Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (Prime Market)
Stock Code:	4536
URL:	https://www.santen.com/en
Representative:	Takeshi Ito, President and CEO
Contact:	Guillaume Sakuma, Global Head of IR (+81-6-7664-8621)
Annual Shareholders Meeting (Scheduled):	June 27, 2023
Start of Distribution of Dividends (Scheduled):	June 28, 2023
Filing of Securities Report (Scheduled):	June 27, 2023
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, 2023

(1) Operating Results

(IFRS)

	Year to March 2022	Year to March 2023	% change
Revenue	266,257	279,037	+4.8%
Operating profit	35,886	(3,090)	—
Profit before tax	35,616	(5,799)	—
Net profit for the year	27,189	(14,983)	—
Net profit for the year attributable to owners of the company	27,218	(14,948)	—
Total comprehensive income for the year	38,550	(5,696)	—
Basic earnings per share (yen)	68.07	(38.60)	
Diluted earnings per share (yen)	67.97	(38.60)	
Profit to equity attributable to owners of the company (%)	8.4%	(4.7%)	
Profit before tax to total assets ratio (%)	8.2%	(1.3%)	
Operating profit to revenue ratio (%)	13.5%	(1.1%)	

(Core basis)

	Year to March 2022	Year to March 2023	% change
Revenue	266,257	279,037	+4.8%
Core operating profit	46,348	44,242	(4.5%)
Core net profit for the year	35,195	33,235	(5.6%)
Core net profit for the year attributable to owners of the company	35,249	33,270	(5.6%)
Basic core earnings per share (yen)	88.16	85.86	
Diluted core earnings per share (yen)	88.02	85.68	

(2) Financial Position

	March 31, 2022	March 31, 2023
Total assets	459,976	421,179
Total equity	336,844	293,297
Total equity attributable to owners of the company	337,488	293,979
Total equity attributable to owners of the company ratio (%)	73.4%	69.8%
Equity per share attributable to owners of the company (yen)	843.60	783.30

(3) Cash Flows

	Year to March 2022	Year to March 2023
Cash flows from operating activities	46,043	37,147
Cash flows from investing activities	(35,169)	(26,777)
Cash flows from financing activities	5,557	(37,220)
Cash and cash equivalents at end of year	83,014	57,903

2. Dividends

	Year to March 2022	Year to March 2023	(Forecasts) Year to March 2024
Second quarter dividends per share (yen)	16.00	16.00	16.00
Year-end dividends per share (yen)	16.00	16.00	16.00
Annual dividends per share (yen)	32.00	32.00	32.00
Total dividends paid (full-year)	12,804	12,216	
Payout ratio (consolidated)	47.0%	—	52.3%
Dividends paid on equity attributable to owners of the company (consolidated)	4.0%	3.9%	

3. Consolidated Forecasts of Results for the Fiscal Year Ending March 31, 2024

(IFRS)

	Year to March 2024	% change
Revenue	273,000	(2.2%)
Operating profit	32,000	—
Profit before tax	29,800	—
Net profit for the year	22,400	—
Basic earnings per share (yen)	61.24	

(Core basis)

	Year to March 2024	% change
Revenue	273,000	(2.2%)
Core operating profit	46,000	4.0%
Core net profit for the year	34,500	3.8%
Core earnings per share (yen)	94.27	

(Note)
1. Please refer to "1. Summary of Consolidated Results (1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2023" on page 5 of the attached material for details of the reconciliation from IFRS basis figures to core-based figures.
2. At a meeting of the Board of Directors on May 11, 2023, 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 (page 21) " 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

(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, 2023	375,885,854 shares
Fiscal Year ended March 31, 2022	400,694,754 shares

(ii) Number of treasury shares at the end of the period

Fiscal Year ended March 31, 2023	345,065 shares
Fiscal Year ended March 31, 2022	423,668 shares

(iii) Average number of shares during the period

Fiscal Year ended March 31, 2023	387,420,468 shares
Fiscal Year ended March 31, 2022	399,775,490 shares

(NOTE)The number of treasury shares at the end of the period includes shares (16,271 shares at the end of the fiscal year ended March 31, 2022 and 41,909 shares at the end of the fiscal year ended March 31, 2023) 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, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	196,589	3.0	24,798	15.9	27,068	20.2	(59,379)	—
Fiscal Year ended March 31, 2022	190,828	2.5	21,389	(9.4)	22,525	(11.1)	17,433	(19.9)

	Per share Net income	Fully diluted Net income per share
	Yen	Yen
Fiscal Year ended March 31, 2023	(153.18)	—
Fiscal Year ended March 31, 2022	43.59	43.53

(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, 2023	282,904	199,261	70.3	529.72
Fiscal Year ended March 31, 2022	363,763	297,507	81.7	742.30

(Reference) Equity

Fiscal Year ended March 31, 2023 198,931 million yen

Fiscal Year ended March 31, 2022 297,122 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 Thursday, May 11, 2023. The materials used in this briefing will be posted on our website.

Accompanying Materials – Contents

1. Summary of Consolidated Results……..... 2
(1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2023……... 2
(2) Summary of Financial Position for the Fiscal Year ended March 31, 2023 ……..... 7
(3) Summary of Cash Flows for the Fiscal Year ended March 31, 2023…… 8
(4) Basic Profit Distribution Policy and Dividends for the Current and Next Fiscal Years…… 8
(5) Outlook for the Fiscal Year Ending March 31, 2024 …… 10
2. Basic Approach to the Selection of Accounting Standards..... 10
3. Consolidated Financial Statements and Notes..... 11
(1) Consolidated Statements of Income and Comprehensive Income…… 11
(2) Consolidated Statement of Financial Position..... 12
(3) Consolidated Statement of Changes in Equity..... 14
(4) Consolidated Statements of Cash Flows..... 16
(5) Notes for Consolidated Financial Statements 17
(Notes on Going Concern Assumption)..... 17
(Basis of Presenting Consolidated Financial Statements)..... 17
(Segment Information and Others)..... 18
(Other Income) 19
(Other Expenses) 19
(Contingent liabilities) 20
(Earnings per Share)..... 20
(Significant Subsequent Events)..... 21
4. Consolidated Reference..... 22
(1) Revenue of Major Products..... 22
(2) FOREX..... 22
(3) Research & Development..... 23
(4) Capital Expenditures, Depreciation and Amortization, Amortization on Intangible Assets Related to Products, and Research and Development Expenses..... 25

1. Summary of Consolidated Results

(1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2023

(I) Consolidated Results

A) IFRS

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	279,037	4.8%
Operating profit (loss)	35,886	(3,090)	－%
Net profit (loss) for the year	27,189	(14,983)	－%
Net profit (loss) for the year attributable to owners of the company	27,218	(14,948)	－%

[Revenue]

Revenue in the fiscal year ended March 31, 2023 increased by 4.8% year-on-year to ¥279.0 billion.

In the mainstay prescription pharmaceuticals business, sales increased by 4.3% year-on-year to ¥260.2 billion partially on FX impact. Despite the strong impact of strict measures in China to prevent the spread of COVID-19 and the subsequent significant wave of infections after the measures were lifted, the Company was able to minimize the impact of drug price revisions in Japan by focusing on mainstay products including *Alesion*. It also posted stable growth in mainstay products in Asia and EMEA.

The breakdown of revenue is as follows:

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

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	162,770	21,172	23,226	50,136	2,931	260,235
	1.9% 【－%】	(22.0%) 【(30.6%)】	21.1% 【10.3%】	21.5% 【11.3%】	26.5% 【8.3%】	4.3% 【0.9%】
OTC pharmaceuticals	9,595	262	771	－	－	10,628
	4.5%	－	31.2%	－	－	8.7%
Medical devices	3,264	50	9	2,377	557	6,257
	4.0%	－	－	44.2%	40.0%	20.7%
Others	1,744	62	112	－	－	1,919
	8.7%	10.4%	112.2%	－	－	12.0%
Total	177,373	21,546	24,118	52,513	3,488	279,037
	2.2% 【－%】	(20.8%) 【(29.4%)】	21.7% 【10.8%】	22.4% 【12.1%】	28.5% 【9.5%】	4.8% 【1.3%】

(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, 2023 increased by 1.9% year-on-year to ¥162.8 billion. The Company was able to minimize the impact of mid-4% level drug price revisions, by focusing on mainstay products including *Alesion* and through product improvements, such as *Diquas LX* launched in November 2022, in which the number of daily application of eye drops was reduced to 3, compared to *Diquas*. Revenue of major products is as follows.

Glaucoma and ocular hypertension	
Tapros ophthalmic solution	¥7.8 Billion (YoY -7.7%)
Tapcom ophthalmic solution	¥2.6 Billion (YoY -3.2%)
Cosopt ophthalmic solution	¥4.7 Billion (YoY -17.3%)
Eybelis ophthalmic solution	¥3.9 Billion (YoY +18.2%)
Dry eye	
Diquas ophthalmic solution*1(refer to Page 5)	¥16.3 Billion (YoY +21.9%)
Allergy	
Alesion ophthalmic solution*2(refer to Page5)	¥33.4 Billion (YoY +14.1%)
Intravitreal VEGF inhibitor	
EYLEA®*3(refer to Page5) (solution for intravitreal injection)	¥71.3 Billion (YoY -1.7%)

◇ China

On a JPY basis, revenue in the fiscal year ended March 31, 2023 decreased by 22.0% year-on-year (-30.6% excluding FX impact), to ¥21.2 billion on the impact of strict COVID-19 measures in China and the subsequent significant wave of infections after lifting these measures. Revenue of major products is as follows.

Glaucoma and ocular hypertension	
Tapros ophthalmic solution	¥1.0 Billion (YoY -10.7%)
Dry eye	
Diquas ophthalmic solution	¥2.8 Billion (YoY -32.0%)
Hyalein ophthalmic solution	¥6.4 Billion (YoY -28.1%)
Bacterial conjunctivitis	
Cravit ophthalmic solution	¥6.3 Billion (YoY -9.4%)

◇ Asia (excluding China)

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 21.1% year-on-year (+10.3% excluding FX impact), to ¥23.2 billion. Revenues of major products are as follows.

Glaucoma and ocular hypertension	
Tapros ophthalmic solution	¥2.3 Billion (YoY +9.6%)
Tapcom ophthalmic solution	¥1.1 Billion (YoY +28.9%)
Cosopt ophthalmic solution	¥6.1 Billion (YoY +18.5%)
Dry eye	
Diquas ophthalmic solution	¥2.0 Billion (YoY +37.9%)
Ikervis	¥1.5 Billion (YoY +40.0%)
Bacterial conjunctivitis	
Cravit ophthalmic solution	¥2.4 Billion (YoY +27.5%)

◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 21.5% year-on-year (+11.3% excluding FX impact), to ¥50.1 billion, from growth in mainstay products in each of the countries. Revenues of major products are as follows.

Glaucoma and ocular hypertension		
Tapros ophthalmic solution	¥7.7 Billion	(YoY +13.2%)
Tapcom ophthalmic solution	¥4.5 Billion	(YoY +31.7%)
Cosopt ophthalmic solution	¥12.9 Billion	(YoY +18.0%)
Trusopt ophthalmic solution	¥3.4 Billion	(YoY +19.6%)
Dry eye		
Ikervis	¥5.3 Billion	(YoY +11.4%)
Cationorm	¥2.6 Billion	(YoY +26.3%)
Allergy		
Verkazia	¥0.7 Billion	(YoY +28.0%)

◇ Americas

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 26.5% year-on-year (+8.3% excluding FX impact), to ¥2.9 billion.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2023 increased by 8.7% year-on-year to ¥10.6 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, *Sante FX series*, and eye drop-type eye wash, *Well-Wash EYE*, which Santen launched in the previous fiscal year.

<Medical devices>

Revenue in the fiscal year ended March 31, 2023 increased by 20.7% year-on-year to ¥6.3 billion, boosted by the strong performance of *PRESERFLO MicroShunt*. Revenues of major products are as follows.

Lentis Comfort	¥1.3 Billion	(YoY -6.4%)
PRESERFLO MicroShunt	¥2.4 Billion	(YoY +50.6%)

<Others>

Other revenues amounted to ¥1.9 billion. This is due to sales of supplements, and cleaning of dustless and aseptic clothing at consolidated subsidiary Claire Co., Ltd.

[Operating loss]

Gross profit in the fiscal year ended March 31, 2023 increased by 6.1 % year-on-year to ¥166.1 billion.
SG&A expenses on an IFRS basis in the fiscal year ended March 31, 2023 increased by 13.9% year-on-year (+7.4% excluding FX impact) to ¥96.3 billion.
R&D expenses in the fiscal year ended March 31, 2023 increased by 7.3% year-on-year (-1.1% excluding FX impact) to ¥28.3 billion.
Amortization on intangible assets associated with products in the fiscal year ended March 31, 2023 decreased by 2.2% year-on-year (-7.0% excluding FX impact) to ¥9.5 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, and *PRESERFLO MicroShunt* acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016 and ophthalmic products from Eyevance Pharmaceuticals Holdings Inc. (U.S.) which Santen acquired in 2020. Note that for the amortization on intangible assets associated with eye products related to the acquisition of Eyevance Pharmaceuticals Holdings Inc.(U.S.), the Company recorded an impairment loss for the full book value in the second quarter of the fiscal year under review, thus this is not applicable for the third quarter onward.

Other income amounted to ¥3.5 billion. This is mainly due to the change in fair value of the contingent consideration associated with the acquisition of InnFocus, Inc. (U.S.) in 2016.

Other expenses amounted to ¥38.6 billion. This is due to the recording of impairment losses for the total book value of fixed and intangible assets (goodwill and development and sales rights) associated with Eyevance Pharmaceuticals

Holdings Inc.(U.S.) and its business unit Eyevance Pharmaceuticals LLC (U.S.), structural reforms expenses associated with efforts to maximize the streamlining of the pharmaceutical commercial business in the Americas and the recording of impairment losses on intangible assets related to STN1010904 (generic name: sirolimus) and STN1010905 (generic name: sirolimus), given a rise in the discount rate and a review of the business plan related to STN1010905.

As a result, the operating loss on an IFRS basis for the fiscal year ended March 31, 2023 amounted to ¥3.1 billion. (Operating profit of ¥35.9 billion for the same period of the previous fiscal year)

[Net loss for the year]

Finance income amounted to ¥1.2 billion.
Finance expenses amounted to ¥1.5 billion.
Share of loss of investments accounted for using equity method amounted to ¥2.4 billion from Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.)
Income tax expenses increased by ¥0.8 billion to ¥9.2 billion. This is mainly due to a decrease in profit before tax for the fiscal year under review, associated with the aforementioned decrease of operating profit on an IFRS basis despite a recognition of liabilities based on the estimated amount of corporate tax to be revised, during the process of negotiations with the Japanese tax authorities regarding tax audit for the period of the fiscal years ended March 2018 to March 2021.

As a result, net loss for the fiscal year ended March 31, 2023 amounted to ¥15.0 billion. (Net profit of ¥27.2 billion for the same period of the previous fiscal year)

[Net loss for the period attributable to owners of the parent company]

Net loss attributable to owners of the company in the fiscal year ended March 31, 2023 amounted to ¥14.9 billion. (Net profit of ¥27.2 billion for the same period of the previous fiscal year)

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

B) Core basis[*4]

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	279,037	4.8%
Core operating profit	46,348	44,242	(4.5%)
Core net profit for the year	35,195	33,235	(5.6%)
Core net profit for the year attributable to owners of the company	35,249	33,270	(5.6%)

[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 in the fiscal year ended March 31, 2023 increased by 11.6% year-on-year to ¥93.5 billion.
Note that for the previous fiscal year, expenses related to new consolidations associated with business combinations were excluded from IFRS results but for the fiscal year under review, expenses of ¥2.7 billion were incurred owing to initiatives for the resumption of growth such as productivity improvements and streamlining measures.

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, 2023 decreased by 4.5 % year-on-year to ¥44.2 billion.

*4 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 profitability from business activities. The core basis is calculated by deducting from IFRS results the following income and expense items as well as related income tax expense adjustments.

・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
・Expenses included in SG&A, related to acquisitions of companies and initiatives for the resumption of growth such as productivity improvements and streamlining measures

(II) Research & Development Activities

<Glaucoma and 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. The company filed for marketing approval in December 2022 in China.

STN1011700 (DE-117, generic name: omidenepag isopropyl) is an EP2 receptor agonist. The Company received marketing approval in September 2022 in the U.S. The product was launched in November 2018 in Japan. The Company has successively launched in Asian countries since launch 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. Phase 3 trials were started in August 2022 in Japan. Phase 2 trial (exploratory study) was completed in Europe.

STN2000100 (DE-128) is a device for glaucoma. The Company launched (soft launch) in July 2022 in Japan. The device was launched in April 2019 in Europe. The Company has received approval in Singapore and other countries since September 2021, and launched in Malaysia in October 2022.

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 Asia. The company filed for marketing approval in September 2022 in Europe.

STN1013900 (AR-13324, generic name: netarsudil mesilate) is a ROCK inhibitor. Phase 3 trial has been under way since November 2020 in Japan. Marketing approval has been received in Europe and the company launched in February 2023 in Sweden. The Company received marketing approval in January 2023 in Thailand with successive filings made for other Asian countries.

STN1014000 (PG-324, generic name: netarsudil mesilate / latanoprost) is a fixed dose combination drug of a ROCK inhibitor and a prostaglandin $F_{2\alpha}$ derivative. Marketing approval has been received in Europe and the company launched in January 2023 in Germany. The Company received marketing approval in January 2023 in Thailand with successive filings made for other Asian countries.

<Keratoconjunctival disease area including dry eye >

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

STN1008903 (DE-089C, generic name: diquafosol sodium) is for the treatment of dry eye. The Company launched the product in November 2022 in Japan. In Asia, the company filed for marketing approval in March 2023 in Korea.

STN1014100 (generic name: olodaterol hydrochloride) is for the treatment of dry eye. Phase 1/2a trial started in January 2023 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 2a trials started in U.S., France and India in May 2022. (*The development code (STN1010904) is due to be assigned to the product when Santen obtains an exclusive license upon completion of Phase 2 clinical trial.)

STN1010905 (generic name: sirolimus) is for the treatment of meibomian gland dysfunction. Phase 2a trial completed in August 2022 in Japan and the Company is considering future development plans.

STN1011402 (generic name: epinastine hydrochloride) is for the treatment of allergic conjunctivitis. The company filed for manufacturing and marketing approval in March 2023 in Japan.

<Refractive error>

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

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

STN1013400 (compound name: AFDX0250BS) is for the treatment of myopia. In Japan, Phase 1 trial was completed in September 2021 and the Company is preparing for Phase 2a trial.

STN1013600 (generic name: ursodeoxycholic acid) is for the treatment of presbyopia. Phase 2a trial was started in December 2022 in U.S. Phase 1 trial was completed in April 2022 in Japan.

<Others>

STN1013800 (generic name: oxymetazoline hydrochloride) is for the treatment of ptosis. Phase 3 trial was started in October 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/PG-324 and SYD-101 are the development codes of Alcon Inc. (Switzerland) and Sydnexis Inc. (U.S.) respectively.

(Ⅲ) Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2023 amounted to ¥21.1 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, 2023

Total assets amounted to ¥421.2 billion, down ¥38.8 billion from the end of the previous fiscal year ended March 31, 2022. Despite an increase 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, trade and other receivables, there was a decrease in intangible assets associated with the impairment of intangible assets (goodwill and development and sales rights) related to Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.), as well as decreases in cash associated with payments of dividends and share repurchases.

Equity amounted to ¥293.3 billion. This was a decrease of ¥43.5 billion from the end of the previous fiscal year ended March 31, 2022, due to treasury shares cancellation and a decline in retained earnings resulting from the net loss for the period,despite an increase in other components of equity. The Company completed the cancellation of treasury shares of ¥13.0 billion (12,500,000 shares) on October 31, 2022 and ¥13.0 billion (12,370,000 shares) on March 31, 2023.

Liabilities amounted to ¥127.9 billion, up ¥4.7 billion from the end of the previous fiscal year. This was due to decreases in other financial liabilities related to the repayment of short-term loans, despite an increase in financial liabilities associated with a long-term loan to finance capital expenditures for the construction of the No. 3 plant for the manufacturing of prescription pharmaceutical eye-drops at the Shiga Product Supply Center and trade and other payables.

As a result, the ratio of equity attributable to owners of the company to total assets decreased by 3.6 points from the end of the previous fiscal year ended March 31, 2022 to 69.8%

(3) Summary of Cash Flows for the Fiscal Year ended March 31, 2023

Cash flows from operating activities for the fiscal year under review amounted to an inflow of ¥37.1 billion. (inflow of ¥46.0 billion in the fiscal year ended March 31, 2022) This was mainly due to the ¥15.0 billion net loss, the recording of an impairment loss of ¥34.6 billion mainly from impairment on intangible assets of Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.), ¥17.2 billion in depreciation and amortization, ¥9.2 billion of corporate tax expenses, ¥6.4 billion increase in trade and other receivables and the payment of ¥7.8 billion in corporate tax.

Cash flows from investing activities amounted to an outflow of ¥26.8 billion (outflow of ¥35.2 billion in the fiscal year ended March 31, 2022). This was mainly due to payments for the acquisition of property, plant and equipment and intangible assets amounting to ¥17.3 billion and ¥7.3 billion respectively. There was a cash inflow of ¥2.1 billion owing to the sale of 3 equity holdings in the fiscal year under review as part of accelerating the ongoing review of cross shareholdings.

Cash flows from financing activities amounted to an outflow of ¥37.2 billion (inflow of ¥5.6 billion in the fiscal year ended March 31, 2022). Despite the cash inflow of ¥15.6 billion from long-term loans, the main factors behind the outflow were cash outflows of ¥11.3 billion for short-term loan payments, ¥26.0 billion for share repurchases and ¥12.6 billion for dividends.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2023 decreased by ¥25.1 billion from the end of the fiscal year ended March 31, 2022 to ¥57.9 billion.

(Reference) Trends in cash flow indicators

	FY2021	FY2022
Equity attributable to owners of the company ratio	73.4%	69.8%
Equity attributable to owners of the company ratio on a market value basis	106.8%	100.8%
Interest-bearing debt to cash flow ratio	51.3%	76.6%
Interest coverage ratio	191.6 times	79.9 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 obligation). Interest payments are the amount of interest paid in the consolidated statements of cash flows.

(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’s basic policy is to continue a progressive dividend policy in alignment with a medium- to long-term profit growth, with the current minimum annual dividend of ¥32 per share as a floor.
The Company utilizes cash it generates as the source of funding for future growth investments. If there are no promising investment opportunities, Santen will consider share repurchases as a supplementary means of returning profits to shareholders.

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 even after the enforcement of the Companies Act on May 1, 2006, in the form of 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, 2023

The Company plans to pay year-end dividends of ¥16 per share subject to approval at the 111th annual shareholders' meeting, which is scheduled to be held in June 2023. Together with the interim dividend already paid out, the annual dividend will be ¥32 per share.

(III) Dividend for the Fiscal Year ending March 31, 2024

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 52.3%, a metric that reflects the profits returned to shareholders via dividends from total profits for the next fiscal year.

Subsequently, based on the aforementioned policy, at a meeting of the Board of Directors on May 11, 2023, the Board resolved to undertake a share repurchase of up to a maximum of ¥24.5 billion (represents approx. 5.0% of the total number of shares outstanding excluding treasury shares) to improve shareholder returns and enhance capital efficiency. Note that there is a possibility that some of the purchases may not be made subject to investment opportunities or market conditions.

(5) Outlook for the Fiscal Year Ending March 31, 2024

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

<IFRS basis>

(JPY millions)

	FY2022	FY2023	Year-on-year change
Revenue	279,037	273,000	(2.2%)
Operating profit (loss)	(3,090)	32,000	―%
Net profit (loss) for the year	(14,983)	22,400	―%
Net profit (loss) for the year attributable to owners of the company	(14,948)	22,410	―%

<Core basis>

(JPY millions)

	FY2022	FY2023	Year-on-year change
Revenue	279,037	273,000	(2.2%)
Core operating profit	44,242	46,000	4.0%
Core net profit for the year	33,235	34,500	3.8%

Revenue for the fiscal year ending March 2024 is forecast to be ¥273.0 billion, down 2.2% year-on-year, while the core operating profit is expected to increase by 4.0% year-on-year to ¥46.0 billion as an indicator of profitability from business activities. While in the overseas business the Company projects continued stable growth, the revenue for the domestic business is expected to decrease with an impact from launch of generic drugs. SG&A (core basis) is forecast to be ¥87.0 billion, down 7.0% from the previous fiscal year ended March 31, 2023 by continuously implementing re-assessment of investments, cost optimization and productivity improvements; R&D expenses are projected to be ¥29.0 billion, up 2.5% from the previous fiscal year ended March 31, 2023, as a source of funding injected for future growth. The core operating profit is expected to increase by 4.0% year-on-year to ¥46.0 billion, by aiming for profitability improvement, through structural reforms consisting of maximizing streamlining of Americas and cost optimization, while reflecting the rise in procurement cost for Cost of sales, SG&A and R&D expenses.

On an IFRS basis, operating profit and net profit are forecast to be ¥32.0 billion and ¥22.4 billion respectively.
These forecasts are based on foreign exchange rates of 1USD = ¥130, 1 EUR = ¥140 and 1 CYN = ¥19.0.
The forecasts above are based on currently available information. Actual results may differ materially depending on a number of factors including business environmental change 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, 2022	Year ended March 31, 2023
Revenue	**266,257**	**279,037**
Cost of sales	(109,671)	(112,950)
Gross profit	**156,586**	**166,087**
Selling, general and administrative expenses	(84,499)	(96,257)
Research and development expenses	(26,377)	(28,297)
Amortization on intangible assets associated with products	(9,734)	(9,518)
Other income	1,043	3,524
Other expenses	(1,133)	(38,629)
Operating profit (loss)	**35,886**	**(3,090)**
Finance income	2,543	1,153
Finance expenses	(1,209)	(1,499)
Share of loss of investments accounted for using equity method	(1,604)	(2,362)
Profit (loss) before tax	**35,616**	**(5,799)**
Income tax expenses	(8,427)	(9,184)
Net profit (loss) for the year	**27,189**	**(14,983)**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	449	32
Net gain on financial assets measured at fair value through other comprehensive income	(1,067)	589
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	11,235	8,018
Share of other comprehensive income of investments accounted for using equity method	744	648
Other comprehensive income	**11,361**	**9,287**
Total comprehensive income	**38,550**	**(5,696)**
Profit (loss) attributable to		
Owners of the company	27,218	(14,948)
Non-controlling interests	(29)	(35)
Net profit (loss) for the year	**27,189**	**(14,983)**
Total comprehensive income attributable to		
Owners of the company	38,660	(5,658)
Non-controlling interests	(110)	(38)
Total comprehensive income	**38,550**	**(5,696)**
Earnings per share		
Basic earnings (loss) per share (yen)	68.07	(38.60)
Diluted earnings (loss) per share (yen)	67.97	(38.60)

Core basis (JPY millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	266,257	279,037
Core operating profit	46,348	44,242
Core net profit for the year	35,195	33,235
Basic core earnings per share (yen)	88.16	85.86
Diluted core earnings per share (yen)	88.02	85.68
Core profit attributable to		
Owners of the company	35,249	33,270
Non-controlling interests	(54)	(36)
Core net profit for the year	**35,195**	**33,235**

(2) Consolidated Statement of Financial Position

Assets (JPY millions)

	March 31, 2022	March 31, 2023
Non-current assets		
Property, plant and equipment	56,287	66,173
Intangible assets	130,217	96,309
Financial assets	28,673	28,038
Net defined benefit assets	3,011	3,438
Investments to which equity method has been applied	7,565	9,321
Deferred tax assets	3,103	2,810
Other non-current assets	1,695	1,763
Total non-current assets	**230,551**	**207,853**
Current assets		
Inventories	37,141	39,352
Trade and other receivables	99,591	107,165
Other financial assets	1,293	774
Income taxes receivable	—	60
Other current assets	8,387	8,072
Cash and cash equivalents	83,014	57,903
Total current assets	**229,426**	**213,326**
Total assets	**459,976**	**421,179**

Equity and liabilities (JPY millions)

	March 31, 2022	March 31, 2023
Equity		
Share capital	8,672	8,702
Capital surplus	9,370	9,789
Treasury shares	(718)	(364)
Retained earnings	290,477	238,071
Other components of equity	29,688	37,781
Total equity attributable to owners of the company	**337,488**	**293,979**
Non-controlling interests	**(645)**	**(683)**
Total equity	**336,844**	**293,297**
Liabilities		
Non-current liabilities		
Financial liabilities	22,023	33,513
Net defined benefit liabilities	1,077	1,271
Provisions	738	691
Deferred tax liabilities	2,526	1,592
Other non-current liabilities	948	1,312
Total non-current liabilities	**27,312**	**38,378**
Current liabilities		
Trade and other payables	41,185	44,945
Other financial liabilities	38,533	25,858
Income tax payable	4,198	6,745
Provisions	939	4,212
Other current liabilities	10,965	7,744
Total current liabilities	**95,821**	**89,504**
Total liabilities	**123,133**	**127,883**
Total equity and liabilities	**459,976**	**421,179**

(3) Consolidated Statement of Changes in Equity

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 (loss) 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)			
Disposal 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 (loss) 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

Year ended March 31, 2023 (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, 2022	8,672	9,370	(718)	290,477	—	8,438
Comprehensive income						
Net profit (loss) for the period				(14,948)		
Other comprehensive income					32	589
Total comprehensive income	—	—	—	(14,948)	32	589
Transactions with owners						
Issuance of new shares	31	31				
Acquisition of treasury shares		(51)	(26,007)			
Disposal of treasury shares		(2)	367			
Cancellation of treasury stock		(25,994)	25,994			
Transfer to Capital surplus from Retained earnings		25,990		(25,990)		
Dividends				(12,611)		
Share-based payments		445				
Other				1,143	(32)	(1,111)
Total transactions with owners	31	419	354	(37,458)	(32)	(1,111)
Balance at March 31, 2023	8,702	9,789	(364)	238,071	—	7,917

	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, 2022	19,950	914	384	29,688	337,488	(645)	336,844
Comprehensive income							
Net profit (loss) for the period				—	(14,948)	(35)	(14,983)
Other comprehensive income	8,021	648		9,290	9,290	(3)	9,287
Total comprehensive income	8,021	648	—	9,290	(5,658)	(38)	(5,696)
Transactions with owners							
Issuance of new shares			(54)	(54)	7		7
Acquisition of treasury shares				—	(26,058)		(26,058)
Disposal of treasury shares				—	365		365
Cancellation of treasury stock				—	—		—
Transfer to Capital surplus from Retained earnings				—	—		—
Dividends				—	(12,611)		(12,611)
Share-based payments				—	445		445
Other				(1,143)	—		—
Total transactions with owners	—	—	(54)	(1,197)	(37,851)	—	(37,851)
Balance at March 31, 2023	27,971	1,562	331	37,781	293,979	(683)	293,297

(4) Consolidated Statements of Cash Flows

(JPY millions)

	Year ended March 31, 2022	Year ended March 31, 2023
Ⅰ. Cash flows from operating activities:		
Net profit for the year	27,189	(14,983)
Depreciation and amortization	17,055	17,249
Impairment losses	232	34,560
Business structure improvement expenses	—	3,225
Shares of loss (profit) of entities accounted for using equity method	1,604	2,362
Finance expenses (income)	(652)	(469)
Income tax expenses	8,427	9,184
Decrease (increase) in trade and other receivables	(1,965)	(6,443)
Decrease (increase) in inventories	5,383	(1,144)
Increase (decrease) in trade and other payables	2,491	3,689
Increase (decrease) in provisions and net defined benefit liabilities	(1,358)	113
Decrease (increase) in other current assets	(3,414)	725
Increase (decrease) in accounts payable-bonuses	(214)	(1,398)
Increase (decrease) in accounts payable-other	257	(601)
Other	674	(1,401)
Subtotal	**55,709**	**44,668**
Interest received	323	300
Dividends received	497	461
Interest paid	(240)	(465)
Income tax paid	(10,246)	(7,818)
Net cash flows from (used in) operating activities	**46,043**	**37,147**
Ⅱ. Cash flows from investing activities:		
Payments for acquisition of investments	(1,067)	(589)
Proceeds from sales of investments	3,870	2,149
Payments for acquisition of investments accounted for using equity method	(2,969)	(3,470)
Payments for acquisition of property, plant and equipment	(17,344)	(17,277)
Payments for acquisition of intangible assets	(18,497)	(7,311)
Other	838	(279)
Net cash flows from (used in) investing activities	**(35,169)**	**(26,777)**
Ⅲ. Cash flows from financing activities:		
Proceeds from short-term loans	10,460	—
Repayments of short-term loans	—	(11,278)
Proceeds from long-term loans	10,000	15,639
Purchase of treasury shares	(12)	(26,007)
Dividends paid	(11,994)	(12,607)
Repayments of lease obligation	(3,056)	(3,412)
Other	159	445
Net cash flows from (used in) financing activities	**5,557**	**(37,220)**
Ⅳ. Net increase (decrease) in cash and cash equivalents	**16,432**	**(26,850)**
Ⅴ. Cash and cash equivalents at the beginning of year	**62,888**	**83,014**
Ⅵ. Effect of exchange rate changes on cash and cash equivalents	**3,694**	**1,739**
Ⅶ. Cash and cash equivalents at the end of period	**83,014**	**57,903**

(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, 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

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	260,235	10,628	6,257	1,919	279,037

3. Information by Region

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. Note that locations in Americas of non-currents are mainly based on U.S.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers[*1]	177,373	21,546	24,118	52,513	3,488	279,037
Non-current assets[*2]	103,548	19,700	947	25,646	14,405	164,245

(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 locations in Americas of non-currents are mainly based on U.S.

4. Information on Major Customers

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

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	51,284
Mediceo Corporation	35,867

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	51,706
Mediceo Corporation	35,671

(Other Income)

For the fiscal year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

For the fiscal year under review, a change in fair value of the InnFocus, Inc. (U.S.) contingent consideration of ¥3,061 million was recorded as other income. 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. A change in fair value of contingent consideration was recorded as other income since Santen has reviewed the probability of development success and future sales plan.

(Other Expenses)

For the fiscal year ended March 31, 2023 (from April 1, 2022, to March 31, 2023)

1. Impairment of non-financial assets

An impairment loss of ¥34,560 million recognized in the consolidated fiscal year ended March 31, 2023 was recorded as other expenses.

This is mainly due to an impairment loss on intangible assets related to product, goodwill and property, plant and equipment for Eyevance Pharmaceuticals Holdings Inc. (U.S. “Eyevance”) and Eyevance Pharmaceuticals LLC.(U.S.; hereinafter “Eyevance”) as well as an impairment related to intangible assets associated with products for STN1010904 (generic name: sirolimus) and STN1010905 (generic name: sirolimus) (hereinafter both referred to as "STN10109").

For Eyevance, after reviewing the business plan, the Company determined it would be difficult to achieve expected earnings and reduced the related book value of assets including goodwill from past acquisitions to a recoverable amount, recording an impairment loss of ¥30,115 million (¥22,296 million from intangible assets associated with products, ¥7,418 million from goodwill, ¥402 million from property, plant and equipment).

For STN10109, given the impact of a rise in the discount rate and a review of the business plan related to STN1010905 (generic name: sirolimus) and others, the Company determined the book value fell short of the estimated recoverable amount. It accordingly reduced the book value of intangible assets related to products to the recoverable amount and recorded an impairment loss of ¥3,141 million.

2. Business structural reform expenses

Business structural reform expenses of ¥3,225 million were recorded as other expenses in the consolidated fiscal year ended March 31, 2023.

This is mainly due to special severance payments and impairment losses associated with structural reforms to maximize streamlining the pharmaceutical commercial business in the Americas with the aim of improving profitability.

(Contingent liabilities)

Arbitration

For the fiscal year ended March 31, 2022

Not applicable

For the fiscal year ended March 31, 2023

On November 17, 2022, the Company was served with a Demand for Arbitration filed by representative of the former shareholders of InnFocus, Inc. with JAMS seeking over $400 million in damages for breach of contract and other claims in connection with the Merger Agreement regarding the acquisition of InnFocus, Inc. (USA) in 2016. The Company believes it has complied with the terms of the Merger Agreement and will vigorously defend the allegations based on the relevant facts through the forthcoming arbitration procedures.

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)
Basis of calculation of basic earnings per share		
Profit (loss) attributable to owners of the company (JPY millions)	27,218	(14,948)
Net income not attributable to common shareholders of the company (JPY millions)	6	7
Net income (loss) used in the calculation of basic earnings per share (JPY millions)	27,212	(14,955)
Average number of shares of common stock outstanding during the period (thousands of shares)	399,775	387,420
Basis of calculation of diluted earnings per share		
Net income (loss) used in the calculation of basic earnings per share (JPY millions)	27,212	(14,955)
Adjustment to net income (JPY millions)	6	―
Net income (loss) used to calculate diluted earnings per share (JPY millions)	27,218	(14,955)
Average number of shares of common stock outstanding during the period (thousands of shares)	399,775	387,420
Increase in common shares due to stock-based compensation (thousands of shares)	682	―
Weighted-average number of common shares outstanding during the period (thousands of shares)	400,457	387,420
Earnings per share attributable to owners of the company		
Basic earnings (loss) per share (yen)	68.07	(38.60)
Diluted earnings (loss) per share (yen)	67.97	(38.60)

(NOTE)

1. For the purposes of calculating earnings per share, the Company deducts the number of own shares held in trust by the stock compensation system from the average number of outstanding common shares during the period.
2. Stock options and other items have an anti-dilutive effect in the current consolidated fiscal year and are therefore not included in the calculation of loss per diluted share.

(Significant Subsequent Events)

Resolution pertaining to repurchase of own shares (Repurchase of own shares in accordance with Article 165, paragraph 2 of the Companies Act (Japan))

At a meeting of the Board of Directors on May 11, 2023, 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

This repurchase is implemented in accordance with the capital allocation policy in the new medium-term management plan (FY2023-2025) dated on April 13, 2023, to enhance capital efficiency and improve return of profits based on a comprehensive consideration of factors such as profitability improvement and business environment.

(II) Details of repurchase

(1) Class of shares to be repurchased	Common shares
(2) Total number of shares to be repurchased	18,750,000 shares (maximum) *Representing 5.0% of the total number of shares outstanding (excluding treasury shares)
(3) Total amount of repurchase	24.5 billion yen (maximum)
(4) Period of repurchase	May 12, 2023 to March 22, 2024
(5) Method of repurchase	Open-market repurchase by the discretionary trading method

Santen plans to cancel the repurchased shares by its Board of Directors resolution in accordance with Article 178 of the Companies Act (Japan).

There is a possibility that some of the purchases may not be made depending on investment opportunities or market conditions.

4. Consolidated Reference

(1) Revenue of Major Products

(JPY millions)

Brand Name	Region	Year ended March 31, 2023		Year ending March 31, 2024	
		Year ended March 31, 2023 Actual	Changes from previous year	Year ended March 31, 2024 Forecasts	Changes from previous year
Glaucoma and ocular hypertension					
Cosopt	Total	23,702	9.0%	22,798	(3.8%)
	Japan	4,675	(17.3%)	4,076	(12.8%)
	Asia	6,110	18.5%	6,385	4.5%
	EMEA	12,917	18.0%	12,336	(4.5%)
Tapros	Total	18,744	1.7%	16,096	(14.1%)
	Japan	7,761	(7.7%)	6,030	(22.3%)
	China	1,045	(10.7%)	877	(16.1%)
	Asia	2,277	9.6%	2,289	0.5%
	EMEA	7,660	13.2%	6,900	(9.9%)
Tapcom	Total	8,202	17.7%	7,992	(2.6%)
	Japan	2,649	(3.2%)	1,922	(27.5%)
	Asia	1,051	28.9%	1,252	19.1%
	EMEA	4,502	31.7%	4,819	7.0%
Trusopt	Total	4,882	11.6%	4,453	(8.8%)
	Japan	980	(11.6%)	894	(8.8%)
	Asia	454	18.8%	467	2.9%
	EMEA	3,448	19.6%	3,092	(10.3%)
Eybelis	Total	4,156	21.5%	4,750	14.3%
	Japan	3,905	18.2%	4,336	11.0%
	Asia	251	116.9%	413	64.8%
Dry eye					
Diquas (Including Diquas LX)	Total	20,988	11.4%	27,940	33.1%
	Japan	16,259	21.9%	21,859	34.4%
	China	2,772	(32.0%)	3,522	27.0%
	Asia	1,957	37.9%	2,560	30.8%
Hyalein	Total	14,781	(16.9%)	16,162	9.3%
	Japan	5,718	(11.6%)	4,781	(16.4%)
	China	6,433	(28.1%)	8,468	31.6%
	Asia	2,630	11.0%	2,913	10.8%
Ikervis	Total	6,839	16.8%	8,759	28.1%
	Asia	1,549	40.0%	2,143	38.3%
	EMEA	5,290	11.4%	6,617	25.1%
Cationorm	Total	4,010	24.2%	4,693	17.0%
	China	-	-	464	-
	Asia	441	(5.4%)	485	9.8%
	EMEA	2,626	26.3%	2,650	0.9%
	Americas	943	37.7%	1,094	16.0%
Allergy					
Alesion (Including Alesion LX)	Total	33,550	14.1%	22,669	(32.4%)
	Japan	33,400	14.1%	22,505	(32.6%)
	Asia	149	40.2%	163	9.6%
Verkazia	Total	914	44.4%	1,416	54.8%
	EMEA	748	28.0%	967	29.3%
	Americas	166	241.2%	401	141.2%
Intravitreal VEGF inhibitor					
EYLEA	Total	71,257	(1.7%)	64,262	(9.8%)
	Japan	71,257	(1.7%)	64,262	(9.8%)
Bacterial conjunctivitis					
Cravit	Total	11,381	(2.8%)	12,303	8.1%
	Japan	1,285	(26.7%)	1,119	(12.9%)
	China	6,309	(9.4%)	7,475	18.5%
	Asia	2,380	27.5%	2,439	2.5%
	EMEA	1,408	25.0%	1,270	(9.8%)
Medical devices					
Lentis comfort	Total	1,331	(6.4%)	1,601	20.3%
	Japan	1,331	(6.4%)	1,601	20.3%
PRESERFLO MicroShunt	Total	2,429	50.6%	3,203	31.9%
	Japan	94	-	214	128.5%
	EMEA	2,326	44.3%	2,961	27.3%
OTC Pharmaceuticals	Total	10,628	8.7%	11,054	4.0%
	Japan	9,595	4.5%	9,922	3.4%
	China	262	-	382	46.1%
	Asia	771	31.2%	750	(2.7%)

(2) FOREX

(JPY)

Major currency	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024 (Forecasts)
USD	112.57	135.40	130.00
EUR	130.75	140.97	140.00
CNY	17.55	19.72	19.00

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 2023

Pipeline Development Status (Clinical Stage)

<Glaucoma and ocular hypertension area>

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				Dec-2022		
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. Filed marketing approval in December 2022 in China.										

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.					Sep-2022	
				Japan						Nov-2018
				Asia						Feb-2021
An EP2 receptor agonist with a new mechanism of action. Received marketing approval in September 2022 in the U.S. Launched in November 2018 in Japan. Launched successively in Asian countries since launch 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						
				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. Started Phase 3 in August 2022 in Japan. Completed Phase 2 (exploratory study) in Europe.										

–	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
glaucoma implant device	STN2000100 / DE-128	Glaucoma	Original	Japan						Jul-2022
				Europe						Apr-2019
				Asia						Oct-2022
A drainage implant device designed to lower intraocular pressure (IOP) for the treatment of primary open-angle glaucoma through the drainage of aqueous humor. Launched (soft launch) in July 2022 in Japan. Launched in Europe in April 2019. In Asia received approval in Singapore and other countries since September 2021, and launched in October 2022 in Malaysia.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
latanoprost	STN1013001 /DE-130A (Catioprost)	Glaucoma/ Ocular hypertension	Original	Europe				Sep-2022		
				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. Filed for marketing approval in September 2022 in Europe.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil mesilate	STN1013900 / AR-13324	Glaucoma / Ocular hypertension	Alcon*	Japan						
				Europe						Feb-2023
				Asia					Jan-2023	
A ROCK (Rho-associated kinase) inhibitor. Developed and sold by Alcon in the U.S. Conducting Phase 3 from November 2020 in Japan. Received marketing approval in Europe and launched in February 2023 in Sweden. Received marketing approval in January 2023 in Thailand with successive filings made in Asian countries.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil mesilate / latanoprost	STN1014000 / PG-324	Glaucoma / Ocular hypertension	Alcon*	Europe						Jan-2023
				Asia					Jan-2023	
A fixed dose combination drug of a ROCK (Rho-associated kinase) inhibitor and a prostaglandin $F_2\alpha$ derivative. Developed and sold by Alcon in the U.S. Received marketing approval in Europe and launched in January 2023 in Germany. Received marketing approval in January 2023 in Thailand with successive made in Asian countries.										

*changed to Alcon due to the completion of its acquisition of Aerie Pharmaceuticals, Inc. in Nov 2022

<Keratoconjunctival disease area including dry eye >

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 expansion for Ikervis in August 2019. Launched in November 2019 in Canada. Launched in May 2022 in the U.S. and received 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						Nov-2022
				Asia				Mar-2023		
A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Long-acting drug. Launched in November 2022 in Japan. In Asia, filed for marketing approval in March 2023 in Korea.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
olodaterol hydrochloride	STN1014100	Dry eye	Boehringer Ingelheim	Japan		(Phase 1/2a)				
β2 receptor agonist. Started Phase 1/2a in January 2023 in Japan.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	STN1010904	Fuchs endothelial corneal dystrophy	Joint development with ActualEyes	U.S. France India		(Phase 2a)				
An ophthalmic suspension which treats Fuchs endothelial corneal dystrophy via mTOR inhibition. Started Phase 2a in U.S., France and India in May 2022. (*The development code (STN1010904) is due to be assigned to the product when Santen obtains an 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. Completed Phase 2a in August 2022 in Japan. Considering future development plans.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
epinastine hydrochloride	STN1011402	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan				Mar-2023		
A histamine H_1 receptor antagonist with mediator release inhibitor function, as treatment for allergic conjunctivitis. Ophthalmic cream. Filed for manufacturing and marketing approval in March 2023 in Japan.										

<Refractive error>

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		(Phase 2/3)				
				Asia						
Non-selective muscarinic antagonist which reduces progression of juvenile myopia. Conducting Phase 2/3 from August 2019 in Japan. Started Phase 2/3 in June 2022 in China. Completed Phase 2 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 progression of juvenile myopia. 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.										

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 progression of juvenile myopia. Reduce mydriasis by selectively inhibiting a subtype of receptors. In Japan, completed Phase1 in September 2021 and preparing for Phase 2a.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
ursodeoxycholic acid	STN1013600	Presbyopia	Original	U.S.		(Phase 2a)				
				Japan						
Improvement of presbyopia by improving lens elasticity. Started P2a in December 2022 in U.S. Completed Phase 1 in April 2022 in Japan.										

<Others>

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
oxymetazoline hydrochloride	STN1013800	Ptosis	RVL Pharmaceuticals	Japan						
A direct-acting alpha adrenergic receptor agonist. Developed and sold by RVL Pharmaceuticals in the U.S. Started Phase 3 in October 2022 in Japan.										

Changes from Q3 FY2022 (February 7, 2023)

Dev. Code	Changes
STN1011101 /DE-111A	Filed marketing approval in December 2022 in China.
STN1013900 / AR-13324	Launched in February 2023 in Sweden.
STN1008903 / DE-089C	Filed for marketing approval in March 2023 in Korea.
STN1011402	Filed for manufacturing and marketing approval in March 2023 in Japan.

(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, 2023	Year ending March 31, 2024
	Actual	Forecast
Consolidated	21,144	13,000

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

Depreciation and amortization (JPY millions)

	Year ended March 31, 2023	Year ending March 31, 2024
	Actual	Forecast
Manufacturing cost	2,342	3,550
Selling, general and administrative expenses	1,986	2,720
R&D expenses	615	690
Consolidated total	4,943	6,960

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, 2023	Year ending March 31, 2024
	Actual	Forecast
Intangible assets (Merck products)	5,808	5,810
Intangible assets (Eyevance)	1,142	—
Intangible assets (PRESERFLO MicroShunt)	1,149	1,100
Intangible assets (Rhopressa/Rocklatan)	281	1,120
Intangible assets (Ikervis)	798	790
Other	340	580
Consolidated total	9,518	9,400

Research and development expenses (JPY millions)

	Year ended March 31, 2023	Year ending March 31, 2024
	Actual	Forecast
Consolidated	28,297	29,000
Percent of revenue	10.1%	10.6%

The above forecasts 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.