltd.	Jiangsu, China	70,000	RMB	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
Eisai (Liaoning) Pharmaceutical Co., Ltd.	Liaoning, China	50,000	RMB	Pharmaceutical production / sales	100.00% (100.00%)	-	
Eisai Europe Ltd.	Hertfordshire, UK	184,138	GBP	Europe headquarters / holding company, pharmaceutical sales	100.00%	The Company commissions management and administration of pharmaceutical business	*3
Eisai Ltd.	Hertfordshire, UK	46,009	GBP	Pharmaceutical R&D / sales	100.00% (100.00%)	The Company commissions pharmaceutical R&D	*3
Eisai Manufacturing Ltd.	Hertfordshire, UK	38,807	GBP	Pharmaceutical R&D / production	100.00% (100.00%)	The Company sells pharmaceutical products and API / is commissioned pharmaceutical R&D	*3
Eisai GmbH	Frankfurt, Germany	7,669	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai S.A.S.	Paris, France	19,500	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai B.V.	Amsterdam, Netherlands	540	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Farmacéutica S.A.	Madrid, Spain	4,000	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai S.r.l.	Milan, Italy	3,500	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Pharma AG	Zurich, Switzerland	3,000	CHF	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai AB	Stockholm, Sweden	10,000	SEK	Pharmaceutical sales	100.00% (100.00%)	-	

Company Name	Location	Share Capital		Description of Operations (*1)	Voting Rights (*2)	Relationship	Note
Unit= thousand							
Eisai Farmacêutica, Unipessoal Lda.	Lisbon, Portugal	1,250	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai SA/NV	Brussels, Belgium	2,001	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai GesmbH	Vienna, Austria	2,000	EUR	Pharmaceutical sales	100.00% (100.00%)	-	
Limited Liability Company Eisai	Moscow, Russia	4,000	RUB	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Asia Regional Services Pte. Ltd.	Singapore	34,469	SGD	Asia holding company	100.00%	-	
Eisai (Singapore) Pte. Ltd.	Singapore	300	SGD	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
Eisai Clinical Research Singapore Pte. Ltd.	Singapore	10	SGD	Pharmaceutical R&D	100.00% (100.00%)	The Company commissions pharmaceutical R&D	
Eisai Taiwan Inc.	Taipei, Taiwan	270,000	TWD	Pharmaceutical sales	100.00%	The Company sells pharmaceutical products	
Eisai (Thailand) Marketing Co., Ltd.	Bangkok, Thailand	103,000	THB	Pharmaceutical sales	100.00% (100.00%)	The Company sells pharmaceutical products	
PT Eisai Indonesia	Jakarta, Indonesia	1,630,000	IDR	Pharmaceutical production / sales	100.00%	The Company sells pharmaceutical products and API	
Eisai (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	470	MYR	Pharmaceutical sales	100.00% (5.74%)	The Company sells pharmaceutical products	
HI-Eisai Pharmaceutical Inc.	Manila, Philippines	97,000	PHP	Pharmaceutical sales	50.00% (1.45%)	The Company sells pharmaceutical products	*4
Eisai (Hong Kong) Co., Ltd.	Hong Kong	500	HKD	Pharmaceutical sales	100.00% (10.00%)	The Company sells pharmaceutical products	
Eisai Korea Inc.	Seoul, South Korea	3,512,000	KRW	Pharmaceutical sales	100.00%	The Company sells pharmaceutical products	
Eisai Pharmaceuticals India Pvt. Ltd.	Andhra Pradesh, India	2,708,324	INR	Pharmaceutical R&D / production / sales	100.00% (11.08%)	The Company commissions pharmaceutical R&D and production / sells API / purchases pharmaceutical products	*3
Eisai Australia Pty. Ltd.	Sydney, Australia	4,000	AUD	Pharmaceutical sales	100.00%	-	
Eisai Laboratórios Ltda.	São Paulo, Brazil	87,899	BRL	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai Laboratorios S. de R.L. de C.V.	Mexico City, Mexico	3	MXN	Pharmaceutical sales	100.00% (100.00%)	-	
Eisai New Zealand Ltd.	Auckland, New Zealand	2,050	NZD	Pharmaceutical business	100.00% (100.00%)	-	
Eisai Vietnam Co., Ltd.	Ho Chi Minh, Viet Nam	20,781,000	VND	Pharmaceutical business	100.00%	-	*6
Other—2 companies	-	-	-	-	-	-	
(Associated Companies Accounted for Using the Equity Method)							
Unit=million							
Bracco-Eisai Co., Ltd.	Tokyo, Japan	340	JPY	Contrast media imports / production / sales	49.00%	The Company purchases pharmaceutical products	
Unlimit Health Limited	Shanghai, China	30	RMB	Pharmaceutical business	49.00% (49.00%)	-	*7

Notes:

- *1. "Description of Operations" indicates the segment applicable to the respective entity.
*2. Voting rights (%): Figures in parentheses show percentage indirectly owned by the Company.
*3. Significant subsidiaries.
*4. HI-Eisai Pharmaceutical Inc. is considered to be a consolidated subsidiary as the Company holds effective control over its operation even though the Company's voting rights do not exceed 50%.
*5. Eisai Inc. is the only subsidiary whose revenue to external customers exceeds 10% of consolidated revenue reported in the consolidated financial statements for the fiscal year ended March 31, 2021. Key financial results (in Japanese yen) of Eisai Inc. are as follows:
- | | |
|---------------------|---------------|
| Revenue | ¥215,073 mil. |
| Operating Profit | ¥6,762 mil. |
| Profit for the year | ¥6,452 mil. |
| Total Equity | ¥284,747 mil. |
| Total Assets | ¥385,400 mil. |
- *6. In September 2020, the Company established Eisai Vietnam Co., Ltd.
*7. In October 2020, Eisai China Holdings Ltd. and Suqian Jingdong Tianning Jiankang Technology Co., Ltd. established Unlimit Health Limited.

3) Proposed Changes in Directors and Corporate Officers (effective June 18, 2021)

(1) Changes in Representative Corporate Officers

None

(2) Changes in Directors/Corporate Officers

a) Nominees for New Director

Fumihiko Ike currently, Outside Director, NTT DATA

(Outside Director)

Yoshiteru Kato currently, Senior Vice President, President, Eisai Demand Chain Systems

Ryota Miura currently, Partner, Miura & Partners Profession Corporation

(Outside Director)

b) Retiring Director

Hirokazu Kanai To be appointed as Corporate Advisor

Daiken Tsunoda (Partner, Nakamura Tsunoda & Matsumoto)

(Outside Director)

c) Nominees for New Corporate Officers

Vice President Kazuhiko Tamura Currently, Senior Group Officer
Deputy President, Eisai Demand Chain Systems

Vice President Teruyuki Masaka Currently, Group Officer
Head of Corporate Planning Department

d) Corporate Officers Scheduled for Promotion

None

e) Retiring Corporate Officers

Senior Vice Yoshiteru Kato Nominee for New Director
President

Vice President Junichi Asatani To be appointed as Corporate Advisor

(3) Nominees for Directors

Haruo Naito currently, Director

Representative Corporate Officer and CEO

Yasuhiko Katoh currently, Outside Director and Chair,
(Chair) Special Adviser, Mitsui E&S Holdings Co., Ltd.

Bruce Aronson currently, Outside Director,
Affiliated Scholar, US-Asia Law Institute, New York University School of Law

Yutaka Tsuchiya currently, Director

Shuzo Kaihori currently, Outside Director,
Outside Director, HOYA CORPORATION

Ryuichi Murata currently, Outside Director,
Senior Advisor, Mitsubishi HC Capital Inc.

Hideyo Uchiyama currently, Outside Director,
Certified Public Accountant and Executive Advisor,
ASAHI Tax Corporation

Hideki Hayashi currently, Director

Yumiko Miwa currently, Outside Director,
Professor, School of Commerce, Meiji University

Fumihiko Ike	currently, Outside Director, NTT DATA
Yoshiteru Kato	currently, Senior Vice President, President, Eisai Demand Chain Systems
Ryota Miura	currently, Partner, Miura & Partners Profession Corporation

NOTE: Yasuhiko Katoh, Bruce Aronson, Shuzo Kaihori, Ryuichi Murata, Hideyo Uchiyama, Yumiko Miwa, Fumihiko Ike and Ryota Miura are nominees who meet the requirements of an Outside Director set forth in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act of Japan.

(4) Selected Candidates for Appointment as Members of Committees

a) Nomination Committee

Chair: Shuzo Kaihori
Members: Bruce Aronson
Ryuichi Murata
Fumihiko Ike

b) Audit Committee

Chair: Hideyo Uchiyama
Members: Hideki Hayashi
Yumiko Miwa
Yoshiteru Kato
Ryota Miura

c) Compensation Committee

Chair: Bruce Aronson
Members: Shuzo Kaihori
Ryuichi Murata
Fumihiko Ike

hnc Governance Committee and Independent Committee of Outside Directors are composed of all Outside Directors.

(5) Career Summary of Nominees for New Outside Director

Name: Fumihiko Ike
Date of Birth: May 26, 1952 (Age: 69)
Career Summary:
Feb. 1982 Joined Honda Motor Co., Ltd.
Jun. 2003 Chief Operating Officer for Power Products Operation and Director of Honda Motor Co., Ltd.
Apr. 2006 Chief Financial Officer and Director of Honda Motor Co., Ltd.
Jun. 2007 Chief Financial Officer and Managing Director of Honda Motor Co., Ltd.
Apr. 2008 Chief Operating Officer for Asia and Oceania Region and Managing Director of Honda Motor Co., Ltd.
President and Director of Asian Honda Motor Co., Ltd. (resigned in Mar. 2011)

Apr. 2011	Chief Financial Officer, Risk Management Officer, Chief Office for Information Systems and Senior Managing Director of Honda Motor Co., Ltd.
Apr. 2012	Chief Financial Officer, Chief Information Officer, Risk Management Officer and Senior Managing Director of Honda Motor Co., Ltd.
Apr. 2013	Chairman and Representative Director of Honda Motor Co., Ltd. (resigned in June 2016)
May 2014	President of Japan Automobile Manufacturers Association (resigned in May 2016)
Jun. 2020	Outside Director, NTT DATA (current)

Name: Yoshiteru Kato

Date of Birth: Feb. 8, 1960 (Age: 61)

Career Summary:

Apr. 1988	Joined the Company
Jun. 2009	Head of Manufacturing Department, Kawashima Plant, Demand Chain Headquarters
Jun. 2010	Officer
Oct. 2012	President, New Chemical Entity Demand Chain Unit, Eisai Demand Chain Systems
Oct. 2012	Managing Director, Eisai Manufacturing Ltd.
Apr. 2014	Group Officer
Apr. 2014	President, Neurology Demand Chain Unit, Eisai Demand Chain Systems
Jun. 2016	Head of Kawashima Industrial Park and Kawashima Plant, Eisai Demand Chain Systems
May 2017	Deputy President, Eisai Demand Chain Systems
Jun. 2017	Vice President
Jun. 2017	President, Eisai Demand Chain Systems (current)
Jun. 2020	Senior Vice President (current)

Name: Ryota Miura

Date of Birth: May 14, 1974 (Age: 47)

Career Summary:

Apr. 2000	Registered as an attorney-at-law
Jan. 2007	Partner, Mori Hamada & Matsumoto (resigned in Oct. 2018)
Jun. 2008	Corporate Auditor, TECHMATRIX CORPORATION (current)
Jan. 2019	Established Miura & Partners (current)
Jun. 2020	Outside Audit & Supervisory Board Member, Tokyo Electron Ltd. (current)

(6) Nominees for Corporate Officers

Representative Corporate Officer and CEO	Haruo Naito	currently, Representative Corporate Officer and CEO
Representative Corporate Officer and COO	Yasushi Okada	currently, Representative Corporate Officer and COO Industry Affairs China Business Data Integrity
Executive Vice President	Kenta Takahashi	currently, Executive Vice President General Counsel Intellectual Property
Executive Vice President	Ryohei Yanagi	currently, Executive Vice President Chief Financial Officer
Senior Vice President	Edward Stewart	currently, Senior Vice President
Senior Vice President	Geary	Global Safety Officer
Senior Vice President	Gary Hendler	currently, Senior Vice President President, EMEA Region Chairman & CEO, Eisai Europe Ltd.
Senior Vice President	Terushige Iike	currently, Senior Vice President President, Oncology Business Group Japan and Asia Medical
Senior Vice President	Ivan Cheung	currently, Senior Vice President President, Neurology Business Group Chairman, Eisai Inc.
Senior Vice President	Hidenori Yabune	currently, Senior Vice President President, Eisai Japan
Senior Vice President	Hiroyuki Kato	currently, Senior Vice President Chief Clinical Quality Officer Chief Product Quality Officer Global Product Emergency Management
Senior Vice President	Tatsuyuki Yasuno	currently, Senior Vice President President, Americas Region President, Eisai Inc.
Senior Vice President	Yanhui Feng	currently, Senior Vice President President, Eisai China Holdings Ltd. President, Eisai China Inc.
Senior Vice President	Masatomi Akana	currently, Senior Vice President Chief Government Relations Officer Global Value & Access
Vice President	Takashi Owa	currently, Vice President Chief Medicine Creation Officer, Oncology Business Group Chief Discovery Officer, Oncology Business Group

Vice President	Lynn Kramer	currently, Vice President Chief Clinical Officer, Neurology Business Group
Vice President	Sayoko Sasaki	currently, Vice President Chief IR Officer Stakeholder Communications
Vice President	Teiji Kimura	currently, Vice President Chief Discovery Officer, Neurology Business Group
Vice President	Masayuki Miyajima	currently, Vice President General Affairs, Environmental and Safety Affairs Japan Subsidiaries
Vice President	Alexander Scott	currently, Vice President Executive Vice President, Integrity, Eisai Inc.
Vice President	Mitsuaki Tanaka	currently, Vice President Chief Compliance Officer Internal Control Chief Information Security Officer
Vice President	Shohei Kanazawa	currently, Vice President President, Asia and Latin America Region API Solutions
Vice President	Akiko Nakahama	currently, Vice President Head of Medicine Development Center
Vice President	Kazumasa Nagayama	currently, Vice President Chief Strategy Officer
Vice President	Yosuke Akita	currently, Vice President Chief Talent Officer
Vice President	Kappei Tsukahara	currently, Vice President Chief Data Officer Head of Tsukuba Research Laboratories
Vice President	Hiroyuki Murayama	currently, Vice President Deputy President, Eisai Japan Head of Integrated Strategy HQs, Eisai Japan
Vice President	Keisuke Naito	currently, Vice President Chief Digital Officer Head of Consumer Experience Transformation HQs Deputy President, Eisai Japan
Vice President	Eriko Naito	currently, Vice President President, Consumer hhc Business Division

Vice President	Kazuhiko Tamura	currently, Senior Group Officer Deputy President, Eisai Demand Chain Systems
Vice President	Teruyuki Masaka	currently, Group Officer Head of Corporate Planning Department

NOTE: Representative Corporate Officer and CEO Haruo Naito will also serve concurrently as a Director.