Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (Prime Market)
Stock Code:	4536
URL:	https://www.santen.com/en/
Representative:	Shigeo Taniuchi, President and CEO
Contact:	Giyomu Sakuma, Global Head of IR, IR Group (+81-6-7664-8621)
Annual Shareholders Meeting (Scheduled):	June 24, 2022
Start of Distribution of Dividends (Scheduled):	June 27, 2022
Filing of Securities Report (Scheduled):	June 24, 2022
Preparation of Supplementary Material of the Financial Results:	Yes
Holding of Presentation of Financial Results:	Yes (for securities analysts and institutional investors)

(JPY millions)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2022

(1) Operating Results

(IFRS)

	Year to March 2021	Year to March 2022	% change
Revenue	249,605	266,257	+6.7%
Operating profit	12,187	35,886	+194.5%
Profit before tax	11,688	35,616	+204.7%
Net profit for the year	9,126	27,189	+197.9%
Net profit for the year attributable to owners of the company	9,311	27,218	+192.3%
Total comprehensive income for the year	17,974	38,550	+114.5%
Basic earnings per share (yen)	23.30	68.07	
Diluted earnings per share (yen)	23.26	67.97	
Profit to equity attributable to owners of the company (%)	3.0%	8.4%	
Profit before tax to total assets ratio (%)	2.9%	8.2%	
Operating profit to revenue ratio (%)	4.9%	13.5%	

(Core basis)

	Year to March 2021	Year to March 2022	% change
Revenue	249,605	266,257	+6.7%
Core operating profit	50,101	46,348	(7.5%)
Core net profit for the year	37,549	35,195	(6.3%)
Core net profit for the year attributable to owners of the company	37,589	35,249	(6.2%)
Basic core earnings per share (yen)	94.09	88.16	
Diluted core earnings per share (yen)	93.87	88.02	

(2) Financial Position

	March 31, 2021	March 31, 2022
Total assets	405,285	459,976
Total equity	309,646	336,844
Total equity attributable to owners of the company	310,181	337,488
Total equity attributable to owners of the company ratio (%)	76.5%	73.4%
Equity per share attributable to owners of the company (yen)	776.16	843.60

(Note)
With regard to provisional accounting treatment related to a business combination in September 2020, in conjunction with the completion of adjustments in the fiscal year ended March 31 2022, the consolidated earnings (cumulative total) and financial position for the fiscal year ended March 31, 2021 have been retroactively restated.

(3) Cash Flows

	Year to March 2021	Year to March 2022
Cash flows from operating activities	38,808	46,043
Cash flows from investing activities	(53,355)	(35,169)
Cash flows from financing activities	(16,685)	5,557
Cash and cash equivalents at end of year	62,888	83,014

2. Dividends

	Year to March 2021	Year to March 2022	(Forecasts) Year to March 2023
Second quarter dividends per share (yen)	14.00	16.00	16.00
Year-end dividends per share (yen)	14.00	16.00	16.00
Annual dividends per share (yen)	28.00	32.00	32.00
Total dividends paid (full-year)	11,192	12,804	—
Payout ratio (consolidated)	120.2%	47.0%	51.6%
Dividends paid on equity attributable to owners of the company (consolidated)	3.6%	4.0%	—

3. Consolidated Forecasts of Results for the Fiscal Year Ending March 31, 2023

(IFRS)

	Year to March 2023	% change
Revenue	264,000	(0.8%)
Operating profit	34,200	(4.7%)
Profit before tax	32,500	(8.7%)
Net profit for the year	24,400	(10.3%)
Basic earnings per share (yen)	61.96	

(Core basis)

	Year to March 2023	% change
Revenue	264,000	(0.8%)
Core operating profit	45,500	(1.8%)
Core net profit for the year	34,100	(3.1%)
Core earnings per share (yen)	86.59	

(Note)
Please refer to "1. Summary of Quarterly Consolidated Results (1) Summary of Consolidated Results" on page 5 of the attached material for details of the reconciliation from IFRS basis figures to core-based figures.
At a meeting of the Board of Directors on May 10, 2022, the Board resolved to undertake a share repurchase. The share repurchase has been factored into the basic earnings per share and core earnings per share forecasts. Please refer to "3. Consolidated Financial Statements and Notes (5) Notes for Consolidated Financial Statements" on page 23 of the attached material for details.

*Notes

(1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries resulting in changes in scope of consolidation): No
With regard to Plano Pte. Ltd. which is part of the Santen Group (Santen and its affiliated companies), the ratio of Plano's voting shares held by Santen surpassed 20% during the period under review. Reflecting Santen's significant influence over Plano, it became an equity method affiliate of Santen.

(2) Changes in accounting policies and changes in accounting estimates
(i) Changes in accounting policies required by IFRS : No
(ii) Changes in accounting policies other than (i) : No
(iii) Changes in accounting estimates : No

(3) Number of ordinary shares issued
(i) Number of shares issued at the end of the period (including treasury shares)
Fiscal Year ended March 31, 2022 400,694,754 shares
Fiscal Year ended March 31, 2021 400,368,954 shares

(ii) Number of treasury shares at the end of the period
Fiscal Year ended March 31, 2022 423,668 shares
Fiscal Year ended March 31, 2021 549,909 shares

(iii) Average number of shares during the period
Fiscal Year ended March 31, 2022 399,775,490 shares
Fiscal Year ended March 31, 2021 399,455,900 shares

(NOTE)The number of treasury shares at the end of the period includes shares (18,230 shares at the end of the fiscal year ended March 31, 2021 and 16,271 shares at the end of the fiscal year ended March 31, 2022) owned in trust for the stock compensation system. Treasury shares are also included in the calculation of the average number of shares outstanding during the period.

(Reference) Summary of Non-consolidated Financial Results
Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)
(1) Non-Consolidated Financial Results

(%: year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Fiscal Year ended March 31, 2022	190,828	2.5	21,389	(9.4)	22,525	(11.1)	17,433	(19.9)
Fiscal Year ended March 31, 2021	186,112	1.9	23,614	(31.4)	25,324	(27.4)	21,754	(20.6)

	Per share Net income	Fully diluted Net income per share
	Yen	Yen
Fiscal Year ended March 31, 2022	43.59	43.53
Fiscal Year ended March 31, 2021	54.44	54.33

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY millions	JPY millions	%	Yen
Fiscal Year ended March 31, 2022	363,763	297,507	81.7	742.30
Fiscal Year ended March 31, 2021	353,603	294,231	83.1	734.61

(Reference) Equity

Fiscal Year ended March 31, 2022 297,122 million yen

Fiscal Year ended March 31, 2021 293,713 million yen

*This financial summary is not subject to audit by a certified public accountant or auditing firm.

*Explanations and other special notes concerning the appropriate use of business performance forecasts

(Notes on forward-looking statements)

The earnings forecasts and other forward-looking statements contained in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual results may differ from these forecasts due to various factors.

(Method of obtaining supplementary explanatory materials for financial results and results briefing contents)

The Santen Group plans to hold a briefing on the results for securities analysts and institutional investors on Wednesday, May 11, 2022. The materials used in this briefing will be posted on our website.

Accompanying Materials – Contents

1. Summary of Consolidated Results

(1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2022

(I) Consolidated Results

A) IFRS

(JPY millions)

	FY2020	FY2021	Year-on-year change
Revenue	249,605	266,257	+6.7%
Operating profit	12,187	35,886	+194.5%
Net profit for the year	9,126	27,189	+197.9%
Net profit for the year attributable to owners of the company	9,311	27,218	+192.3%

[Revenue]

Revenue in the fiscal year ended March 31, 2022 increased by 6.7% year-on-year to ¥266.3 billion.

In the mainstay prescription pharmaceuticals business, sales grew by 6.3% year-on-year to ¥249.6 billion. This is due to the steady growth in mainstay products despite the impact of drug price revisions in Japan, a minimization of the impact from volume-based purchasing in China as well as the stable growth in mainstay products in EMEA.

The breakdown of revenue is as follows:

Upper: Amount
Lower: Year-on-year change
【】: Year-on-year change excluding FX impact

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	159,705	27,133	19,172	41,251	2,317	249,579
	2.5% 【－】	16.6% 【3.7%】	14.1% 【7.9%】	12.1% 【6.1%】	15.2% 【8.8%】	6.3% 【3.6%】
OTC pharmaceuticals	9,185	7	588	－	－	9,780
	1.4%	－	67.1%	－	－	3.9%
Medical devices	3,139	－	－	1,648	398	5,184
	7.3%	－	－	48.5%	－	28.4%
Others	1,604	57	53	－	－	1,714
	19.5%	(21.9%)	(5.8%)	－	－	16.5%
Total	173,633	27,197	19,813	42,899	2,715	266,257
	2.7%	16.5%	15.1%	13.2%	35.0%	6.7%

(NOTE)

Represents revenue from sales to external customers.

Classified into countries or regions based on customer location. China is not included in Asia.

EMEA means Europe, the Middle East and Africa.

<Prescription pharmaceuticals>

◇ Japan

Revenue in the fiscal year ended March 31, 2022 increased by 2.5% year-on-year to ¥159.7 billion.
Revenues of major products are as follows.

Glaucoma and ocular hypertension		
Tapros ophthalmic solution	¥8.4 Billion	(YoY -3.4%)
Tapcom ophthalmic solution	¥2.7 Billion	(YoY +5.1%)
Cosopt ophthalmic solution	¥5.7 Billion	(YoY -18.6%)
Eybelis ophthalmic solution	¥3.3 Billion	(YoY +31.3%)
Dry Eye		
Diquas ophthalmic solution	¥13.3 Billion	(YoY +8.6%)
Allergy		
Alesion ophthalmic solution *1(refer to Page5)	¥29.3 Billion	(YoY -10.5%)
Intravitreal VEGF inhibitor		
EYLEA *2(refer to Page5) (solution for intravitreal injection)	¥72.5 Billion	(YoY +12.5%)

◇ China

On a JPY basis, revenue in the fiscal year ended March 31, 2022 increased by 16.6% year-on-year (+3.7% excluding FX impact), to ¥27.1 billion. The Company focused further on strengthening sales promotion of ophthalmic solutions *Diquas* and *Tapros*, which are new products in China, as well as expanding other market channels such as private hospitals and pharmacies, although revenues from mainstay ophthalmic solution products *Cravit* and *Hyalein* were impacted by volume-based purchasing. Revenues of major products are as follows.

Glaucoma and ocular hypertension		
Tapros ophthalmic solution	¥1.2 Billion	(YoY +94.3%)
Dry Eye		
Diquas ophthalmic solution	¥4.1 Billion	(YoY +468.5%)
Hyalein ophthalmic solution	¥8.9 Billion	(YoY -3.4%)
Bacterial conjunctivitis		
Cravit ophthalmic solution	¥7.0 Billion	(YoY -12.1%)

◇ Asia (excluding China)

On a JPY basis, revenue in the fiscal year ended March 31, 2022 increased by 14.1% year-on-year (+7.9% excluding FX impact), to ¥19.2 billion. Revenues of major products are as follows.

Glaucoma and ocular hypertension		
Tapros ophthalmic solution	¥2.1 Billion	(YoY +8.9%)
Tapcom ophthalmic solution	¥0.8 Billion	(YoY +49.3%)
Cosopt ophthalmic solution	¥5.2 Billion	(YoY +15.6%)
Dry Eye		
Diquas ophthalmic solution	¥1.4 Billion	(YoY +1.1%)
Bacterial conjunctivitis		
Cravit ophthalmic solution	¥1.9 Billion	(YoY +8.3%)

◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2022 increased by 12.1% year-on-year (+6.1% excluding FX impact), to ¥41.3 billion. Revenues of major products are as follows.

Glaucoma and ocular hypertension		
Tapros ophthalmic solution	¥6.8 Billion	(YoY +1.1%)
Tapcom ophthalmic solution	¥3.4 Billion	(YoY +18.4%)
Cosopt ophthalmic solution	¥10.9 Billion	(YoY +15.5%)
Trusopt ophthalmic solution	¥2.9 Billion	(YoY +3.2%)
Dry Eye		
Ikervis	¥4.8 Billion	(YoY +30.6%)

◇ Americas

On a JPY basis, revenue in the fiscal year ended March 31, 2022 was ¥2.3 billion. Revenue from Eyevance Pharmaceuticals Holdings Inc (U.S.) which Santen acquired in the second quarter of the fiscal year ended March 31, 2021 was ¥1.4 billion.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2022 increased by 3.9% year-on-year to ¥9.8 billion.
Santen continues to focus on high-end products such as the *Sante Medical series, Sante Beauteye series*, and *Soft Santear series* as well as *Hyalein S*, which is a switch OTC product, and *Sante FX series*, which, in 2021, marked its 30th anniversary since launch. In the fiscal year under review, Santen launched eye drop-type eye wash, *Well-Wash EYE*.

<Medical devices>

Revenue in the fiscal year ended March 31, 2022 increased by 28.4% year-on-year to ¥5.2 billion. Revenues of major products are as follows..

Lentis Comfort	¥1.4 Billion	(YoY +18.9%)
PRESERFLO MicroShunt	¥1.6 Billion	(YoY +80.9%)

<Others>

Other revenues amounted to ¥1.7 billion. This is due to sales of supplements, and cleaning of dustless and aseptic clothing at consolidated subsidiary Clair Co., Ltd.

[Operating profit]

Gross profit in the fiscal year ended March 31, 2022 increased by 3.4 % year-on-year to ¥156.6 billion.
SG&A expenses on an IFRS basis increased by 6.2% year-on-year to ¥84.5 billion. In addition to SG&A expenses on a core basis of ¥83.9 billion to be hereinafter described, expenses of ¥0.6 billion were incurred, including one-time expenses in connection with the integration of Eyevance Pharmaceuticals Inc. (U.S.).
R&D expenses in the fiscal year ended March 31, 2022 increased by 9.4% year-on-year to ¥26.4 billion.
Amortization on intangible assets associated with products in the fiscal year ended March 31, 2022 decreased by 8.6% year-on-year to ¥9.7 billion. This was mainly due to the amortization on intangible assets associated with products acquired from Merck & Co., Inc. (U.S.) in 2014, *Ikervis* which was launched in Europe in 2015, STN2000100 (DE-128, *PRESERFLO MicroShunt*) acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016 (amortization began in April 2019) and ophthalmic products acquired in connection with the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.) in 2020.

Related to the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.) in the fiscal year ended March 2021, as a result of the completion of the purchase price allocation in the fiscal year under review, the provisional figures used previously have been retroactively restated. Please see section 3. (5) Notes to Consolidated Financial Statements (Business Combinations) for more details. The amortization expense for intangible assets related to products in the fiscal year under review amounted to ¥1.9 billion.

Other income amounted to ¥1.0 billion, mainly due to the transfer of fixed assets owned by Santen.
Other expenses amounted to ¥1.1 billion.

As a result, operating profit on an IFRS basis in the fiscal year ended March 2022 increased by 194.5 % year-on-year to ¥35.9 billion.

[Net profit for the year]
Finance income amounted to ¥2.5 billion, mainly due to valuation gains on investment securities owned by Santen Group.
Finance expenses amounted to ¥1.2 billion.

Share of loss of investments accounted for using equity method amounted to ¥1.6 billion from the losses incurred at Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.)
Income tax expenses increased by ¥5.9 billion year on year to ¥8.4 billion. This is mainly due to a change in the composition of corporate profits within the Group which led to reduction in corporate tax, offset by a decline in the reversal of deferred tax liabilities resulting from impairment losses on development, manufacturing and sales rights incurred in the previous fiscal year and a decrease in tax deduction amount pertaining to study expenses.

As a result, net profit for the fiscal year ended March 31, 2022 increased by 197.9% year-on-year to ¥27.2 billion.

[Net profit for the year attributable to owners of the company]
Net profit attributable to owners of the company in the fiscal year ended March 31, 2022 increased by 192.3% year-on-year to ¥27.2 billion. The ratio to revenue was 10.2%.

*1 Includes *Alesion LX*
*2 Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

B) Core basis[*3]

(JPY millions)

	FY2020	FY2021	Year-on-year change
Revenue	249,605	266,257	+6.7%
Core operating profit	50,101	46,348	(7.5%)
Core net profit for the year	37,549	35,195	(6.3%)
Core net profit for the year attributable to owners of the company	37,589	35,249	(6.2%)

[Revenue]
There are no adjustments from the IFRS basis.

[Core operating profit]
There are no adjustments to gross profit from the IFRS basis.
SG&A expenses increased by 8.7% year-on-year to ¥83.9 billion. For the adjustments from the IFRS basis, please refer to the aforementioned section on [Operating profit].
There are no adjustments to R&D expenses from the IFRS basis.

As a result, operating profit on a core basis in the fiscal year ended March 31, 2022 decreased by 7.5% year-on-year to ¥46.3 billion.

*3 With the adoption of IFRS in the fiscal year ended March 31, 2015, the Santen Group discloses financial information on a core basis, which is calculated by excluding certain income and expense items from the IFRS basis, as an indicator of ordinary performance. The core basis is calculated by adjusting the following income and expense items, which are deducted from IFRS results, and the related income tax expenses.

- Amortization on intangible assets associated with products
- Other income
- Other expenses
- Finance income
- Finance expenses
- Share of profit (loss) of investments accounted for using equity method
- One-time expenses related to acquisitions of companies included in SG&A

(Ⅱ) Research & Development Activities

<Glaucoma and the ocular hypertension area>

STN1011101 (DE-111A, generic name: tafluprost / timolol maleate) is a fixed dose combination drug of a prostaglandin $F_2\alpha$ derivative and a beta-adrenergic receptor blocker. Conducting Phase 3 trial since January 2019 in China.

STN1011700 (DE-117, generic name: omidenepag isopropyl) is an EP2 receptor agonist. The Company received a complete response letter from FDA in November 2021 and is preparing for resubmission in May 2022 in the U.S. The product was launched in November 2018 in Japan. The Company successively filed for marketing approval in Asian countries. Launched in Korea in February 2021.

STN1012600 (DE-126, generic name: sepetaprost) is a dual agonist that activates both FP and EP3 receptors. An additional Phase 2 trial was completed in December 2021 in the U.S. A late Phase 2 trial was completed in Japan. A Phase 2 trial (exploratory study) was started in September 2021 in Europe.

STN2000100 (DE-128)* is a device for glaucoma. The Company received marketing approval in February 2022 in Japan. The device was launched in April 2019 in Europe. The Company successively filed for marketing approval in Asian countries since March 2020, and received approval in Singapore and other countries from September 2021. The Company received a rejection letter in Korea in April 2021 but is considering re-filing.

STN1013001 (DE-130A, generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin $F_2\alpha$ derivative. Phase 3 trial was completed in March 2022 in Europe and Asia. Primary endpoint was met.

STN1013900 (AR-13324, generic name: netarsudil mesylate) is a ROCK inhibitor. Phase 3 trial underway since November 2020 in Japan. The Company filed for marketing approval in March 2022 in Asia.

*Offered product development, commercialization, and sales rights to Glaukos Corporation (U.S., hereinafter, Glaukos) in Americas, Australia and New Zealand in May 2021. Received a not approvable letter of PMA from FDA in April 2022 in U.S. Received marketing approval in March 2021 in Canada and in May 2021 in Australia.

<Keratoconjunctival disease area including dry eye >

STN1007603 (DE-076C, generic name: cyclosporin) for vernal keratoconjunctivitis was approved and launched in Europe, Asia, and Canada. Marketing approval has been obtained in April 2022 in China. In the U.S., it was launched in May 2022.

STN1008903 (DE-089C, generic name: diquafosol sodium) is for the treatment of dry eye. The Company filed for manufacturing and marketing approval in August 2021 in Japan.

STN1010905 (generic name: sirolimus) is for meibomian gland dysfunction. Phase 2a trial started in October 2021 in Japan.

STN1011402 (generic name: epinastine hydrochloride) is for the treatment of allergic conjunctivitis. Phase 3 trial started in February 2022 in Japan.

STN1010904* (generic name: sirolimus) is for the treatment of Fuchs endothelial corneal dystrophy. The Company has executed a joint development agreement with ActualEyes Inc. Phase 1 trial has completed, and the IND for Phase 2a trial in US and other countries has been submitted to US FDA (*The development code (STN1010904) is due to be assigned to the product when Santen obtains exclusive license upon completion of Phase 2 clinical trial.)

<Retina and uveal disease area>

STN1010900 (DE-109, generic name: sirolimus) development has been discontinued upon reassessment of business feasibility.

<New disease area>

STN1012700 (DE-127, generic name: atropine sulfate) is a treatment for myopia in children. Conducting Phase 2/3 trial since August 2019 in Japan. Phase 1 trial was completed in April 2022 in China. Phase 2 trial was completed in April 2020 in Asia.

STN1012701 (SYD-101, generic name: atropine sulfate) is a treatment for progressive myopia in children. Sydnexis Inc., (U.S.) the licensor, is conducting Phase 3 trial in Europe and the U.S. Santen has obtained the exclusive license for Europe, Middle East and Africa.

STN1013400 (compound name: AFDX0250BS) is a treatment for myopia. Phase 1 trial was completed in September 2021 in Japan.

STN1013600 (generic name: ursodeoxycholic acid) is a treatment for presbyopia. Phase 1 trial was completed in April 2022 in Japan.

※ The numbering method for development codes has changed. Both existing development codes (DE-XXX) and new development codes (STNXXXXXXX) are shown. AR-13324 and SYD-101 are the development codes of Aerie Pharmaceuticals, Inc. (U.S.) and Sydnexis Inc. (U.S.) respectively.

(Ⅲ) Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2022 amounted to ¥22.2 billion. With the aim of addressing expanding demand and reinforcing the production and supply structure, Santen has added a prescription ophthalmic solution manufacturing building on the site of its Shiga Product Supply Center. The company also commenced investment in a new factory for Santen Pharmaceutical (China) Co., Ltd. The swift move adds production capacity to proactively cater to anticipated market growth, thereby establishing Santen's competitive edge globally for even greater business growth. In addition, Santen will continue to invest in next-generation ERP, with the aim of enhancing administrative standardization and production efficiency to support global business expansion.

(2) Summary of Financial Position for the Fiscal Year ended March 31, 2022

Total assets amounted to ¥460.0 billion, up ¥54.7 billion from the end of the previous fiscal year ended March 31, 2021. This was mainly due to an increase in intangible assets associated with a license contract with Aerie Pharmaceuticals, Inc. (U.S.) as well as increases in property, plant and equipment related to the construction of the No. 3 plant for the manufacturing of prescription pharmaceutical eye-drops at the Shiga Product Supply Center, cash and cash equivalents, and others.

Equity amounted to ¥336.8 billion, up ¥27.2 billion from the end of the previous fiscal year ended March 31, 2021, due to increases in other components of equity, retained earnings and others.

Liabilities amounted to ¥123.1 billion, up ¥27.5 billion from the end of the previous fiscal year ended March 31, 2021. This was due to increases in the financial liabilities from long-term loans and others, trade and other payables, financial liabilities from short-term loans, and others.

As a result, the ratio of equity attributable to owners of the company to total assets decreased by 3.1 points from the end of the previous fiscal year ended March 31, 2021 to 73.4%.

(3) Summary of Cash Flows for the Fiscal Year ended March 31, 2022

Cash flows from operating activities for the fiscal year under review amounted to ¥46.0 billion. (¥38.8 billion in the fiscal year ended March 31, 2021.) This was mainly due to the net profit of ¥27.2 billion, depreciation and amortization of ¥17.1 billion, income tax expenses of ¥8.4 billion, and income taxes paid of ¥10.2 billion.

Cash flows from investing activities amounted to an outflow of ¥35.2 billion. (¥53.4 billion in the fiscal year ended March 31, 2021.) This was mainly due to payments for the acquisition of property, plant and equipment and intangible assets amounting to ¥17.3 billion and ¥18.5 billion respectively. Reflecting the Company's accelerated review of strategic equity holdings, there was a cash inflow of ¥3.9 billion owing to the sale of 4 equity holdings in the period under review.

Cash flows from financing activities amounted to an inflow of ¥5.6 billion. (Outflow of ¥16.7 billion in the fiscal year ended March 31, 2021.) This was mainly due to the receipt of proceeds from short and long-term loans of ¥10.5 billion and ¥10.0 billion respectively despite cash dividends paid of ¥12.0 billion.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2022 increased by ¥20.1 billion from the end of the fiscal year ended March 31, 2021 to ¥83.0 billion.

(Reference) Trends in cash flow indicators

	FY2020	FY2021
Equity attributable to owners of the company ratio	76.5%	73.4%
Equity attributable to owners of the company ratio on a market value basis	150.3%	106.8%
Interest-bearing debt to cash flow ratio	6.2%	51.3%
Interest coverage ratio	244.6 times	191.6 times

(Note)
Equity attributable to owners of the company ratio: Equity attributable to owners of the company / Assets
Equity attributable to owners of the company ratio on a market value basis: Market capitalization / Assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt (not including lease obligations) / Cash flow
Interest coverage ratio: Cash flows / Interest payments

*All indicators are calculated based on consolidated financial figures.
*Market capitalization is calculated by multiplying the closing share price at year end by the number of shares outstanding at year end, not including treasury shares. Treasury shares, which are deducted, do not include the Company's shares held by the trust for the stock-based compensation plan.
*Cash flows are cash flows from operating activities in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded in the consolidated statement of financial position on which interest is paid(not including lease obligations). Interest payments are the amount of interest paid in the consolidated statements of cash flows.
*For the cash flow indicators for the fiscal year ended March 31, 2021, as the provisional amounts related to corporate combinations have been confirmed, the previously used provisional figures have been retroactively restated.

(4) Basic Profit Distribution Policy and Dividends for the Current and Next Fiscal Years

(I) Basic Policy on Profit Distribution

Santen regards returning profits to shareholders as a top management priority. The Company will incrementally raise its dividends to keep a dividend payout ratio of at least 40% accompanied by its earnings growth. Surplus capital held for a certain period will be returned to shareholders through share repurchases to be executed flexibly subject to market conditions.
The Articles of Incorporation of the Company stipulate that the Company will pay an interim dividend. The Company plans to pay a dividend twice a year after the enforcement of the Companies Act on May 1, 2006, based on the interim and year-end dividends as before. The Board of Directors determines the interim dividend and the General Meeting of Shareholders determines the year-end dividend.

(II) Dividends for the Fiscal Year ended March 31, 2022

The Company plans to pay year-end dividends of ¥16 per share subject to approval at the 110th annual shareholders' meeting, which is scheduled to be held in June 2022. Together with the interim dividend already paid out, the annual dividend will be ¥32 per share, for a dividend payout ratio of 47.0%.

(III) Dividend for the Fiscal Year ending March 31, 2023

The Company plans to pay an annual dividend of ¥32, consisting of an interim dividend of ¥16 per share and a year-end dividend of ¥16 per share for the next fiscal year, for a dividend payout ratio of 51.6%, a metric that reflects the profits returned to shareholders via dividends from total profits for the next fiscal year. Santen has deemed appropriate to set the Company’s total payout ratio, including dividends and share buybacks, to approximately 150% as part of our FY2022 shareholder return policy.
At a meeting of the Board of Directors on May 10, 2022, the Board resolved to repurchase its own shares up to ¥15.0 billion (representing 3.1% of total number of shares outstanding excluding treasury shares) with the aim of enhancing capital efficiency and improving return of profits.

(5) Outlook for the Fiscal Year Ending March 31, 2023

The forecasts for the next fiscal year on a IFRS basis and core basis are as follows.

<IFRS basis>

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	264,000	(0.8%)
Operating profit	35,886	34,200	(4.7%)
Net profit for the year	27,189	24,400	(10.3%)
Net profit for the year attributable to owners of the company	27,218	24,380	(10.4%)

<Core basis>

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	264,000	(0.8%)
Core operating profit	46,348	45,500	(1.8%)
Core net profit for the year	35,195	34,100	(3.1%)

Revenue is forecast to be unchanged from the previous fiscal year ended March 2022 at ¥264.0 billion. While the NHI drug price revision is expected to have an impact on the domestic business, in the overseas business the Company projects continued growth in China, Asia and EMEA. In addition, the Company expects a contribution from the expansion of the North American commercial base.

SG&A is forecast to be ¥88.5 billion, up 5.5% from the previous fiscal year ended March 31, 2022; R&D expenses are projected to be ¥27.0 billion, up 2.4% from the previous fiscal year ended March 31, 2022.

Core operating profit, which reflects the Company's recurring profitability, is forecast to be ¥45.5 billion, unchanged from the previous fiscal year. The Company aims to secure continued profit growth by maintaining a balance between allocating resources for future growth while remaining disciplined in controlling expenses through a continued focus on stepping up measures to limit ordinary expenses.

Operating profit on IFRS basis is forecast to be ¥34.2 billion, down 4.7% from the previous fiscal year. Net profit for the year is forecast to be ¥24.4 billion, a decline of 10.3% from the previous fiscal year ended March 31, 2022.

These forecasts are based on foreign exchange rates of 1USD = 125 yen, 1 Euro = 135 yen and 1 Chinese Yuan = 19.0 yen.

Forecasts above are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions and others.

2. Basic Approach to the Selection of Accounting Standards

The Santen Group has adopted the International Accounting Standards (IFRS) since the fiscal year ended March 31, 2015 to improve the international comparability and convenience of financial data in the financial markets.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Income and Comprehensive Income

IFRS (JPY millions)

	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	**249,605**	**266,257**
Cost of sales	(98,221)	(109,671)
Gross profit	**151,384**	**156,586**
Selling, general and administrative expenses	(79,554)	(84,499)
Research and development expenses	(24,112)	(26,377)
Amortization on intangible assets associated with products	(10,650)	(9,734)
Other income	16,007	1,043
Other expenses	(40,889)	(1,133)
Operating profit	**12,187**	**35,886**
Finance income	1,346	2,543
Finance expenses	(1,488)	(1,209)
Share of loss of investments accounted for using equity method	(358)	(1,604)
Profit before tax	**11,688**	35,616
Income tax expenses	(2,562)	(8,427)
Net profit for the year	**9,126**	**27,189**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	1,573	449
Net gain on financial assets measured at fair value through other comprehensive income	45	(1,067)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	7,061	11,235
Share of other comprehensive income of investments accounted for using equity method	170	744
Other comprehensive income	**8,849**	**11,361**
Total comprehensive income	**17,974**	**38,550**
Profit attributable to		
Owners of the company	9,311	27,218
Non-controlling interests	(185)	(29)
Net profit for the year	**9,126**	**27,189**
Total comprehensive income attributable to		
Owners of the company	18,204	38,660
Non-controlling interests	(230)	(110)
Total comprehensive income	**17,974**	**38,550**
Earnings per share		
Basic earnings per share (yen)	23.30	68.07
Diluted earnings per share (yen)	23.26	67.97

Core basis (JPY millions)

	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	249,605	266,257
Core operating profit	50,101	46,348
Core net profit for the year	37,549	35,195
Basic core earnings per share (yen)	94.09	88.16
Diluted core earnings per share (yen)	93.87	88.02
Core profit attributable to		
Owners of the company	37,589	35,249
Non-controlling interests	(40)	(54)
Core net profit for the year	**37,549**	**35,195**

(2) Consolidated Statement of Financial Position

Assets (JPY millions)

	March 31, 2021	March 31, 2022
Non-current assets		
Property, plant and equipment	39,489	56,287
Intangible assets	115,808	130,217
Financial assets	31,903	28,673
Net defined benefit assets	1,619	3,011
Investments to which equity method has been applied	5,162	7,565
Deferred tax assets	2,824	3,103
Other non-current assets	2,249	1,695
Total non-current assets	**199,054**	**230,551**
Current assets		
Inventories	41,575	37,141
Trade and other receivables	95,992	99,591
Other financial assets	527	1,293
Other current assets	5,248	8,387
Cash and cash equivalents	62,888	83,014
Total current assets	**206,231**	**229,426**
Total assets	**405,285**	**459,976**

Equity and liabilities (JPY millions)

	March 31, 2021	March 31, 2022
Equity		
Share capital	8,525	8,672
Capital surplus	8,954	9,370
Treasury shares	(934)	(718)
Retained earnings	273,238	290,477
Other components of equity	20,398	29,688
Total equity attributable to owners of the company	**310,181**	**337,488**
Non-controlling interests	**(535)**	**(645)**
Total equity	**309,646**	**336,844**
Liabilities		
Non-current liabilities		
Financial liabilities	10,141	22,023
Net defined benefit liabilities	1,210	1,077
Provisions	600	738
Deferred tax liabilities	3,626	2,526
Other non-current liabilities	1,514	948
Total non-current liabilities	**17,090**	**27,312**
Current liabilities		
Trade and other payables	38,106	41,185
Other financial liabilities	23,739	38,533
Income tax payable	5,458	4,198
Provisions	819	939
Other current liabilities	10,428	10,965
Total current liabilities	**78,549**	**95,821**
Total liabilities	**95,639**	**123,133**
Total equity and liabilities	**405,285**	**459,976**

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2021 (JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2020	8,366	8,746	(1,033)	273,422	—	11,150
Comprehensive income						
Net profit for the period				9,311		
Other comprehensive income					1,573	45
Total comprehensive income	—	—	—	9,311	1,573	45
Transactions with owners						
Issuance of new shares	160	160				
Acquisition of treasury shares			(4)			
Retirement of treasury shares		(20)	102			
Dividends				(11,187)		
Share-based payments		68				
Other				1,692	(1,573)	(119)
Total transactions with owners	160	208	98	(9,495)	(1,573)	(119)
Balance at March 31, 2021	8,525	8,954	(934)	273,238	—	11,075

	Other components of equity				Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Share of other comprehensive income of investments accounted for using equity method	Subscription rights to shares	Total			
Balance at April 1, 2020	1,529	—	686	13,364	302,865	(305)	302,560
Comprehensive income							
Net profit for the period				—	9,311	(185)	9,126
Other comprehensive income	7,105	170		8,893	8,893	(45)	8,849
Total comprehensive income	7,105	170	—	8,893	18,204	(230)	17,974
Transactions with owners							
Issuance of new shares			(167)	(167)	152		152
Acquisition of treasury shares				—	(4)		(4)
Retirement of treasury shares				—	82		82
Dividends				—	(11,187)		(11,187)
Share-based payments				—	68		68
Other				(1,692)	—		—
Total transactions with owners	—	—	(167)	(1,859)	(10,888)	—	(10,888)
Balance at March 31, 2021	8,634	170	518	20,398	310,181	(535)	309,646

Year ended March 31, 2022 (JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2021	8,525	8,954	(934)	273,238	—	11,075
Comprehensive income						
Net profit for the period				27,218		
Other comprehensive income					449	(1,067)
Total comprehensive income	—	—	—	27,218	449	(1,067)
Transactions with owners						
Issuance of new shares	146	146				
Acquisition of treasury shares			(12)			
Retirement of treasury shares		(15)	228			
Dividends				(11,998)		
Share-based payments		285				
Other				2,019	(449)	(1,570)
Total transactions with owners	146	416	216	(9,979)	(449)	(1,570)
Balance at March 31, 2022	8,672	9,370	(718)	290,477	—	8,438

	Other components of equity				Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Share of other comprehensive income of investments accounted for using equity method	Subscription rights to shares	Total			
Balance at April 1, 2021	8,634	170	518	20,398	310,181	(535)	309,646
Comprehensive income							
Net profit for the period				—	27,218	(29)	27,189
Other comprehensive income	11,316	744		11,442	11,442	(81)	11,361
Total comprehensive income	11,316	744	—	11,442	38,660	(110)	38,550
Transactions with owners							
Issuance of new shares			(134)	(134)	159		159
Acquisition of treasury shares				—	(12)		(12)
Retirement of treasury shares				—	213		213
Dividends				—	(11,998)		(11,998)
Share-based payments				—	285		285
Other				(2,019)	—		—
Total transactions with owners	—	—	(134)	(2,152)	(11,353)	—	(11,353)
Balance at March 31, 2022	19,950	914	384	29,688	337,488	(645)	336,844

(4) Consolidated Statements of Cash Flows

(JPY millions)

	Year ended March 31, 2021	Year ended March 31, 2022
Ⅰ. Cash flows from operating activities:		
Net profit for the year	9,126	27,189
Depreciation and amortization	17,498	17,055
Impairment losses	40,664	232
Shares of loss (profit) of entities accounted for using equity method	358	1,604
Finance expenses (income)	(609)	(652)
Income tax expenses	2,562	8,427
Decrease (increase) in trade and other receivables	(7,514)	(1,965)
Decrease (increase) in inventories	(4,590)	5,383
Increase (decrease) in trade and other payables	4,948	2,491
Increase (decrease) in provisions and net defined benefit liabilities	(176)	(1,358)
Increase (decrease) in accounts payable-other	3,199	257
Increase (decrease) in long-term accounts payable-other	(17,344)	(102)
Other	2,993	(2,852)
Subtotal	**51,115**	**55,709**
Interest received	195	323
Dividends received	490	497
Interest paid	(159)	(240)
Income tax paid	(12,834)	(10,246)
Net cash flows from (used in) operating activities	**38,808**	**46,043**
Ⅱ. Cash flows from investing activities:		
Payments for acquisition of investments	(3,384)	(1,067)
Proceeds from sales of investments	3,070	3,870
Payments for acquisition of shares of subsidiaries	(23,834)	—
Payments for acquisition of investments accounted for using equity method	(5,349)	(2,969)
Payments for acquisition of property, plant and equipment	(4,139)	(17,344)
Payments for acquisition of intangible assets	(19,665)	(18,497)
Other	(55)	838
Net cash flows from (used in) investing activities	**(53,355)**	**(35,169)**
Ⅲ. Cash flows from financing activities:		
Proceeds from short-term loans	—	10,460
Proceeds from long-term loans	307	10,000
Repayments of long-term loans	(3,000)	(0)
Dividends paid	(11,188)	(11,994)
Repayments of lease obligation	(2,952)	(3,056)
Other	148	147
Net cash flows from (used in) financing activities	**(16,685)**	**5,557**
Ⅳ. Net increase (decrease) in cash and cash equivalents	**(31,232)**	**16,432**
Ⅴ. Cash and cash equivalents at the beginning of year	**91,430**	**62,888**
Ⅵ. Effect of exchange rate changes on cash and cash equivalents	**2,690**	**3,694**
Ⅶ. Cash and cash equivalents at the end of period	**62,888**	**83,014**

(5) Notes for Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Basis of Preparation

(1) Compliance with IFRS

Having met the criteria for a Designated International Accounting Standards Company as set out in Article 1 Section 2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of October 30, 1976), pursuant to the provision of Article 93, the Santen Group prepares its consolidated financial statements in compliance with IFRS.

(2) Basis of Measurement

The Santen Group's consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments measured at fair value.

(3) Functional Currency and Presentation Currency

The Santen Group's consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. All financial information presented in Japanese yen has been rounded to the nearest million, except when otherwise indicated.

2. Significant Accounting Policies

The Santen Group has applied the same accounting policies as were applied to the consolidated financial statements in the previous fiscal year.

(Segment Information and Others)

1. Overview of Reporting Segments

Segment information is omitted because the Santen Group is a single segment.

2. Information on Products and Services

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	234,687	9,410	4,037	1,471	249,605

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	249,579	9,780	5,184	1,714	266,257

3. Information by Region

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers[*1]	169,133	23,349	17,216	37,896	2,011	249,605
Non-current assets[*2]	92,030	7,245	637	15,373	42,262	157,547

(Note)

*1. Revenue is classified into countries or regions based on customer location. Asia does not include China.

*2. Non-current assets are classified into countries or regions based on the asset location. Equity method investments, financial assets, assets associated with pension benefits, and deferred tax assets are excluded. Note that once provisional amounts related to corporate combinations have been confirmed, all figures are retroactively restated. The non-current assets in the Americas are located in the U.S.A.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers[*1]	173,633	27,197	19,813	42,899	2,715	266,257
Non-current assets[*2]	103,364	14,005	930	26,689	43,210	188,199

(Note)

*1. Revenue is classified into countries or regions based on customer location. Asia does not include China.

*2. Non-current assets are classified into countries or regions based on the asset location. Equity method investments, financial assets, assets associated with pension benefits and deferred tax assets are excluded. The non-current assets in the Americas are located in the U.S.A.

4. Information on Major Customers

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	49,137
Mediceo Corporation	35,727

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(JPY millions)

Major customers	Revenue
Suzuken Co., Ltd	51,284
Mediceo Corporation	35,867

(Other Income)

For the previous fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)

A change in fair value of the InnFocus, Inc. (U.S.) contingent consideration of ¥15,223 million was recorded as other revenue. The contingent consideration is milestone payments based on development and sales performance of STN2000100 (DE-128, *PRESERFLO MicroShunt*). The fair value is calculated based on the probability of development success and the future sales plan. Santen has been in discussions with the U.S. Food and Drug Administration (FDA) since the end of February 2021 when it received notification from the FDA regarding STN2000100 (DE-128, *PRESERFLO MicroShunt*), for which Santen submitted a Premarket Approval (PMA) application for the U.S. in June 2020. Due to the possibility that discussions will be prolonged, Santen has reviewed the probability of development success and future sales plan on the assumption that the approval date in the U.S., which was assumed to be the first half of fiscal year 2021 will be delayed.

(Other Expenses)

For the previous fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021)

An impairment loss of ¥40,644 million recognized in the consolidated fiscal year ended March 31, 2021 was recorded as other expenses. This is mainly due to an impairment loss of ¥40,312 million related to intangible assets (¥15,684 million for goodwill and ¥24,628 million for intangible assets related to products) reflecting the reduction of the book value of intangible assets related to STN2000100 (DE-128, *PRESERFLO MicroShunt*) and the goodwill associated with InnFocus, Inc. (U.S.), which is developing the product, to the recoverable amount. This recoverable amount is measured at value in use, and calculated by discounting cash flows at an appropriate discount rate. Regarding future cash flows, Santen has been in discussions with the U.S. Food and Drug Administration (FDA) since the end of February 2021 when it received notification from the FDA regarding STN2000100（DE-128, *PRESERFLO MicroShunt*）for which Santen submitted a Premarket Approval (PMA) application for the U.S. in June 2020. Due to the possibility that discussions will be prolonged, Santen has reviewed the probability of development success and the future sales plan upon which the estimate of the value of this asset is based, reflecting the assumption that the approval date in the U.S., which had been assumed to be the first half of fiscal year 2021, will be delayed.

(Earnings per Share)

Basic earnings per share and diluted earnings per share are calculated on the following basis.

	End of previous fiscal year (From April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (From April 1, 2021 to March 31, 2022)
Basis of calculation of basic earnings per share		
Profit attributable to owners of the company (JPY millions)	9,311	27,218
Net income not attributable to common shareholders of the company (JPY millions)	4	6
Net income used in the calculation of basic earnings per share (JPY millions)	9,307	27,712
Average number of shares of common stock outstanding during the period (thousands of shares)	399,456	399,775
Basis of calculation of diluted earnings per share		
Net income used in the calculation of basic earnings per share (JPY millions)	9,307	27,212
Adjustment to net income (JPY millions)	4	6
Net income used to calculate diluted earnings per share (JPY millions)	9,311	27,218
Average number of shares of common stock outstanding during the period (thousands of shares)	399,456	399,775
Increase in common shares due to stock-based compensation (thousands of shares)	931	682
Weighted-average number of common shares outstanding during the period (thousands of shares)	400,387	400,457
Earnings per share attributable to owners of the company		
Basic earnings per share (yen)	23.30	68.07
Diluted earnings per share (yen)	23.26	67.97

(Note)

For the purposes of calculating earnings per share information, the Company treats treasury shares held by the trust related to the stock compensation plan as treasury shares. As such, these shares are not included in the average number of common shares outstanding during the period.

(Business Combinations)

For the previous fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Business Combination

(Acquisition of Eyevance Pharmaceuticals Holdings Inc. and Eyevance Pharmaceuticals LLC)

(I) Outline of Business Combinations

A) The name and description of the acquiree

Company name : Eyevance Pharmaceuticals Holdings Inc.
Eyevance Pharmaceuticals LLC

Main business : Advancing ocular health through the development and commercialization of innovative and impactful topical ophthalmic products that enable optimal vision and better quality of life

B) Primary reasons for the business combination

Eyevance develops and commercializes topical ophthalmic products targeting the ocular surface and anterior segment. Within this area of focus, Eyevance currently offers anti-inflammatory, anti-allergic, anti-fungal, anti-infective/anti-inflammatory fixed combination, and tear lubricant products. Eyevance's current commercialization strategy is supported by a national sales team exclusively targeting ophthalmologists, optometrists, and allergists throughout the U.S.

Through this purchase, Santen Group will quickly establish a business base in the U.S. and sincerely take on and further contribute to addressing the needs of a greater number of patients by offering more value. At the same time, Santen will accelerate its global business rollout by gaining access to the U.S. and raising its presence in the market, aiming for even further corporate growth and to contribute to ophthalmic treatments for people around the world.

C) Acquisition date

September 16, 2020 (U.S. time)

D) Acquisition method

The Company acquired all of the shares issued of Eyevance Pharmaceuticals Holdings Inc. for a cash consideration. Both Eyevance Pharmaceuticals Holdings Inc. and its Group company, Eyevance Pharmaceuticals LLC have become wholly-owned subsidiaries of Santen.

E) Percentage of voting equity interests acquired

100%

(II) The Fair Values of Assets Acquired, Liabilities Assumed and Purchase Consideration Transferred as at the Date of the Acquisition

The Company reported provisional amounts because the purchase consideration process had not been completed in the previous fiscal year. The process was completed in the fiscal year under review. The fair values of assets acquired, liability assumed and purchase consideration transferred as at the date of the acquisition are as follows.

(JPY millions)

	Value
Non-current assets	21,428
Current assets	838
Cash and cash equivalents	1,099
Non-current liabilities	(3,725)
Current liabilities	(564)
Goodwill	5,857
Total	24,933
Cash	24,933
Total consideration transferred	24,933

(Note)

Goodwill primarily results from a reasonable estimation of the expected future excess profitability. For tax purposes, the above goodwill is not included as a loss.

In conjunction with the completion of purchase price allocation in the fiscal year under review, the previously used provisional amounts have been retroactively restated. As a result, major changes as of the date of acquisition include a ¥17.063 billion increase in intangible assets and a ¥3.550 billion increase in deferred tax liabilities, while goodwill was reduced by ¥13.705 billion. Concerning the consolidated and profit & loss and comprehensive income statements of the previous reporting year, net profits increased by JPY2.481billion due mainly to deferred tax assets from U.S. tax payment consolidation. As a result of the completion of the aforementioned purchase price allocation, the consolidated financial statements for the previous fiscal year have been retroactively restated. The major changes were increases of ¥17.086 billion yen to intangible assets and ¥0.336 billion to deferred tax liabilities and a reduction of ¥14.154 billion to goodwill. Related to this business combination, acquisition-related expenses of ¥0.853 billion yen were recorded under selling, general and administrative expenses.

(III) Cash Flow

(JPY millions)

	Amount
Sum of the fair values of the consideration paid	24,933
Cash and cash equivalents held by the acquired company	(1,099)
Purchase of investment securities of consolidated subsidiaries	23,834

(IV) Impact on the Company's Business Results

Income (loss) from Eyevance Pharmaceuticals Holdings Inc (U.S.) and Eyevance Pharmaceuticals LLC (U.S.) subsequent to the date of acquisition included in the consolidated statements of income and comprehensive income for the consolidated fiscal year ended March 31,2021 is as follows:

Revenue :¥988 million
Net profit for the period :(¥1,422 million)

The impact on the Company's consolidated statements of income and comprehensive income for the fiscal year ended March 31,2021, assuming the acquisition date had been as of the beginning of the annual reporting period was as follows.

Revenue :¥1,740 million
Net profit for the period :(¥3,619 million)

For the fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
No business combination applicable

(Significant Subsequent Events)

1. Resolution pertaining to share repurchases (The share repurchases in accordance with Article 165, paragraph 2 of the Companies Act (Japan))

At a meeting of the Board of Directors on May 10, 2022, the Board resolved to repurchase its own shares in accordance with Article 156 of the Companies Act (Japan), as applied pursuant to Article 165, paragraph 3.

(I) Reasons for repurchase of own shares

To enhance capital efficiency and improve return of profits.

(II) Details of repurchase

(1) Class of shares to be repurchased	Common shares
(2) Total number of shares to be repurchased	12,500,000 shares (maximum) *Representing 3.1% of the total number of shares outstanding (excluding treasury shares)
(3) Total amount of repurchase	15.0 billion yen (maximum)
(4) Period of repurchase	May 11, 2022 to September 30, 2022
(5) Method of repurchase	Open-market repurchase through discretionary investment contract
(6) Other	After repurchase, Santen plans to cancel the repurchased shares within the fiscal year ending March 2023 by its Board of Directors resolution in accordance with Article 178 of the Companies Act (Japan).

2. Cancellation of transition to a holding company structure through sole-share transfer and change in fiscal year

At a meeting of the Board of Directors on May 10, 2022, the Board resolved to cancel the transition to a holding company structure through sole-share transfer with effect from April 1, 2022, and the change of Santen's fiscal year period starting Jan 1, 2022 (hereinafter, the "Transition"), which was previously resolved and subsequently postponed.

(I) Background

The Company announced the postponement of the Transition on May 11, 2021 resulting from a comprehensive assessment of short-term changes in its business environment after preparations for the Transition were underway to allow Santen to achieve steadily its long-term vision, Santen 2030. Subsequent considerations has led the Company to resolve the cancellation of the Transition to allow its currently effective organization to promptly address improvements in profitability for a sustainable growth trajectory as presented in the medium-term plan (MTP 2025).

Santen announced its new Executive Management Team (herein after EMT) effective on April 1, 2022 as part of the importance placed on strengthening our business execution capabilities. With the reinvention of our leadership team, Business Heads in Regions and Business groups and Centers of Excellence (CoE), which lead strategies and operations from global perspective, will collaborate to establish a global management system that enables fast and effective decision-making and strengthen the governance system for business execution. Santen aims to bolster its competitiveness as a global company and strengthen its strategic execution capabilities with our organization leveraging EMT.

(II) Financial impact

The above-mentioned cancellation will not impact consolidated earnings results for the year ending March 31, 2023.

4. Consolidated Reference

(1) Revenue of Major Products

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2022		Year ending March 31, 2023	
			Year ended March 31, 2022 Actual	Changes from previous year	Year ended March 31, 2023 Forecasts	Changes from previous year
Cravit levofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	11,712	(7.4%)	11,852	1.2%
		Japan	1,754	(11.0%)	1,489	(15.1%)
		China	6,966	(12.1%)	7,195	3.3%
		Asia	1,866	8.3%	2,056	10.2%
		EMEA	1,126	9.4%	1,112	(1.2%)
Tarivid ofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	1,596	11.9%	1,491	(6.6%)
		Japan	323	(4.4%)	315	(2.2%)
		China	910	33.2%	942	3.5%
		Asia	364	(10.5%)	233	(35.8%)
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	6,971	15.5%	7,577	8.7%
		Japan	2,738	5.1%	2,628	(4.0%)
		Asia	815	49.3%	964	18.3%
		EMEA	3,417	18.4%	3,985	16.6%
Tapros tafluprost/ ophthalmic solution	Glaucoma	Total	18,423	2.8%	19,705	7.0%
		Japan	8,409	(3.4%)	7,847	(6.7%)
		China	1,170	94.3%	2,740	134.1%
		Asia	2,077	8.9%	2,051	(1.2%)
		EMEA	6,767	1.1%	7,067	4.4%
Cosopt dorzolamide hydrochloride-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	21,752	4.2%	21,523	(1.1%)
		Japan	5,650	(18.6%)	4,898	(13.3%)
		Asia	5,157	15.6%	5,630	9.2%
		EMEA	10,945	15.5%	10,995	0.5%
Timoptol timolol maleate/ ophthalmic solution (* Including Timoptol XE)	Glaucoma	Total	2,098	(4.4%)	1,894	(9.7%)
		Japan	999	(12.2%)	785	(21.4%)
		Asia	302	14.4%	332	9.8%
		EMEA	797	0.4%	777	(2.5%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	4,374	0.2%	4,224	(3.4%)
		Japan	1,108	(9.7%)	965	(13.0%)
		Asia	382	10.9%	413	8.0%
		EMEA	2,883	3.2%	2,847	(1.3%)
Eybelis omidenepag isopropyl/ ophthalmic solution	Glaucoma	Total	3,420	34.8%	4,030	17.9%
		Japan	3,304	31.3%	3,648	10.4%
		Asia	116	475.4%	332	187.4%
Alesion epinastine hydrochloride/ ophthalmic solution (* Including Alesion LX)	Allergy	Total	29,392	(10.3%)	24,074	(18.1%)
		Japan	29,286	(10.5%)	23,821	(18.7%)
		Asia	106	465.8%	253	138.1%
Verkazia cyclosporin/ ophthalmic emulsion	Vernal keratoconjunctivitis	Total	633	255.2%	1,588	150.7%
		EMEA	585	260.6%	743	27.1%
		Americas	49	201.0%	792	-
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	3,354	19.3%	3,224	(3.9%)
		Japan	911	(13.4%)	827	(9.3%)
		China	2,023	45.4%	1,996	(1.3%)
		Asia	420	13.9%	401	(4.4%)
Pirenoxine Ophthalmic Suspension (Former sales name ：Kary Uni) pirenoxine/ ophthalmic solution	Senile cataract	Total	4,215	5.5%	4,181	(0.8%)
		Japan	2,326	(2.7%)	2,276	(2.1%)
		China	894	15.9%	861	(3.8%)
		Asia	995	19.5%	1,044	4.9%
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	1,733	(5.3%)	1,319	(23.9%)
		EMEA	1,733	(5.3%)	1,319	(23.9%)
Sodium Hyaluronate Ophthalmic Viscoelastic Preparation (Former sales name ：Opegan Hi) sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	2,129	(2.8%)	1,963	(7.8%)
		Japan	2,129	(2.8%)	1,963	(7.8%)
EYLEA aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	72,484	12.5%	61,896	(14.6%)
		Japan	72,484	12.5%	61,896	(14.6%)
Hyalein sodium hyaluronate/ ophthalmic solution	Dry eye	Total	17,779	(3.5%)	17,235	(3.1%)
		Japan	6,466	(7.2%)	5,115	(20.9%)
		China	8,943	(3.4%)	9,344	4.5%
		Asia	2,370	8.0%	2,776	17.1%
Diquas diquafosol sodium/ ophthalmic solution	Dry eye	Total	18,835	30.8%	24,422	29.7%
		Japan	13,342	8.6%	15,157	13.6%
		China	4,074	468.5%	6,964	70.9%
		Asia	1,419	1.1%	2,301	62.1%
Ikervis cyclosporin/ ophthalmic emulsion	Dry eye	Total	5,856	29.3%	6,667	13.9%
		Asia	1,106	24.2%	1,506	36.2%
		EMEA	4,750	30.6%	5,161	8.7%

Cationorm	Dry eye	Total	3,230	5.5%	3,785	17.2%
		Asia	467	82.5%	406	(13.0%)
		EMEA	2,078	5.6%	2,458	18.3%
		Americas	685	(18.3%)	920	34.4%
LENTIS Comfort	Intraocular lens for cataract treatment	Total	1,422	18.9%	1,742	22.5%
		Japan	1,422	18.9%	1,742	22.5%
PRESERFLO MicroShunt	Glaucoma implant device	Total	1,612	80.9%	2,398	48.7%
		EMEA	1,612	80.9%	2,364	46.6%
OTC pharmaceuticals		Total	9,780	3.9%	10,650	8.9%
		Japan	9,185	1.4%	9,400	2.3%
		China	7	-	650	-
		Asia	588	67.1%	600	2.1%

* Forecasts in this reports are based on the currently available information. Actual results may differ materially depending on a number of factors including changes to the business environment and others. Our full-year forecasts are based on our foreign exchange assumptions. Revenue by region shows that of major countries or regions

(2) Research & Development

As of April 2022

Pipeline Development Status (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
cyclosporin	STN1007603 / DE-076C	Vernal keratoconjunctivitis	Original	U.S.						May-2022
				China						Apr-2022
An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue penetration. Launched successively in European countries since October 2018. Launched successively in Asian countries after receiving approval for an indication extension for Ikervis in August 2019. Launched in November 2019 in Canada. Launched in May 2022 in the U.S. and obtained marketing approval in April 2022 in China.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
diquafosol sodium	STN1008903 / DE-089C	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	Japan				Aug-2021		
A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Long-lasting drug. Filed for manufacturing and marketing approval in August 2021 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	STN1010904	Fucks endothelial corneal dystrophy	Joint development with ActualEyes	TBD						
An ophthalmic suspension which treats Fucks endothelial corneal dystrophy via mTOR inhibition. Phase 1 has completed, and the IND for Phase 2a in US and other countries has been submitted to US FDA (*The development code (STN1010904) is due to be assigned to the product when Santen obtains exclusive license upon completion of Phase 2 clinical trial.)										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	STN1010905	Meibomian gland dysfunction	Original	Japan		(Phase 2a)				
An ophthalmic suspension which improves meibomian gland function via mTOR inhibition. Started P2a in October 2021 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
tafluprost/ timolol maleate	STN1011101 / DE-111A	Glaucoma/ Ocular hypertension	Co-development with AGC	China						
A fixed dose combination drug of a prostaglandin $F_2\alpha$ derivative and a beta-adrenergic receptor blocker. Launched in Japan in November 2014. Launched successively in European countries since January 2015. Launched successively in Asian countries since April 2016. Conducting Phase 3 from January 2019 in China.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
epinastine hydrochloride	STN1011402	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						
An H_1 receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. Ophthalmic cream. Started Phase 3 in February 2022 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
omidenepag isopropyl	STN1011700 / DE-117	Glaucoma/ Ocular hypertension	Co-development with UBE Corporation	U.S.				Nov-2020		
				Japan						Nov-2018
				Asia						Feb-2021
An EP2 receptor agonist with a new mechanism of action. Received a complete response letter from FDA in November 2021 and preparing for resubmission in May 2022 in the U.S. Launched in November 2018 in Japan. Filed successively for marketing approval in Asian countries and launched in February 2021 in Korea.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
sepetaprost	STN1012600 / DE-126	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.						
				Japan		(Phase 2b)				
				Europe		(Exploratory study)				
A prostaglandin analogue eye drop drug product with a novel mode of action that is a dual agonist for both FP and EP3 receptors for the treatment of glaucoma and ocular hypertension. Completed an additional Phase 2 in December 2021 in the U.S. Completed Phase 2b in Japan. Started Phase 2 (exploratory study) in September 2021 in Europe.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
atropine sulfate	STN1012700 / DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Japan			(Phase 2/3)			
				China						
				Asia						
Non-selective muscarinic antagonist which reduces juvenile myopia progression. Conducting Phase 2/3 from August 2019 in Japan.Completed Phase 1 in April 2022 in China. Completed P2 in April 2020 in Asia.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
atropine sulfate	STN1012701 / SYD-101	Myopia	Sydnexis Inc.	Europe						
Non-selective muscarinic antagonist which reduces juvenile myopia progression. Sydnexis Inc., the licensor, is conducting Phase 3 trial in Europe and the U.S. Santen has obtained the exclusive license for Europe, Middle East and Africa.										

—	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
glaucoma implant device	STN2000100* / DE-128	Glaucoma	Original	Japan					Feb-2022	
				Europe						Apr-2019
				Asia					Sep-2021	
A drainage implant device designed to lower and sustain intraocular pressure (IOP) for the treatment of primary open-angle glaucoma through the drainage of aqueous humor. Received marketing approval in February 2022 in Japan. Launched in Europe in April 2019. Filed successively for marketing approval in Asian countries since March 2020 and received approval in Singapore and other countries since September 2021. Received rejection letter in April 2021 but considering re-filing in Korea.										

*License-out to Glaukos in Americas, Australia and New Zealand in May 2021. Received a not approvable letter of PMA from FDA in April 2022 in U.S. Received marketing approval in March 2021 in Canada and in May 2021 in Australia.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
latanoprost	STN1013001 / DE-130A (Catioprost)	Glaucoma/ Ocular hypertension	Original	Europe						
				Asia						
An ophthalmic emulsion of a prostaglandin $F_2\alpha$ derivative, for the treatment of glaucoma and ocular hypertension. Completed Phase 3 in March 2022 in Europe and Asia.										

Compound name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
AFDX0250BS	STN1013400	Myopia	Boehringer Ingelheim	Japan						
Selective muscarinic M2 antagonist which reduces juvenile myopia progression. Reduce mydriasis to selectively inhibit a subtype of receptors. Completed Phase1 in September 2021 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
Ursodeoxycholic acid	STN1013600	Presbyopia	Original	Japan						
Improvement of presbyopia by improving the lens elasticity. Completed Phase 1 in April 2022 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil mesylate	STN1013900 / AR-13324	Glaucoma / Ocular hypertension	Aerie	Japan						
				Asia					Mar-2022	
A ROCK (Rho-associated kinase) inhibitor. Developed and sold by Aerie in the U.S. Conducting Phase 3 from November 2020 in Japan. Filed for marketing approval in March 2022 in Asia.										

Changes from Q3 FY2021 (February 10, 2022)

Dev. Code	Changes
STN1007603 / DE-076C	Launched in May 2022 in the U.S. Obtained marketing approval in April 2022 in China.
STN1010900 / DE-109	The company has discontinued development upon reassessment of business feasibility.
STN1011402	Started Phase 3 in February 2022 in Japan.
STN2000100 / DE-128	Received marketing approval in February 2022 in Japan.
STN1013600	Completed Phase 1 in April 2022 in Japan.
STN1013900 / AR-13324	Filed for marketing approval in March 2022 in Asia.

(3) Capital Expenditures, Depreciation and Amortization, Amortization on Intangible Assets Related to Products, and Research and Development Expenses

Capital expenditures (JPY millions)

	Year ended March 31, 2022	Year ending March 31, 2023
	Actual	Forecast
Consolidated	22,244	25,000

Note: Excluding the increase in right-of-use assets.

Depreciation and amortization (JPY millions)

	Year ended March 31, 2022	Year ending March 31, 2023
	Actual	Forecast
Manufacturing cost	2,309	2,400
Selling, general and administrative expenses	1,654	2,300
R&D expenses	577	780
Consolidated total	4,540	5,480

Note: Excluding amortization on intangible assets associated with products, long-term advance expense and right-of-use assets.

Amortization on intangible assets associated with products (JPY millions)

	Year ended March 31, 2022	Year ending March 31, 2023
	Actual	Forecast
Intangible assets (Merck products)	5,740	5,740
Intangible assets (Eyevance)	1,899	2,110
Intangible assets (DE-128*)	955	1,060
Intangible assets (Ikervis)	741	760
Other	398	630
Consolidated total	9,734	10,300

* *PRESERFLO MicroShunt*(STN2000100)

Research and development expenses (JPY millions)

	Year ended March 31, 2022	Year ending March 31, 2023
	Actual	Forecast
Consolidated	26,377	27,000
Percent of revenue	9.9%	10.2%

(4) FOREX

(JPY)

Exchange rate (yen)	Major currency	Year to March 2021	Year to March 2022	Year to March 2023 (Forecasts)
	US dollar	105.95	112.57	125.00
	Euro	123.73	130.75	135.00
	CNY	15.61	17.55	19.00

Forecasts in this report are based on currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions, and others.