CONSOLIDATED FINANCIAL REPORT [IFRS]
for the Nine-Month Period Ended December 31, 2022

February 6, 2023
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 quarterly report submission: February 14, 2023
Expected date of dividend payment commencement: —
Preparation of quarterly supplementary explanatory material: Yes
Quarterly results briefing held: Yes

(Figures are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine-Month Period Ended December 31, 2022

(1) Consolidated Operating Results

(Percentage figures show year on year change)

	Revenue		Operating profit		Profit before income taxes		Profit for the period		Profit for the period attributable to owners of the parent		Comprehensive income for the period	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Nine-month period ended December 31, 2022	546,197	-3.4	13,823	-81.4	17,590	-76.6	40,925	-31.1	39,109	-35.0	71,389	-6.6
Nine-month period ended December 31, 2021	565,325	13.4	74,349	29.1	75,033	28.8	59,434	29.8	60,203	33.5	76,437	89.2

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
	(¥)	(¥)
Nine-month period ended December 31, 2022	136.39	136.39
Nine-month period ended December 31, 2021	210.00	209.96

(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 December 31, 2022	1,251,069	797,072	774,034	61.9	2,698.91
As of March 31, 2022	1,239,315	771,534	748,821	60.4	2,611.82

2. Dividends

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	End of FY	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2021	—	80.00	—	80.00	160.00
FY 2022	—	80.00	—		
FY 2022 (Forecast)				80.00	160.00

(Note) Revisions to the latest dividend forecast: No

3. Consolidated Financial Forecast for Fiscal 2022 (April 1, 2022 – March 31, 2023)

(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	760,000	0.5	55,000	2.3	56,500	3.7	58,000	26.9	57,000	18.9	197.80

(Note) Revisions to the latest financial forecast: No

* Explanatory Notes

(1) Changes in number of significant subsidiaries during the period (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): No
3) Changes in accounting estimates: No

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

1) Number of shares issued (including treasury shares)	As of December 31, 2022	296,566,949	As of March 31, 2022	296,566,949
2) Number of treasury shares	As of December 31, 2022	9,667,274	As of March 31, 2022	9,801,133
3) Weighted average number of shares outstanding	For the nine-month period ended December 31, 2022	286,746,028	For the nine-month period ended December 31, 2021	286,681,533

The Company's shares held through a trust (105,164 shares) are not included in the number of treasury shares as of the end of the period, but are included in the average number of shares outstanding as treasury shares that are deducted from the calculation of earnings per share.

* This financial report is not subject to the quarterly review 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 the pages 11-12 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 Monday, February 6, 2023. The handouts from the disclosure meeting will be made available on the Company's website after the event.

Supplemental Materials: Table of Contents

1. Qualitative Information regarding Financial Results for the Period

(1) Operating Results

[Revenue and Profit]

○ Eisai Co., Ltd. (“the Company”) and its affiliates (collectively referred to as “the Group”) recorded the following consolidated financial results for the nine-month period ended December 31, 2022.

(¥billion)

	Nine-month period ended December 31, 2021	**Nine-month period ended December 31, 2022**	Year on year change (%)
Revenue	565.3	**546.2**	96.6
Cost of sales	124.1	**139.3**	112.2
Gross profit	441.2	**406.9**	92.2
Selling, general and administrative expenses	256.2	**273.0**	106.6
Research and development expenses	123.3	**121.4**	98.5
Operating profit	74.3	**13.8**	18.6
Profit before income taxes	75.0	**17.6**	23.4
Income taxes	15.6	**(23.3)**	—
Profit for the period	59.4	**40.9**	68.9
Profit for the period attributable to owners of the parent	60.2	**39.1**	65.0

○ While global brands such as anticancer agent Lenvima continued to grow, revenue decreased due to the impact mainly caused by the recording of an upfront payment (¥49.6 billion) from Bristol Myers Squibb (the U.S.) under strategic collaboration for antibody drug conjugate MORAb-202 in the same period of the previous fiscal year. Revenue of pharmaceutical business increased significantly to ¥531.9 billion (114.7% year on year).

○ Regarding revenue from global brands, revenue for Lenvima, anticancer agent Halaven, antiepileptic agent Fycompa and insomnia treatment Dayvigo was ¥191.3 billion (135.5% year on year), ¥31.8 billion (106.9% year on year), ¥30.5 billion (129.6% year on year) and ¥22.0 billion (193.8% year on year), respectively.

○ Selling, general and administrative expenses increased mainly due to the depreciation of the Japanese yen, in addition to increase in shared profit paid to Merck & Co., Inc., Rahway, NJ, USA following Lenvima’s revenue growth, despite decrease in expenses related to Alzheimer’s disease (AD) treatment ADUHELM (aducanumab).

○ Research and development expenses decreased due to the result of enhanced efficiency through the partnership model, while factors such as continuous resource investment in important projects including AD treatment Leqembi (lecanemab), and the depreciation of yen, had impact on research and development expenses.

○ As a result of the above, although operating profit decreased, segment profit of pharmaceutical business increased significantly achieving ¥256.2 billion (126.8% year on year).

○ Profit for the period increased compared to profit before income taxes following recording of a credit of income taxes due to the Company's recognition of losses on transferring of investments in subsidiaries for tax purposes following a repayment of paid-in capital from a consolidated U.S. subsidiary to the Company in order to collect capital from the consolidated U.S. subsidiary as part of the Group's capital policy to optimize the global allocation of cash in the Group.

[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, India, ASEAN, Central and South America), and OTC and others (Japan). Effective from this fiscal year, Hong Kong has been changed from the "Asia and Latin America" segment to the "China" segment. Also, as the co-development and co-promotion agreements with Biogen Inc. (the U.S., hereinafter "Biogen") regarding ADUHELM were amended in March 2022, expenses related to ADUHELM (selling, general and administrative expenses) which the Company should share have been included in the "Group headquarters' management costs and other expenses". In addition, gains and losses on sale of non-current assets have been included in the "Group headquarters' management costs and other expenses" and upfront payments and other factors received as consideration for the grant of license have been included in "other business". The year on year changes in the segment performance for this report are based on this new segmentation.

<Japan pharmaceutical business>

○ Total revenue came to ¥169.4 billion (103.7 % year on year), with a segment profit of ¥56.6 billion (120.0% year on year).

○ Regarding revenue by products, from neurology products, revenue for Dayvigo came to ¥18.1 billion (210.0% year on year), achieving significant growth. Revenue for Fycompa came to ¥4.7 billion (115.9% year on year) achieving growth. Among oncology products, revenue for Lenvima came to ¥10.6 billion (136.6% year on year) achieving significant growth due to the impact of additional indications. Revenue for Halaven came to ¥6.5 billion (102.9% year on year). Fully human anti-TNF-α monoclonal antibody Humira earned revenue of ¥37.5 billion (96.7% year on year). Revenue for chronic constipation treatment Goofice came to ¥5.1 billion (110.8% year on year). Revenue for Jyseleca, a JAK (Janus kinase) inhibitor, came to ¥5.3 billion (¥0.9 billion in the same period of the previous fiscal year) achieving significant growth.

○ Anti-rheumatic agent Metoject was launched in November 2022.

<Americas pharmaceutical business>

○ Total revenue came to ¥161.9 billion (134.0% year on year), with a segment profit of ¥98.9 billion (146.7% year on year).

○ Regarding revenue by products, from neurology products, revenue for Fycompa and Dayvigo both achieved significant growth coming to ¥14.1 billion (130.2% year on year) and ¥3.6 billion (133.9% year on year), respectively. Among oncology products, Lenvima earned ¥123.2 billion (149.1% year on year) achieving significant growth due to the impact of additional indications. Revenue for Halaven came to ¥11.0 billion (105.3% year on year).

○ Leqembi was launched in the United States in January 2023.

<China pharmaceutical business>

○ Revenue totaled ¥91.5 billion (114.4% year on year), with a segment profit of ¥49.1 billion (112.2% year on year).

○ Regarding revenue by products, revenue for Lenvima came to ¥27.4 billion (96.6% year on year) mainly due to the impact of generic pharmaceuticals. Revenue for peripheral neuropathy treatment Methycobal achieved significant growth coming to ¥12.0 billion (121.0% year on year). Proton pump inhibitor Pariet earned ¥7.1 billion (105.7% year on year). Liver disease and anti-allergy agents Stronger Neo-Minophagen C and Glycyron Tablets together recorded ¥6.4 billion (88.2% year on year).

<EMEA pharmaceutical business>

○ Revenue totaled ¥52.5 billion (118.5% year on year). A segment profit totaled ¥29.5 billion (124.5% year on year).

○ Regarding revenue by products, from neurology products, revenue for Fycompa came to ¥8.5 billion (126.0% year on year) achieving significant growth. Among oncology products, revenue for Lenvima/Kisplyx achieved significant growth recording ¥22.0 billion (135.5% year on year). Revenue for Halaven came to ¥10.2 billion (103.5% year on year).

<Asia and Latin America pharmaceutical business>

○ Revenue totaled ¥37.8 billion (103.4% year on year), with a segment profit of ¥17.6 billion (111.9% year on year).

○ Regarding revenue by products, Lenvima achieved significant growth, recording revenue of ¥8.1 billion (132.7% year on year). Revenue for Aricept, a treatment for Alzheimer's disease dementia, came to ¥10.0 billion (111.7% year on year).

○ Dayvigo was launched in India and Singapore in April 2022, in Taiwan in May, in Philippines and Thailand in November, and in Indonesia in December of the same year.

< OTC and others business>

○ Revenue totaled ¥18.7 billion (100.0% year on year), with a segment profit of ¥4.5 billion (103.6% year on year).

○ Revenue for Chocola BB Group came to ¥11.1 billion (98.1% year on year).

(2) Financial Position

[Assets, Liabilities, and Equity]

- ○ Total assets as of the end of the period amounted to ¥1,251.1 billion (up ¥11.8 billion from the end of the previous fiscal year). Assets of overseas consolidated subsidiaries increased due to the depreciation of the Japanese yen. In addition, deferred tax assets of the Company increased. Also, inventories increased due to factors such as proceeding the production of Leqembi toward launch.
- ○ Total liabilities as of the end of the period amounted to ¥454.0 billion (down ¥13.8 billion from the end of the previous fiscal year). While short-term borrowings increased, accounts payable-other to partners decreased.
- ○ Total equity as of the end of the period amounted to ¥797.1 billion (up ¥25.5 billion from the end of the previous fiscal year). Exchange differences on translation of foreign operations increased following the depreciation of yen.
- ○ As a result of the above, the ratio of equity attributable to owners of the parent was 61.9% (up 1.4 percentage points from the end of the previous fiscal year).

[Cash Flows]

- ○ Net cash from operating activities amounted to an outflow of ¥25.8 billion (inflow of ¥72.5 billion in the same period of the previous fiscal year). While accounts receivable-trade were collected, working capital increased mainly due to payment of accounts payable-other to partners.
- ○ Net cash used in investing activities amounted to an outflow of ¥20.2 billion (up ¥2.2 billion from the same period of the previous fiscal year). There were capital expenditures following the expansion of research facilities and production facilities.
- ○ Net cash used in financing activities amounted to an inflow of ¥1.9 billion (outflow of ¥53.4 billion in the same period of previous fiscal year), due to dividends paid and increase in short-term borrowings.
- ○ As a result of the above, cash and cash equivalents as of the end of the period stood at ¥268.0 billion (down ¥41.6 billion from the end of the previous fiscal year). Free cash flow (cash flow from operating activities excluding capital expenditures) for the period was an outflow of ¥46.0 billion.

(3) 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: Kisplyx, lenvatinib, jointly developed with Merck & Co., Inc., Rahway, NJ, USA)
  - ✧ Approved for use in the treatment of thyroid cancer (monotherapy) in over 80 countries including Japan, the United States, in Europe, China and in Asia.
  - ✧ Approved for use in the treatment of hepatocellular carcinoma (first-line, monotherapy) in over 80 countries including Japan, the United States, in Europe, China and in Asia.
  - ✧ Approved for use in the treatment of unresectable thymic carcinoma (monotherapy) in Japan.
  - ✧ Approved in combination with everolimus for use in the treatment of renal cell carcinoma

(second-line) in over 65 countries, including the United States and in Europe.

- ✧ Approved in combination with pembrolizumab, Merck & Co., Inc., Rahway, NJ, USA's anti-PD-1 therapy, for use in the treatment of renal cell carcinoma (first-line) in over 40 countries including Japan, the United States, in Europe and in Asia.
- ✧ Approved (including conditional approval) in combination with pembrolizumab for use in the treatment of endometrial carcinoma (following prior systemic therapy) in over 45 countries including Japan, the United States, in Europe and in Asia.
- ✧ In August 2022, a Phase III trial investigating the combination therapy with pembrolizumab versus Lenvima monotherapy as a first-line treatment in patients with hepatocellular carcinoma did not meet its dual primary endpoints of overall survival (OS) and progression-free survival (PFS). There were trends toward improvement in OS and PFS for patients who received the combination therapy versus Lenvima monotherapy; however, these results did not meet statistical significance per the pre-specified statistical plan. The median OS of the Lenvima monotherapy arm in the trial was longer than that observed in previously reported clinical trials evaluating Lenvima monotherapy in hepatocellular carcinoma. The safety profile of Lenvima plus pembrolizumab was consistent with previously reported data on the combination.
- ✧ Regarding studies of the agent in combination with pembrolizumab, respective Phase III studies for endometrial carcinoma (first-line), melanoma (first-line), nonsquamous non-small cell lung cancer (first-line, in combination with chemotherapy), non-small cell lung cancer (second-line), head and neck cancer (first-line), hepatocellular carcinoma (first-line, in combination with transcatheter arterial chemoembolization), esophageal carcinoma (first-line, in combination with chemotherapy), gastric cancer (first-line, in combination with chemotherapy), and colorectal cancer (non-MSI-H / mismatch repair proficient [pMMR], third-line) are underway in the United States, Europe and other countries.
- ✧ Regarding studies of the agent in combination with pembrolizumab, Phase II studies for melanoma (second-line) and head and neck cancer (second-line), as well as a Phase II basket trial in multiple cancer types are underway in the United States, Europe and other countries.

○ Anticancer agent Halaven (eribulin)

- ✧ Approved for use in the treatment of breast cancer in over 80 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 80 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.

○ Antiepileptic agent Fycompa (perampanel)

- ✧ Approved as an adjunctive therapy for use in the treatment of partial-onset seizures in patients with epilepsy 12 years of age and older in over 70 countries including Japan, the United States, in Europe, China and in Asia. 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, the United States and China. The agent was approved for adjunctive use in the treatment of partial-onset seizures in patients with epilepsy 4 years of age and older in Europe.

- ✧ Approved 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 over 70 countries including Japan, the United States, in Europe and in Asia. The agent was approved as an adjunctive therapy for primary generalized tonic-clonic seizures in pediatric patients with epilepsy 7 years of age and older in Europe.
- ✧ In August 2022, an application was filed in Japan seeking approval for an injection formulation as a new route of administration.
- ✧ A Phase III study for Lennox-Gastaut syndrome is underway in Japan, the United States and Europe.

○ Orexin receptor antagonist Dayvigo (lemborexant)

- ✧ Approved for the treatment of insomnia in more than 10 countries including Japan, the United States and in Asia.
- ✧ A Phase III study for insomnia is underway in China.
- ✧ A Phase II study for irregular sleep-wake rhythm disorder associated with Alzheimer's disease dementia has been finished and consideration for future development is underway.

○ Alzheimer’s disease (AD) treatment Leqembi (lecanemab, development code: BAN2401, jointly developed with Biogen)

- ✧ In September 2022, the primary endpoint and all key secondary endpoints of the Clarity AD study (Phase III study) in early-stage AD were met with highly statistically significant results. The amyloid-related imaging abnormality (ARIA) expression profile was within expectations.
- ✧ In December 2022, submission of data was initiated for a Biologics License Application (BLA) to the National Medical Products Administration (NMPA) in China.
- ✧ In January 2023, based on the Study 201 (Phase II) data that demonstrated that Leqembi reduced the accumulation of Aβ plaque in the brain, a defining feature of AD, the U.S. Food and Drug Administration (FDA) approved the agent under the Accelerated Approval Pathway for the treatment of AD. Treatment with Leqembi should be initiated in patients with mild cognitive impairment or mild dementia stage of disease, the population in which treatment was initiated in clinical trials.
- ✧ In January 2023, following the accelerated approval in the United States, a supplemental Biologics License Application (sBLA) was submitted to the FDA for traditional approval based on the data from the Phase 3 confirmatory Clarity AD clinical trial. The agent was granted Breakthrough Therapy designation and Fast Track designation for AD treatment in the United States.
- ✧ In January 2023, a marketing authorization application was submitted and accepted by the European Medicines Agency (EMA).
- ✧ In January 2023, a marketing authorization application was submitted to the

Pharmaceuticals and Medical Devices Agency (PMDA), and the agent has been designated for Priority Review by the Ministry of Health, Labour and Welfare (MHLW) in Japan.

- ✧ AHEAD 3-45 (Phase III study) for preclinical (asymptomatic) AD is underway in countries including Japan, the United States and in Europe. In this study, the agent has been selected by the Alzheimer's Clinical Trials Consortium (ACTC) as a treatment to be evaluated.
- ✧ Development of subcutaneous injection formulation is underway to enhance convenience for patients.

○ In May 2022, ultrahigh-dose mecobalamin received orphan drug designation with a prospective indication for delaying the progression of disease and functional impairment of amyotrophic lateral sclerosis (ALS), by the MHLW in Japan. With the result of an investigator-initiated Phase III trial, Eisai plans to submit a new drug application during the fiscal year 2023.

○ In November 2022, Aricept (donepezil hydrochloride), a treatment for Alzheimer’s disease and dementia with Lewy bodies, was approved for its application for a partial change to label regarding dosage and administration based on the results of a reexamination for dementia with Lewy bodies. The indication for dementia with Lewy bodies remains unchanged.

○ In November 2022, Eisai received notification from Japan’s MHLW that the “all-case study” specified post-marketing observational study condition required at the time of approval of anti-epileptic agent Inovelon (rufinamide) as an adjunctive therapy to other antiepileptic drugs for Lennox-Gastaut syndrome, had been lifted in Japan.

○ A Phase II part of Phase I/II clinical trial of anticancer agent E7386 in combination with pembrolizumab for solid tumors has been initiated and is underway in Japan, the United States and Europe.

○ A Phase III REMAP-COVID study of eritoran, a Toll-Like Receptor (TLR) 4 antagonist, for suppression of increasing severity of COVID-19 in Japan and the United States was discontinued.

○ Development of E2730 (a treatment for neurological diseases) for epilepsy at the Phase II stage in the United States has been finished.

[Major Alliances, Agreements and Other Events]

○ In April 2022, Centers for Medicare and Medicaid Services (CMS) announced the finalized National Coverage Determination (NCD) for monoclonal antibodies directed against amyloid for the treatment of AD and decided to cover treatments receiving accelerated approval based upon evidence of efficacy from a change in a surrogate endpoint only if patients are enrolled in CMS-approved randomized controlled clinical trials. At the same time, CMS has committed to reconsider the NCD for treatments which have obtained full approval with quality evidence on clinical benefit.

○ In May 2022, Eisai established pharmaceutical sales company EISAI PHARMACEUTICALS AFRICA (PTY) LTD as its subsidiary in Republic of South Africa.

○ In May 2022, EA Pharma Co., Ltd. (Tokyo, hereinafter EA Pharma) launched a high dose formulation which is a new dosage form of Movicol, a chronic constipation treatment, in Japan. Eisai will co-promote the product with EA Pharma.

○ In June 2022, Eisai announced that a brain health check utilizing “NouKNOW”, a digital tool (non-medical device) for self-assessment of brain performance (brain health) developed by Eisai, will be promoted as part of the FY2022 dementia examination project conducted by Bunkyo City, Tokyo.

○ In June 2022, Eisai signed the Kigali Declaration on neglected tropical diseases (NTDs) and expressed its continued support for the elimination of NTDs towards the achievement of the road map for NTDs 2021-2030 launched by the World Health Organization (WHO).

○ In June 2022, Eisai entered into a business alliance agreement with E.design Insurance Co., Ltd. (Tokyo), a direct non-life insurance company of the Tokio Marine Group, aiming to realize a society where people can safely enjoy driving for a longer period of their lives under the theme of “Improving Brain Health for Safe Driving”.

○ In July 2022, partnership with Pfizer Inc. (the U.S.) for Lyrica, a pain treatment, was ended due to expiration of co-promotion agreement in Japan.

○ In July 2022, under the concept of Deep Human Biology Learning (DHBL), Eisai transitioned to a new DHBL drug discovery that is based on Eisai’s R&D with creating synergy of “C&I” (Collaboration & Incubation) and “A&I” (Academia/ Industry Alliance). The functions for clinical development and establishment of a solid launch structure for next-generation AD treatments and dementia-related disease treatments were reorganized as Alzheimer's Disease and Brain Health (ADBH) under the Global AD Officer. Eisai integrated H3 Biomedicine Inc., an R&D subsidiary in the United States, into its parent company, Eisai Inc. (the U.S.) in December 2022.

○ In August 2022, Eisai entered into a capital and business alliance agreement with LIFENET INSURANCE COMPANY (Tokyo), aimed at building an ecosystem to reduce the burden of medical and nursing care for people.

○ In August 2022, Eisai entered into a joint research agreement with Honda Motor Co., Ltd. (Tokyo), Oita University (Oita, Japan) and the Usuki City Medical Association (Oita, Japan) to verify the relationship between changes in cognitive function and daily physical condition, and driving ability, with the aim of realizing a society in which elderly drivers can maintain their safety and health.

○ In August 2022, U.S. subsidiary Eisai Inc. entered into a memorandum of understanding with C_2N Diagnostics (the U.S.) to build awareness and real-world evidence for blood-based assays in the diagnosis of people living with cognitive impairment in clinical practice in the United States outside of clinical trial settings.

○ In September 2022, Eisai’s subsidiary Sunplanet Co., Ltd. (Tokyo) was made a wholly owned subsidiary through a share exchange.

○ In September 2022, nippon medac Co., Ltd. (Tokyo), a subsidiary of medac GmbH (Germany) obtained an approval in Japan for the indication of the anti-rheumatic agent Metoject (methotrexate) for the treatment of rheumatoid arthritis. Based on the license agreement with medac GmbH, Eisai will be responsible for product distribution in Japan.

○ In October 2022, Eisai completed construction of the new injection/research building at the Kawashima Industrial Park located in Gifu Prefecture, Japan, with aim of strengthening its

injectable drug formulation development research function and drug delivery system development function.

- ○ In November 2022, Eisai (Thailand) Marketing Co. Ltd., Eisai's Thai sales subsidiary, made an agreement with Thai Life Insurance Public Company Limited, a leading life insurance company in Thailand, to collaborate in supporting access to treatments for dementia, including AD, in Thailand.
- ○ In November 2022, Eisai entered into an agreement to divest its rights for muscle relaxant Myonal (eperisone hydrochloride) and vertigo and equilibrium disturbance treatment Merislon (betahistine mesilate) in 9 countries/regions in Asia (excluding Japan, China, South Korea and others) to a subsidiary of DKSH Holding Ltd. (Switzerland).
- ○ In November 2022, Eisai commenced joint research with Shimadzu Corporation (Kyoto, Japan), Oita University, and Usuki City Medical Association to develop Japan's first blood biomarker-based diagnostic workflow for dementia.
- ○ In December 2022, Eisai and Washington University School of Medicine in St. Louis (the U.S.) entered into a comprehensive research collaboration agreement aiming to create potential novel treatments for neurodegenerative disorders, including AD and Parkinson's disease.
- ○ In December 2022, Eisai entered into an agreement to transfer the United States commercial rights for Fycompa to Catalyst Pharmaceuticals, Inc. (the U.S.), as well as to provide Catalyst Pharmaceuticals, Inc. with an exclusive negotiation period for an asset in Eisai's epilepsy pipeline. Closing of the transaction took place in January 2023.
- ○ In December 2022, Eisai and Astellas Pharma Inc. (Tokyo), Daiichi Sankyo Company, Limited (Tokyo), and Takeda Pharmaceutical Company Limited (Osaka, Japan) agreed the collaboration to reduce environmental burden in the field of pharmaceutical packaging.
- ○ In December 2022, Eisai entered into a share purchase agreement concerning the transfer of all shares of Eisai's wholly-owned subsidiary Eisai Distribution Co., Ltd. (Kanagawa, Japan) to Yasuda Logistics Corporation (Tokyo). The date of the share transfer is scheduled to be March 31, 2023.
- ○ In January 2023, fully-fledged operations and business activities began at Eisai Israel Ltd., a pharmaceutical sales subsidiary.

(4) Information on Outlook for the Future including Financial Forecast (April 1, 2022 – March 31, 2023)

[Consolidated Financial Forecast]

○ There are no changes to the consolidated financial forecast announced on November 7, 2022.

	FY2021	**FY2022 Forecast**	Year on year change
Revenue	¥756.2 billion	**¥760.0 billion**	100.5%
Operating profit	¥53.7 billion	**¥55.0 billion**	102.3%
Profit before income taxes	¥54.5 billion	**¥56.5 billion**	103.7%
Profit for the year	¥45.7 billion	**¥58.0 billion**	126.9%
Profit for the year attributable to owners of the parent	¥48.0 billion	**¥57.0 billion**	118.9%
Earnings per share attributable to owners of the parent (basic)	¥167.27	**¥197.80**	118.3%

(Assumptions for fourth quarters: 1 USD = ¥143.0, 1 EUR = ¥142.0, 1 GBP = ¥162.0, 1 RMB = ¥20.4)

[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.

○ Risks factors include risks related to management based on the Corporate Concept, risks related to maximization of the value of next-generation AD treatments, risks related to maximization of the value of Lenvima, risks related to partnership model, risks related to digital transformation, risks related to uncertainties in new drug development, risks related to occurrences of side effects, risks related to product quality and stable supply, risks related to intellectual property, risks related to litigations, risks related to data reliability, risks related to trends to contain medical costs, risks related to succession, risks related to acquiring and developing human resources, risks related to information security, risks related to COVID-19, risks related to climate change, risks related to impairment of goodwill and intangible assets.

○ For further details on the above-mentioned risks, please refer to the “Risk Factors” section of the Annual Securities Reports in the previous fiscal year and the quarterly report for the second quarter of this fiscal year.

(5) Basic Policy on Profit Appropriation and Year-End Dividend Forecast

The Company pays dividends 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) 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.

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 intends to set the fiscal year-end dividend at ¥80 per share (same amount as the previous fiscal year) as previously forecasted. With an interim dividend of ¥80 per share paid at the end of the second quarter, the Company intends to set the total dividend for the fiscal year at ¥160 per share (same amount as the previous fiscal year).

2. Condensed Interim Consolidated Financial Statements and Major Notes
(1) Condensed Interim Consolidated Statement of Income

(Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2021
Revenue	546,197	565,325
Cost of sales	(139,272)	(124,093)
Gross profit	406,925	441,231
Selling, general and administrative expenses	(272,970)	(256,162)
Research and development expenses	(121,403)	(123,278)
Other income	3,398	14,111
Other expenses	(2,127)	(1,553)
Operating profit	13,823	74,349
Financial income	5,240	1,867
Financial costs	(1,473)	(1,183)
Profit before income taxes	17,590	75,033
Income taxes	23,334	(15,599)
Profit for the period	40,925	59,434
Profit for the period attributable to		
Owners of the parent	39,109	60,203
Non-controlling interests	1,816	(769)
Earnings per share		
Basic (yen)	136.39	210.00
Diluted (yen)	136.39	209.96

(2) Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2021
Profit for the period	40,925	59,434
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)	5,122	(1,398)
Subtotal	5,122	(1,398)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations (loss)	25,520	18,344
Cash flow hedges	(179)	57
Subtotal	25,342	18,401
Total other comprehensive income (loss), net of tax	30,464	17,004
Comprehensive income (loss) for the period	71,389	76,437
Comprehensive income (loss) for the period attributable to		
Owners of the parent	69,570	77,258
Non-controlling interests	1,819	(820)

(3) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of December 31, 2022	As of March 31, 2022
Assets		
Non-current assets		
Property, plant and equipment	165,160	169,926
Goodwill	207,487	191,758
Intangible assets	89,111	95,451
Other financial assets	45,868	44,033
Other assets	20,416	20,919
Deferred tax assets	112,909	76,622
Total non-current assets	640,951	598,709
Current assets		
Inventories	120,863	99,008
Trade and other receivables	188,996	207,950
Other financial assets	983	432
Other assets	27,527	23,584
Cash and cash equivalents	268,002	309,633
Subtotal	606,370	640,606
Assets held for sale	3,747	—
Total current assets	610,118	640,606
Total assets	1,251,069	1,239,315

(Millions of yen)

	As of December 31, 2022	As of March 31, 2022
Equity		
Equity attributable to owners of the parent		
Share capital	44,986	44,986
Capital surplus	78,813	77,605
Treasury shares	(33,634)	(33,936)
Retained earnings	504,946	506,583
Other components of equity	178,922	153,584
Total equity attributable to owners of the parent	774,034	748,821
Non-controlling interests	23,038	22,712
Total equity	797,072	771,534
Liabilities		
Non-current liabilities		
Borrowings	84,920	94,893
Other financial liabilities	35,311	39,213
Provisions	1,311	1,473
Other liabilities	17,558	18,386
Deferred tax liabilities	1,221	483
Total non-current liabilities	140,321	154,449
Current liabilities		
Borrowings	65,200	—
Trade and other payables	68,871	108,065
Other financial liabilities	37,512	40,865
Income taxes payable	6,894	6,877
Provisions	23,300	17,949
Other liabilities	109,132	139,576
Subtotal	310,909	313,333
Liabilities directly associated with assets held for sale	2,767	—
Total current liabilities	313,676	313,333
Total liabilities	453,997	467,782
Total equity and liabilities	1,251,069	1,239,315

(4) Condensed Interim Consolidated Statement of Changes in Equity

For the nine-month period ended December 31, 2022

(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)
As of April 1, 2022	44,986	77,605	(33,936)	506,583	—
Profit for the period	—	—	—	39,109	—
Total other comprehensive income (loss)	—	—	—	—	5,122
Comprehensive income (loss) for the period	—	—	—	39,109	5,122
Dividends	—	—	—	(45,893)	—
Share-based payments	—	(27)	—	—	—
Acquisition of treasury shares	—	—	(15)	—	—
Disposal of treasury shares	—	43	73	—	—
Changes in equity in existing subsidiaries	—	1,192	244	—	—
Reclassification	—	—	—	5,122	(5,122)
Other changes	—	—	—	25	—
Total transactions with owners (loss)	—	1,208	302	(40,746)	(5,122)
As of December 31, 2022	44,986	78,813	(33,634)	504,946	—

	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	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2022	153,584	—	153,584	748,821	22,712	771,534
Profit for the period	—	—	—	39,109	1,816	40,925
Total other comprehensive income (loss)	25,517	(179)	30,461	30,461	3	30,464
Comprehensive income (loss) for the period	25,517	(179)	30,461	69,570	1,819	71,389
Dividends	—	—	—	(45,893)	(44)	(45,937)
Share-based payments	—	—	—	(27)	—	(27)
Acquisition of treasury shares	—	—	—	(15)	—	(15)
Disposal of treasury shares	—	—	—	116	—	116
Changes in equity in existing subsidiaries	—	—	—	1,437	(1,449)	(13)
Reclassification	—	—	(5,122)	—	—	—
Other changes	—	—	—	25	—	25
Total transactions with owners (loss)	—	—	(5,122)	(44,358)	(1,493)	(45,851)
As of December 31, 2022	179,101	(179)	178,922	774,034	23,038	797,072

For the nine-month period ended December 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)
As of April 1, 2021	44,986	77,628	(34,049)	506,403	—
Profit for the period	—	—	—	60,203	—
Total other comprehensive income (loss)	—	—	—	—	(1,397)
Comprehensive income (loss) for the period	—	—	—	60,203	(1,397)
Dividends	—	—	—	(45,878)	—
Share-based payments	—	(19)	—	—	—
Acquisition of treasury shares	—	—	(25)	—	—
Disposal of treasury shares	—	10	88	—	—
Reclassification	—	—	—	(1,397)	1,397
Other changes	—	(16)	—	8	—
Total transactions with owners (loss)	—	(25)	64	(47,268)	1,397
As of December 31, 2021	44,986	77,603	(33,985)	519,338	—

	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	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2021	106,702	(69)	106,633	701,601	24,759	726,360
Profit for the period	—	—	—	60,203	(769)	59,434
Total other comprehensive income (loss)	18,395	57	17,055	17,055	(51)	17,004
Comprehensive income (loss) for the period	18,395	57	17,055	77,258	(820)	76,437
Dividends	—	—	—	(45,878)	(101)	(45,980)
Share-based payments	—	—	—	(19)	—	(19)
Acquisition of treasury shares	—	—	—	(25)	—	(25)
Disposal of treasury shares	—	—	—	98	—	98
Reclassification	—	—	1,397	—	—	—
Other changes	—	—	—	(8)	43	34
Total transactions with owners (loss)	—	—	1,397	(45,832)	(58)	(45,891)
As of December 31, 2021	125,097	(12)	125,085	733,026	23,881	756,907

(5) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	For the nine-month period ended December 31, 2022	For the nine-month period ended December 31, 2021
Operating activities		
Profit before income taxes	17,590	75,033
Depreciation and amortization	29,847	28,697
Impairment losses	272	1,915
(Increase) decrease in working capital	(54,806)	(13,205)
Interest and dividends received	2,757	1,520
Interest paid	(993)	(876)
Income taxes paid	(18,089)	(8,458)
Income taxes refund	—	3,466
Other	(2,341)	(15,614)
Net cash from (used in) operating activities	(25,763)	72,478
Investing activities		
Purchases of property, plant and equipment	(19,579)	(22,018)
Purchases of intangible assets	(8,283)	(9,814)
Proceeds from sale of property, plant and equipment and intangible assets	409	13,311
Purchases of financial assets	(2,588)	(1,823)
Proceeds from sale and redemption of financial assets	9,832	2,443
Payments of time deposits exceeding three months	(0)	(0)
Proceeds from redemption of time deposits exceeding three months	1	0
Other	25	(59)
Net cash from (used in) investing activities	(20,183)	(17,960)
Financing activities		
Net increase (decrease) in short-term borrowings	55,201	—
Repayments of long-term borrowings	(4)	—
Repayments of lease liabilities	(7,377)	(7,766)
Dividends paid	(45,893)	(45,878)
Other	(9)	200
Net cash from (used in) financing activities	1,918	(53,445)
Effect of exchange rate change on cash and cash equivalents	2,398	8,606
Net increase (decrease) in cash and cash equivalents	(41,630)	9,680
Cash and cash equivalents at beginning of period	309,633	248,740
Cash and cash equivalents at end of period	268,002	258,420

(6) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern)

Not applicable

(Changes in Accounting Policies)

With the exception of the following, all significant accounting policies that are applied to these condensed interim consolidated financial statements for this period are the same as those that were applied to the consolidated financial statements for the previous fiscal year. None of the following accounting standards and interpretations applied by the Group has any major impact on the condensed interim consolidated financial statements for this period.

Accounting standards and interpretations		Mandatory application (Date of commencement)	To be applied by the Group	Description
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

The Group changed its accounting policies related to "Configuration or customization costs in a cloud computing agreement (related to IAS 38)" in the previous fiscal year. The changes in accounting policies are applied retroactively. The condensed interim consolidated financial statements for the nine-month period ended December 31, 2021 have been restated to reflect the changes. As a result of applying the changes, compared to the amounts prior to the retroactive application, in the condensed interim consolidated statement of income for the nine-month period ended December 31, 2021, selling, general and administrative expenses increased by ¥220 million. Research and development expenses decreased by ¥15 million. Both operating profit and profit before income taxes decreased by ¥204 million. Profit for the period decreased by ¥155 million.

(Segment 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, India, ASEAN, Central and South America), and OTC and others (Japan).

Hong Kong has been changed from the "Asia and Latin America pharmaceutical business" to the "China pharmaceutical business" since April 1, 2022. This change has been reflected on "Revenue" and "Segment profit (loss)" for the fiscal year ended March 31, 2022 provided in Segment Information.

As the co-development and co-promotion agreements on Alzheimer's disease treatment ADUHELM (aducanumab) with Biogen Inc. (the U.S.) were amended in March 2022, expenses related to ADUHELM (selling, general and administrative expenses) which the Company should share based on the agreements have been included in the "Group headquarters' management costs and other expenses" since April 1, 2022. In addition to that, in order to more accurately reflect the condition of the business, gains and losses on sale of non-current assets have been included in the "Group headquarters' management costs and other expenses" and upfront payments and other factors received as consideration for the grant of license have been included in "Other business". For the fiscal year ended March 31, 2022, the above changes have been reflected in Segment Information.

(Millions of yen)

	For the nine-month period ended December 31, 2022		For the nine-month period ended December 31, 2021	
	Revenue	Segment profit (loss)	Revenue	Segment profit (loss)
Pharmaceutical business				
Japan	169,414	56,606	163,365	47,173
Americas	161,880	98,876	120,765	67,400
China	91,537	49,121	79,996	43,772
EMEA	52,524	29,539	44,339	23,720
Asia and Latin America	37,817	17,626	36,589	15,757
OTC and others	18,710	4,465	18,715	4,309
Reporting segment total	531,882	256,233	463,770	202,130
Other business (Note 1)	14,316	7,061	101,554	95,747
Total	546,197	263,294	565,325	297,877
R&D expenses (Note 2)	—	(121,403)	—	(123,278)
Group headquarters' management costs and other expenses (Note 3)	—	(128,068)	—	(100,250)
Operating profit in the condensed interim consolidated statement of income	—	13,823	—	74,349

(Note 1) “Other business” mainly includes the license revenue and pharmaceutical ingredient business of the parent company and other factors. For the nine-month period ended December 31, 2021, an upfront payment of ¥49,649 million from Bristol Myers Squibb (the U.S.) under the strategic collaboration for antibody drug conjugate MORAb-202 and milestone payments of ¥34,506 million from Merck & Co., Inc., Rahway, NJ, USA under the strategic collaboration for anticancer agent Lenvima were included in “Revenue” and “Segment profit (loss)”.

(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 other income and expenses, and the amount of profits and expenses shared under strategic collaborations with partners. For the nine-month period ended December 31, 2022, shared profit of ¥91,412 million (¥65,581 million for the nine-month period ended December 31, 2021) for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Rahway, NJ, USA was included in Group headquarters’ management costs and other expenses.

(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.

For the nine-month period ended December 31, 2022

(Millions of yen)

	Revenue from pharmaceutical goods sales	License revenue	Other revenue	Total
Pharmaceutical business				
Japan	164,207	2,388	2,818	169,414
Americas	161,516	364	－	161,880
China	91,517	20	－	91,537
EMEA	52,524	－	－	52,524
Asia and Latin America	37,425	391	－	37,817
OTC and others	18,710	－	－	18,710
Reporting segment total	525,900	3,163	2,818	531,882
Other business (Note 1)	－	6,354	7,962	14,316
Total	525,900	9,517	10,780	546,197
Revenue recognized from contracts with customers	525,900	8,517	10,780	545,197
Revenue recognized from other sources (Note 2)	－	1,000	－	1,000

(Note 1) “Other business” mainly includes the license revenue and pharmaceutical ingredient business of the parent company.

(Note 2) Revenues recognized from other sources are not from contracts with customers, but from partner companies that share the risks and benefits of co-promotion activities.

For the nine-month period ended December 31, 2021

(Millions of yen)

	Revenue from pharmaceutical goods sales	License revenue	Other revenue	Total
Pharmaceutical business				
Japan	154,385	2,124	6,856	163,365
Americas	120,618	15	133	120,765
China	79,996	―	―	79,996
EMEA	44,339	―	―	44,339
Asia and Latin America	36,392	197	―	36,589
OTC and others	18,715	―	―	18,715
Reporting segment total	454,445	2,336	6,989	463,770
Other business (Note 1)	―	95,219	6,336	101,554
Total	454,445	97,555	13,324	565,325

(Note 1) “Other business” mainly includes the license revenue and pharmaceutical ingredient business of the parent company. For the nine-month period ended December 31, 2021, an upfront payment of ¥49,649 million from Bristol Myers Squibb under the strategic collaboration for antibody drug conjugate MORAb-202 and milestone payments of ¥34,506 million from Merck & Co., Inc., Rahway, NJ, USA under the strategic collaboration for anticancer agent Lenvima were included in “License revenue”.

(Note 2) All revenue for the nine-month period ended December 31, 2021 was recognized based on contracts with customers.

(2) Employee benefits

For the nine-month period ended December 31, 2022, the Group recognized termination benefits of ¥1,367 million due to office and research laboratory closure of H3 Biomedicine Inc. (the U.S., hereinafter “H3”), a U.S. consolidated subsidiary of the Company. The details are described in “(4) Research and development expenses”.

For the nine-month period ended December 31, 2021, the Company’s consolidated subsidiary EA Pharma Co., Ltd. (Tokyo) decided to implement a special second career program (voluntary retirement program) so as to make further contributions to patients through strengthening its solid corporate foundation. Accordingly, termination benefits (premium retirement payments) of ¥2,894 million was recorded. Breakdown of the termination benefits by item was cost of sales of ¥240 million, selling, general and administrative expenses of ¥2,461 million and research and development expenses of ¥192 million.

(3) Selling, general and administrative expenses

For the nine-month period ended December 31, 2022, the Group recognized shared profit of ¥91,412 million (¥65,581 million for the nine-month period ended December 31, 2021) for anticancer agent Lenvima paid by the Group to Merck & Co., Inc., Rahway, NJ, USA as selling, general and administrative expenses.

(4) Research and development expenses

For the nine-month period ended December 31, 2022, H3 was integrated into Eisai Inc. (the U.S.). H3's research functions and assets such as drug discovery platform and investigational products were transferred to the Group, and

H3's office and research laboratory were closed. Following this closure of office and research laboratory, the Group recognized termination benefits of ¥1,367 million as research and development expenses.

For the nine-month period ended December 31, 2021, the Company's consolidated subsidiary EA Pharma Co., Ltd. evaluated its R&D pipeline so as to make further contributions to patients through strengthening its solid corporate foundation. Since the development of some new drug candidates was discontinued as a consequence of the above, the Group made the recoverable amount of those discontinued new drug candidates zero, and recorded its impairment losses of ¥1,915 million related to IPR&D assets as research and development expenses.

(5) Other income

For the nine-month period ended December 31, 2021, the Group recognized gains on sale of non-current assets of ¥13,293 million as other income. The gains on sale of non-current assets consisted mainly of the gains arising from the divestiture of its rights for the antiepileptic agent Zonegran in Europe and other regions.

(6) Income taxes

For the nine-month period ended December 31, 2022, as part of the Company's capital policy to optimize the global allocation of cash in the Company, the Company received a repayment of paid-in capital of ¥63,622 million from its consolidated U.S. subsidiary, Eisai Corporation of North America. As a result, the Company recognized losses on transferring of investments in subsidiaries for tax purposes and income taxes decreased by ¥21,287 million.

(Consolidated Statement of Financial Position)

(1) Assets held for sale and liabilities directly associated with these assets held for sale

As of December 31, 2022, non-current assets or disposal groups classified as held for sale because the sales are highly probable and these assets are planned to be sold within one year are as follows.

In December 2022, the Group entered into a share purchase agreement concerning the transfer of all shares of the Group's consolidated subsidiary Eisai Distribution Co., Ltd. (Kanagawa, Japan) to Yasuda Logistics Corporation (Tokyo). Through this agreement the Group will pursue a more stable and efficient supply of the Group's products and concentrate on select business areas. The date of the share transfer is scheduled to be March 31, 2023.

In accordance with the above, the assets and liabilities of Eisai Distribution Co., Ltd. as of December 31, 2022 have been classified to the assets held for sale and liabilities directly associated with assets held for sale.

The breakdown of assets held for sale and liabilities directly associated with these assets held for sale are as follows.

(Millions of yen)

	As of December 31, 2022
Assets held for sale	
Property, plant and equipment	2,991
Trade and other receivables	309
Other	448
Total	3,747
Liabilities directly associated with assets held for sale	
Other financial liabilities	1,855
Trade and other payables	494
Other	418
Total	2,767

(Consolidated Statement of Cash Flows)

For the nine-month period ended December 31, 2021, proceeds from sale of property, plant and equipment and intangible assets of ¥13,311 million consisted mainly of the proceeds from the divestiture of the Group's rights for the antiepileptic agent Zonegran in Europe and other regions.

(Significant Subsequent Events)

Not applicable