



Summary of Consolidated Financial Results for the Year Ended March 31, 2024 (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 25, 2024
Start of Distribution of Dividends (Scheduled):	June 26, 2024
Filing of Securities Report (Scheduled):	June 25, 2024
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, 2024

(1) Operating Results (Core basis)

	Year to March 2023	Year to March 2024	Change
Revenue	279,037	301,965	+8.2%
Core operating profit	44,242	62,778	+41.9%
Core net profit for the year	33,235	48,513	+46.0%
Core net profit for the year attributable to owners of the company	33,270	48,486	+45.7%
Basic core earnings per share (yen)	85.86	132.13	
Diluted core earnings per share (yen)	85.68	131.70	

(IFRS)

	Year to March 2023	Year to March 2024	Change
Revenue	279,037	301,965	+8.2%
Operating profit (loss)	(3,090)	38,541	—
Profit (loss) before tax	(5,799)	29,874	—
Net profit (loss) for the year	(14,983)	26,703	—
Net profit (loss) for the year attributable to owners of the company	(14,948)	26,642	—
Total comprehensive income for the year	(5,696)	39,988	—
Basic earnings per share (yen)	(38.60)	72.59	
Diluted earnings per share (yen)	(38.60)	72.37	
Profit to equity attributable to owners of the company (%)	(4.7%)	8.9%	
Profit before tax to total assets ratio (%)	(1.3%)	7.0%	
Operating profit to revenue ratio (%)	(1.1%)	12.8%	

(2) Financial Position

	March 31, 2023	March 31, 2024
Total assets	421,179	435,699
Total equity	293,297	305,369
Total equity attributable to owners of the company	293,979	306,055
Total equity attributable to owners of the company ratio (%)	69.8%	70.2%
Equity per share attributable to owners of the company (yen)	783.30	843.24

(3) Cash Flows

	Year to March 2023	Year to March 2024
Cash flows from operating activities	37,147	72,649
Cash flows from investing activities	(26,777)	(6,145)
Cash flows from financing activities	(37,220)	(34,031)
Cash and cash equivalents at end of year	57,903	94,582

2. Dividends

	Year to March 2023	Year to March 2024	(Forecasts) Year to March 2025
Second quarter dividends per share (yen)	16.00	16.00	17.00
Year-end dividends per share (yen)	16.00	17.00	17.00
Annual dividends per share (yen)	32.00	33.00	34.00
Total dividends paid (full-year)	12,216	12,047	
Payout ratio (consolidated)	—	45.5%	36.9%
Dividends paid on equity attributable to owners of the company (consolidated)	3.9%	4.1%	

3. Consolidated Forecasts of Results for the Fiscal Year Ending March 31, 2025

(Core basis)

	Year to March 2025	Change
Revenue	297,000	(1.6%)
Core operating profit	55,000	(12.4%)
Core net profit for the year	41,250	(15.0%)
Core earnings per share (yen)	117.05	

(IFRS)

	Year to March 2025	Change
Revenue	297,000	(1.6%)
Operating profit	44,500	15.5%
Profit before tax	45,000	50.6%
Net profit for the year	33,500	25.5%
Basic earnings per share (yen)	92.22	

(Note)

- Please refer to "1. Summary of Consolidated Results (1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2024" 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 9, 2024, the Board resolved to undertake a share repurchase. The share repurchase has been factored into the basic core earnings per share forecasts and basic earnings per share. Please refer to "3. Consolidated Financial Statements and Notes (5) Notes for Consolidated Financial Statements (page 22) " 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 : Yes

(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, 2024	363,996,254 shares
Fiscal Year ended March 31, 2023	375,885,854 shares

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

Fiscal Year ended March 31, 2024	786,780 shares
Fiscal Year ended March 31, 2023	345,065 shares

(iii) Average number of shares during the period

Fiscal Year ended March 31, 2024	366,889,585 shares
Fiscal Year ended March 31, 2023	387,420,468 shares

(NOTE)The number of treasury shares at the end of the period includes shares (41,909 shares at the end of the fiscal year ended March 31, 2023 and 49,311 shares at the end of the fiscal year ended March 31, 2024) 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, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	195,238	(0.7)	28,013	13.0	31,272	15.5	18,680	—
Fiscal Year ended March 31, 2023	196,589	3.0	24,798	15.9	27,068	20.2	(59,379)	—

	Per share Net income	Fully diluted Net income per share
	Yen	Yen
Fiscal Year ended March 31, 2024	50.88	50.74
Fiscal Year ended March 31, 2023	(153.18)	—

(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, 2024	271,848	187,505	68.9	515.75
Fiscal Year ended March 31, 2023	282,904	199,261	70.3	529.72

(Reference) Equity

Fiscal Year ended March 31, 2024 187,325 million yen

Fiscal Year ended March 31, 2023 198,931 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 9, 2024. The materials used in this briefing will be posted on our website.

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1. Summary of Consolidated Results

(1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2024

(I) Consolidated Results

A) Core basis ^{*1}

(JPY billions)

	FY2022	FY2023	Year-on-year change
Revenue	279.0	302.0	8.2%
Core operating profit	44.2	62.8	41.9%
Core net profit for the year	33.2	48.5	46.0%
Core net profit for the year attributable to owners of the company	33.3	48.5	45.7%

[Revenue]

Revenue in the fiscal year ended March 31, 2024 increased by 8.2% year-on-year to ¥302.0 billion.

In the prescription pharmaceuticals business, sales grew globally by 8.0% year-on-year to ¥281.0 billion.

This is due to the Company's focus on expanding sales of mainstay products despite the impact of drug price revisions in Japan, as well as a recovery from the resurgence of COVID-19 in China in the previous fiscal year, and a solid performance from mainstay products in Asia/EMEA.

The breakdown of revenue is as follows:

Upper: Value

Lower: Year-on-year change

(JPY billions)

【 】 : Year-on-year change excluding FX impact

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	160.2 (1.6%) 【－】	29.4 39.0% 【35.4%】	27.7 19.1% 【12.1%】	61.4 22.5% 【11.3%】	2.4 (19.6%) 【(24.0%)】	281.0 8.0% 【4.9%】
OTC pharmaceuticals	10.1 5.2%	0.3 18.5%	0.8 8.4%	— —	— —	11.2 5.8%
Medical devices	3.6 9.8%	0.1 1.0%	0.1 640.6%	3.3 40.7%	0.7 29.5%	7.8 24.1%
Others	1.8 1.3%	0.1 6.5%	0.1 (12.1%)	— —	— —	1.9 0.7%
Total	175.6 (1.0%) 【－】	29.9 38.6% 【35.1%】	28.7 18.9% 【11.9%】	64.8 23.3% 【12.1%】	3.1 (11.8%) 【(16.5%)】	302.0 8.2% 【5.2%】

(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, 2024 decreased by 1.6% year-on-year to ¥160.2 billion. This was due to the mid-2% impact of drug price revisions, which was offset by the focus on growing mainstay products including *Diquas LX* and *Alesion LX* products. Revenues of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥5.9 billion (YoY -23.5%)
<i>Tapcom</i> ophthalmic solution	¥2.2 billion (YoY -17.3%)
<i>Cosopt</i> ophthalmic solution	¥4.0 billion (YoY -15.4%)
<i>Eybelis</i> ophthalmic solution	¥4.3 billion (YoY +11.3%)

Dry eye

<i>Diquas</i> ophthalmic solution ^{*3} (refer to Page 5)	¥20.1 billion (YoY +23.5%)
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Allergy

<i>Alesion</i> ophthalmic solution ^{*2} (refer to Page 5)	¥29.3 billion (YoY -12.3%)
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Intravitreal VEGF inhibitor

<i>EYLEA</i> ^{*4} (refer to Page 5) (solution for intravitreal injection)	¥72.7 billion (YoY +2.0%)
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◇ China

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 39.0% year-on-year (+35.4% excluding FX impact), to ¥29.4 billion, boosted by the strong performance of mainstay products reflecting a recovery from the resurgence of COVID-19 in the previous fiscal year. Revenues of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥1.8 billion (YoY +69.7%)
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Dry eye

<i>Diquas</i> ophthalmic solution	¥3.3 billion (YoY +19.6%)
<i>Hyalein</i> ophthalmic solution	¥8.8 billion (YoY +36.9%)

Bacterial conjunctivitis

<i>Cravit</i> ophthalmic solution	¥8.8 billion (YoY +40.1%)
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◇ Asia (excluding China)

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 19.1% year-on-year (+12.1% excluding FX impact), to ¥27.7 billion, due to steady growth of mainstay products in major countries including South Korea, as listed below.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥2.4 billion (YoY +4.8%)
<i>Tapcom</i> ophthalmic solution	¥1.3 billion (YoY +26.8%)
<i>Cosopt</i> ophthalmic solution	¥6.9 billion (YoY +12.6%)

Dry eye

<i>Diquas</i> ophthalmic solution	¥2.5 billion (YoY +25.9%)
<i>Ikervis</i>	¥1.9 billion (YoY +24.8%)

Bacterial conjunctivitis

<i>Cravit</i> ophthalmic solution	¥3.2 billion (YoY +36.2%)
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◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 22.5% year-on-year (+11.3% excluding FX impact), to ¥61.4 billion. This is mainly due to growth in sales of glaucoma products, the disease area in which Santen holds No.1 market share, as well as the impact of a reevaluation of the reimbursement claim settlement for *Ikervis* in the fiscal year under review. Revenues of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥8.4 billion (YoY +10.0%)
<i>Tapcom</i> ophthalmic solution	¥5.7 billion (YoY +26.8%)
<i>Cosopt</i> ophthalmic solution	¥14.8 billion (YoY +14.4%)
<i>Trusopt</i> ophthalmic solution	¥3.6 billion (YoY +4.6%)

Dry eye

<i>Ikervis</i>	¥10.2 billion (YoY +92.3%)
<i>Cationorm</i>	¥2.9 billion (YoY +11.3%)

Allergy

<i>Verkazia</i>	¥1.2 billion (YoY +57.9%)
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◇ Americas

On a JPY basis, revenue in the fiscal year ended March 31, 2024 decreased by 19.6% year-on-year (-24.0% excluding FX impact), to ¥2.4 billion. This is due to efforts to streamline sales and marketing activities.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2024 increased by 5.8% year-on-year to ¥11.2 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.

<Medical devices>

Revenue in the fiscal year ended March 31, 2024 increased by 24.1% year-on-year to ¥7.8 billion, due to steady progress in sales of intraocular lenses such as *LENTIS Comfort* in Japan as well as the strong performance in EMEA of *PRESEFLO MicroShunt*. Revenues of major products are as follows.

<i>LENTIS Comfort</i>	¥1.3 billion (YoY -5.2%)
<i>PRESEFLO MicroShunt</i>	¥4.1 billion (YoY +70.6%)

<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.

[Core operating profit]

Gross profit in the fiscal year ended March 31, 2024 increased by 7.7 % year-on-year to ¥178.9 billion.

SG&A expenses in the fiscal year ended March 31, 2024 decreased by 2.9% year-on-year (-6.9% excluding FX impact) to ¥90.8 billion.

R&D expenses in the fiscal year ended March 31, 2024 decreased by 10.7% year-on-year (-14.5% excluding FX impact) to ¥25.3 billion.

As a result, operating profit on a core basis in the fiscal year ended March 31, 2024 increased by 41.9 % year-on-year (+39.9% excluding FX impact) to ¥62.8 billion.

*1 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
- Expenses related to acquisitions of companies and initiatives for the resumption of growth such as productivity improvements and streamlining measures

*2 Includes *Alesion LX*

*3 Includes *Diquas LX*

*4 Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

B) IFRS

(JPY billions)

	FY2022	FY2023	Year-on-year change
Revenue	279.0	302.0	8.2%
Operating profit (loss)	(3.1)	38.5	— %
Net profit (loss) for the year	(15.0)	26.7	— %
Net profit (loss) for the year attributable to owners of the company	(14.9)	26.6	— %

[Revenue]

There are no adjustments from the core basis.

[Operating profit]

For the adjustments from the core basis, with regard to expenses related to the streamlining of costs in the Americas, adjustments of ¥0.2 billion, ¥0.7 billion and ¥0.2 billion were made to Cost of Sales, SG&A and R&D expenses respectively.

Amortization on intangible assets associated with products in the fiscal year ended March 31, 2024 decreased by 0.5% year-on-year (-3.6% excluding FX impact) to ¥9.5 billion. This is mainly due to the amortization on intangible assets associated with products acquired from Merck & Co., Inc. (U.S.) in 2014, *PRESERFLO MicroShunt* acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016, *Ikervis* which Santen began selling in Europe in 2015, and *Rhopressa / Rocklatan* which Santen began selling in Europe in 2023.

Other income amounted to ¥1.5 billion. This is mainly due to the asset transfer of some products related to the prescription pharmaceutical business in the Americas.

Other expenses amounted to JPY15.3 billion. This is mainly due to the recording of impairment losses on intangible assets related to cell therapy products mainly composed of retinal progenitor cells given a review of the business plan, extraordinary expenses pertaining to the Early Retirement Program implemented in Japan, and also mainly due to the maximum streamlining of the pharmaceutical commercial business in the Americas.

As a result, operating profit on an IFRS basis in the fiscal year ended March 31, 2024 was ¥38.5 billion (operating loss of ¥3.1 billion for the previous fiscal year).

[Net profit for the year]

Finance income amounted to ¥1.6 billion.

Finance expenses amounted to ¥2.7 billion.

Share of loss of investments accounted for using equity method amounted to ¥7.6 billion from recording of impairment losses on the equity method investments and profit and loss amount attributable to the equity held in Twenty Twenty Therapeutics LLC (U.S.) and Plano Pte. Ltd. (Singapore).

Income tax expenses amounted to ¥3.2 billion, down ¥6.0 billion year-on-year. This reflects the recognition of deferred tax assets related to the business environment of overseas subsidiaries and the performance trend outlook, despite the increase in profit before tax associated with the aforementioned increase in operating profit on an IFRS basis

As a result, net profit in the fiscal year ended March 31, 2024 was ¥26.7 billion (net loss of ¥15.0 billion for the previous fiscal year).

[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, 2024 was ¥26.6 billion (net loss for the year attributable to owners of the company of ¥14.9 billion for the previous fiscal year).

The ratio to revenue was 8.8%.

(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.

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 trial was completed in June 2023 in Japan. Phase 2 trial (exploratory study) was completed in Europe.

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 received marketing approval in November 2023 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 has launched the product in Sweden and other countries from February 2023 onward. The Company has successively filed for marketing approval in Asian countries and received approval in Thailand and other countries from January 2023 onward.

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 has launched the product in Germany and other countries from January 2023 onward. The Company has successively filed for marketing approval in Asian countries and received marketing approval in Thailand and other countries from January 2023 onward.

<Keratoconjunctival disease area including dry eye >

STN1007603 (DE-076C, generic name: ciclosporin) 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. In July 2023, the Company granted Harrow Health, Inc. (U.S.) exclusive rights in the U.S. and Canada for product manufacturing and commercialization.

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 received marketing approval in March 2024 in South Korea.

STN1014100 (generic name: olodaterol hydrochloride) is for the treatment of dry eye. Phase 1/2a trial was completed in March 2024 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 trial has been under way in U.S., France and India since 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 was completed in August 2022 in Japan and the Company is planning an additional Phase 2a trial.

STN1011402 (generic name: epinastine hydrochloride) is eyelid cream for the treatment of allergic conjunctivitis. The Company received manufacturing and marketing approval in March 2024 in Japan.

STN1011403 (generic name: epinastine hydrochloride) is high dose formulation to instill twice a day for the treatment of allergic conjunctivitis. Phase 3 trial was started in March 2024 in China.

<Refractive error>

STN1012700 (DE-127, generic name: atropine sulfate) is for the treatment of myopia in children. The company filed for manufacturing and marketing approval in February 2024 in Japan. Phase 2/3 trial has been under way since 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 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. The Company is conducting Phase 2a trial from May 2023 in Japan. Phase 1 trial was completed in March 2024 in China.

STN1013600 (generic name: ursodeoxycholic acid) is for the treatment of presbyopia. The Company discontinued development following the review of P2a trial data.

<Others>

STN1013800 (generic name: oxymetazoline hydrochloride) is for the treatment of ptosis. Phase 3 trial was completed in March 2024 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.

※ STN1011700 (DE-117, generic name: omidenepag isopropyl) is sold as *Eybelis* in Japan and Asia. In the U.S., Santen has received approval as *OMLONTI* and has granted exclusive rights for product manufacturing and commercialization to Visiox Pharmaceuticals, Inc. (U.S.) in July 2023.

(Ⅲ) Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2024 amounted to ¥10.2 billion. In addition to the upgrading of manufacturing facilities and equipment for R&D, Santen has continued investing in a new factory for Santen Pharmaceutical (China) Co., Ltd, with the aim of addressing expanding demand and strengthening the production and supply structure. This adds production capacity to proactively cater to anticipated market growth, thereby establishing Santen's competitive edge globally for further business growth. In addition, Santen has continued to invest in next-generation ERP, with the aim of enhancing administrative standardization of the Company's operations and productivity to support global business expansion.

(2) Summary of Financial Position for the Fiscal Year ended March 31, 2024

Total assets amounted to ¥435.7 billion, up ¥14.5 billion from the end of the previous fiscal year. Despite a decrease of trade and other receivables associated with the liquidation of trade receivables and a decrease in intangible assets, there were increases in cash, deferred tax assets and property, plant and equipment associated with the new factory construction in Suzhou, China.

Equity amounted to ¥305.4 billion, an increase of ¥12.1 billion from the end of the previous fiscal year. This was due to an increase in retained earnings and other components of equity despite the impact of capital reduction owing to share repurchases. The Company completed the cancellation of treasury shares of ¥15.4 billion (12,000 thousand shares) on March 29, 2024.

Liabilities amounted to ¥130.3 billion, up by ¥2.4 billion from the end of the previous fiscal year. This was due to an increase in other current liabilities pertaining to increase in deposits received despite a decrease in provision pertaining to business structure reforms.

As a result, the ratio of equity attributable to owners of the company to total assets increased by 0.4 points from the end of the previous fiscal year to 70.2%

The Santen Group views ROE (equity attributable to owners of the company profit ratio) as its most important management metric. The Company aims to maximize shareholder value by focusing on both maximizing cash flow and lowering the cost of capital. While the inflow of cash from operating activities is considered the basic source of cash, the Company is also implementing measures to maximize cash-generating capability by improving working capital efficiency through the management of the cash conversion cycle. As part of this effort, the Company initiated the liquidation of trade receivables from the fiscal year under review and improved ROIC (return on invested capital).

(3) Summary of Cash Flows for the Fiscal Year ended March 31, 2024

Cash flows from operating activities for the fiscal year under review amounted to an inflow of ¥72.6 billion (inflow of ¥37.1 billion in the fiscal year ended March 31, 2023). This was due to a net profit of ¥26.7 billion, ¥18.2 billion of depreciation and amortization and a decrease of ¥18.4 billion in trade, other receivables associated with the liquidation of trade receivables and the payment of ¥12.1 billion in corporate tax.

Cash flows from investing activities amounted to an outflow of ¥6.1 billion (outflow of ¥26.8 billion in the fiscal year ended March 31, 2023). This was due to payments for the acquisition of property, plant and equipment amounting to ¥9.3 billion. There was a cash inflow of ¥4.1 billion owing to the sale of 4 equity holdings in the fiscal year under review as part of continuing review of cross shareholdings.

Cash flows from financing activities amounted to an outflow of ¥34.0 billion (outflow of ¥37.2 billion in the fiscal year ended March 31, 2023). This was due to share repurchases and cash dividends paid of ¥17.0 billion and ¥11.9 billion respectively.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2024 increased by ¥36.7 billion from the end of the fiscal year ended March 31, 2023 to ¥94.6 billion.

(Reference) Trends in cash flow indicators

	FY2022	FY2023
Equity attributable to owners of the company ratio	69.8%	70.2%
Equity attributable to owners of the company ratio on a market value basis	100.8%	128.1%
Interest-bearing debt to cash flow ratio	76.6%	37.1%
Interest coverage ratio	79.9 times	87.5 times

(NOTE)

Equity attributable to owners of the company ratio: $\text{Equity attributable to owners of the company} / \text{Assets}$

Equity attributable to owners of the company ratio on a market value basis: $\text{Market capitalization} / \text{Assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt (not including lease obligations)} / \text{Cash flow}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payments}$

*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 one of the most important management priorities. The Company's basic policy is to continue a progressive dividend policy in alignment with medium term profit growth, with the current minimum dividend (¥17 per half year) 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 returning profits to shareholders by share repurchases.

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, 2024

The Company plans to pay year-end dividends of ¥17 per share subject to approval at the 112th annual shareholders' meeting, which is scheduled to be held in June 2024. Together with the interim dividend already paid out, the annual dividend will be ¥33 per share.

(III) Dividend for the Fiscal Year ending March 31, 2025

The Company plans to pay an annual dividend of ¥34, consisting of an interim dividend of ¥17 per share and a year-end dividend of ¥17 per share for the next fiscal year, for a dividend payout ratio of 36.3%, a metric that reflects the profits returned to shareholders via dividends from net profit for the next fiscal year.

Subsequently, based on the aforementioned policy, at a meeting of the Board of Directors on May 9, 2024, the Board resolved to undertake a share repurchase of up to a maximum of ¥38.0 billion (representing approx. 5.8% 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, 2025

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

<Core basis>

(JPY billions)

	FY2023	FY2024	Year-on-year change
Revenue	302.0	297.0	(1.6%)
Core operating profit	62.8	55.0	(12.4%)
Core net profit for the year	48.5	41.3	(15.0%)

<IFRS basis>

(JPY billions)

	FY2023	FY2024	Year-on-year change
Revenue	302.0	297.0	(1.6%)
Operating profit	38.5	44.5	15.5%
Net profit for the year	26.7	33.5	25.5%
Net profit for the year attributable to owners of the company	26.6	32.5	22.0%

Revenue for the fiscal year ending March 2025 is forecast to be ¥297.0 billion, down 1.6% year-on-year, and the core operating profit is expected to decrease by 12.4% year-on-year to ¥55.0 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, drug price revisions and increased co-payments for certain long-listed drugs. SG&A (core basis) is forecast to be ¥88.5 billion, down 2.6% from the previous fiscal year ended March 31, 2024 by continuously implementing cost optimization; R&D expenses are projected to be ¥26.0 billion, up 2.9% from the previous fiscal year ended March 31, 2024, as an investment for future growth. The core operating profit is expected to decrease by 12.4% year-on-year to ¥55.0 billion, due to an assumed increase in the cost of sales ratio resulting from the product mix and inflation impacting cost of sales.

On an IFRS basis, operating profit is forecast to be ¥44.5 billion, up 15.5% from the previous fiscal year ended March 31, 2024 expecting decrease in other expense due to completion of structural reforms, and net profit is forecast to be ¥33.5 billion up 25.5% from the previous fiscal year ended March 31, 2024. These forecasts are based on foreign exchange rates of 1USD = ¥145, 1 EUR = ¥155 and 1 CYN = ¥20.0.

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 other factors.

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, 2023	Year ended March 31, 2024
Revenue	279,037	301,965
Cost of sales	(112,950)	(123,256)
Gross profit	166,087	178,709
Selling, general and administrative expenses	(96,257)	(91,529)
Research and development expenses	(28,297)	(25,416)
Amortization on intangible assets associated with products	(9,518)	(9,471)
Other income	3,524	1,548
Other expenses	(38,629)	(15,301)
Operating profit (loss)	(3,090)	38,541
Finance income	1,153	1,572
Finance expenses	(1,499)	(2,664)
Share of loss of investments accounted for using equity method	(2,362)	(7,575)
Profit (loss) before tax	(5,799)	29,874
Income tax expenses	(9,184)	(3,171)
Net profit (loss) for the year	(14,983)	26,703
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	32	1,829
Net gain on financial assets measured at fair value through other comprehensive income	589	(1,697)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	8,018	12,272
Cash flow hedge	—	(20)
Share of other comprehensive income of investments accounted for using equity method	648	902
Other comprehensive income	9,287	13,285
Total comprehensive income	(5,696)	39,988
Profit (loss) attributable to		
Owners of the company	(14,948)	26,642
Non-controlling interests	(35)	60
Net profit (loss) for the year	(14,983)	26,703
Total comprehensive income attributable to		
Owners of the company	(5,658)	39,991
Non-controlling interests	(38)	(3)
Total comprehensive income	(5,696)	39,988
Earnings per share		
Basic earnings (loss) per share (yen)	(38.60)	72.59
Diluted earnings (loss) per share (yen)	(38.60)	72.37

Core basis

(JPY millions)

	Year ended March 31, 2023	Year ended March 31, 2024
Revenue	279,037	301,965
Core operating profit	44,242	62,778
Core net profit for the year	33,235	48,513
Basic core earnings per share (yen)	85.86	132.13
Diluted core earnings per share (yen)	85.68	131.70
Core profit attributable to		
Owners of the company	33,270	48,486
Non-controlling interests	(36)	27
Core net profit for the year	33,235	48,513

(2) Consolidated Statement of Financial Position

Assets		(JPY millions)
	March 31, 2023	March 31, 2024
Non-current assets		
Property, plant and equipment	66,173	71,576
Intangible assets	96,309	83,819
Financial assets	28,038	21,832
Retirement benefit assets	3,438	7,165
Investments from application of equity method	9,321	2,574
Deferred tax assets	2,810	10,765
Other non-current assets	1,763	1,829
Total non-current assets	207,853	199,560
Current assets		
Inventories	39,352	43,185
Trade and other receivables	107,165	90,539
Other financial assets	774	379
Income taxes receivable	60	—
Other current assets	8,072	7,453
Cash and cash equivalents	57,903	94,582
Total current assets	213,326	236,139
Total assets	421,179	435,699

Equity and liabilities

(JPY millions)

	March 31, 2023	March 31, 2024
Equity		
Share capital	8,702	8,777
Capital surplus	9,789	9,854
Treasury shares	(364)	(1,018)
Retained earnings	238,071	240,029
Other components of equity	37,781	48,411
Total equity attributable to owners of the company	293,979	306,055
Non-controlling interests	(683)	(685)
Total equity	293,297	305,369
Liabilities		
Non-current liabilities		
Financial liabilities	33,513	32,439
Net defined benefit liabilities	1,271	1,292
Provisions	691	687
Deferred tax liabilities	1,592	1,377
Other non-current liabilities	1,312	1,739
Total non-current liabilities	38,378	37,534
Current liabilities		
Trade and other payables	44,945	43,531
Other financial liabilities	25,858	25,711
Income tax payable	6,745	5,127
Provisions	4,212	1,783
Other current liabilities	7,744	16,643
Total current liabilities	89,504	92,796
Total liabilities	127,883	130,329
Total equity and liabilities	421,179	435,699

(3) Consolidated Statement of Changes in Equity

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	Foreign transaction adjustments
Balance at April 1, 2022	8,672	9,370	(718)	290,477	—	8,438	19,950
Comprehensive income							
Net profit (loss) for the year				(14,948)			
Other comprehensive income					32	589	8,021
Total comprehensive income	—	—	—	(14,948)	32	589	8,021
Transactions with owners							
Issuance of new shares	31	31					
Repurchase of treasury shares		(51)	(26,007)				
Disposal of treasury shares		(2)	367				
Cancellation of treasury shares		(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	27,971

	Other components of equity				Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Cash flow hedge	Share of other comprehensive income of investments accounted for using equity method	Subscription rights to shares	Total			
Balance at April 1, 2022	—	914	384	29,688	337,488	(645)	336,844
Comprehensive income							
Net profit (loss) for the year				—	(14,948)	(35)	(14,983)
Other comprehensive income		648		9,290	9,290	(3)	9,287
Total comprehensive income	—	648	—	9,290	(5,658)	(38)	(5,696)
Transactions with owners							
Issuance of new shares			(54)	(54)	7		7
Repurchase of treasury shares				—	(26,058)		(26,058)
Disposal of treasury shares				—	365		365
Cancellation of treasury shares				—	—		—
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	—	1,562	331	37,781	293,979	(683)	293,297

Year ended March 31, 2024

(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	Foreign currency translation adjustments
Balance at April 1, 2023	8,702	9,789	(364)	238,071	—	7,917	27,971
Comprehensive income							
Net profit (loss) for the year				26,642			
Other comprehensive income					1,829	(1,697)	12,335
Total comprehensive income	—	—	—	26,642	1,829	(1,697)	12,335
Transactions with owners							
Issuance of new shares	75	75					
Repurchase of treasury shares		(20)	(16,933)				
Disposal of treasury shares		1	907				
Cancellation of treasury shares		(15,372)	15,372				
Transfer to Capital surplus from Retained earnings		15,371		(15,371)			
Dividends				(11,881)			
Share-based payments		10					
Other				2,568	(1,829)	(739)	
Total transactions with owners	75	65	(654)	(24,684)	(1,829)	(739)	—
Balance at March 31, 2024	8,777	9,854	(1,018)	240,029	—	5,481	40,306

	Other components of equity				Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Cash flow hedge	Share of other comprehensive income of investments accounted for using equity method	Subscription rights to shares	Total			
Balance at April 1, 2023	—	1,562	331	37,781	293,979	(683)	293,297
Comprehensive income							
Net profit (loss) for the year				—	26,642	60	26,703
Other comprehensive income	(20)	902		13,349	13,349	(63)	13,285
Total comprehensive income	(20)	902	—	13,349	39,991	(3)	39,988
Transactions with owners							
Issuance of new shares			(150)	(150)	0		0
Repurchase of treasury shares				—	(16,953)		(16,953)
Disposal of treasury shares				—	908		908
Cancellation of treasury shares				—	—		—
Transfer to Capital surplus from Retained earnings				—	—		—
Dividends				—	(11,881)		(11,881)
Share-based payments				—	10		10
Other				(2,568)	—		—
Total transactions with owners	—	—	(150)	(2,718)	(27,916)		(27,916)
Balance at March 31, 2024	(20)	2,464	181	48,411	306,055	(685)	305,369

(4) Consolidated Statements of Cash Flows

(JPY millions)

	Year ended March 31, 2023	Year ended March 31, 2024
I . Cash flows from operating activities:		
Net profit (loss) for the year	(14,983)	26,703
Depreciation and amortization	17,249	18,178
Impairment losses	34,560	7,779
Business structure improvement expenses	3,225	5,829
Shares of loss (profit) of entities accounted for using equity method	2,362	7,575
Interest income, dividend income and interest expenses	(469)	(303)
Income tax expenses	9,184	3,171
Decrease (increase) in trade and other receivables	(6,443)	18,384
Decrease (increase) in inventories	(1,144)	(1,369)
Increase (decrease) in trade and other payables	3,689	(2,382)
Increase (decrease) in provisions and net defined benefit liabilities	113	(8,700)
Decrease (increase) in other current assets	725	757
Increase (decrease) in accounts payable - bonuses	(1,398)	392
Increase (decrease) in accounts payable - other	(601)	(379)
Increase (decrease) in deposits received	(591)	7,465
Other	(810)	1,533
Subtotal	44,668	84,633
Interest received	300	467
Dividends received	461	486
Interest paid	(465)	(830)
Income tax paid	(7,818)	(12,108)
Net cash flows from (used in) operating activities	37,147	72,649
II . Cash flows from investing activities:		
Payments for acquisition of investments	(589)	(301)
Proceeds from sale of investments	2,149	4,127
Payments for acquisition of investments accounted for using equity method	(3,470)	(207)
Payments for acquisition of property, plant and equipment	(17,277)	(9,319)
Payments for acquisition of intangible assets	(7,311)	(1,368)
Proceeds from sale of intangible assets	—	796
Other	(279)	126
Net cash flows from (used in) investing activities	(26,777)	(6,145)
III . Cash flows from financing activities:		
Repayments of short-term loans	(11,278)	—
Proceeds from long-term loans	15,639	—
Repayments of long-term loans	(5)	(2,112)
Purchase of treasury shares	(26,007)	(16,962)
Dividends paid	(12,607)	(11,881)
Repayments of lease obligation	(3,412)	(3,293)
Other	450	217
Net cash flows from (used in) financing activities	(37,220)	(34,031)
IV . Net increase (decrease) in cash and cash equivalents	(26,850)	32,473
V . Cash and cash equivalents at the beginning of year	83,014	57,903
VI . Effect of exchange rate changes on cash and cash equivalents	1,739	4,206
VII . Cash and cash equivalents at the end of period	57,903	94,582

(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.

(4) Changes in presentation

(Consolidated Statements of Cash Flows)

From the fiscal year under review, the item previously listed as "Finance expenses (income)" has been changed to "Interest and dividend income, and interest expenses".

To reflect this change in presentation, the item of the consolidated statement of cash flows for the fiscal year ended March 31, 2023 has also been changed. This change represents only a change in the nomenclature of the presented account item and has no impact on the consolidated statements of cash flows.

"Increase (decrease) in deposits received" which was included in "Other" under "Net cash flows from (used in) operating activities" in the fiscal year ended March 31, 2023, is presented separately from the fiscal year under review due to an increase in monetary importance. To reflect this change in presentation, the consolidated statements of cash flows for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥591 million, which was presented as "Other" under "Net cash flows from (used in) operating activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2023 has been reclassified as "Increase (decrease) in deposits received".

"Repayments of long-term loans" which was included in "Other" under "Net cash flows from (used in) financing activities" in the fiscal year ended March 31, 2023 is presented separately from the fiscal year under review due to an increase in monetary importance. To reflect this change in presentation, the consolidated statements of cash flows for the fiscal year ended March 31, 2023 have been reclassified.

As a result, ¥5 million, which was presented as "Other" under "Net cash flows from (used in) financing activities" in the consolidated statements of cash flows for the fiscal year ended March 31, 2023 has been reclassified as "Repayments of long-term loans".

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.

(Changes in Accounting Estimates)

The Company measures revenues on a net basis, excluding returns, rebates and discounts. With regard to revenue amounts which include a variable consideration, when the uncertainty related to the variable consideration is eliminated, only in instances where there is an extremely high possibility that there will not be a significant reversal of the recognized cumulative amount does the Company reflect this in the transaction price. As the variable consideration is based on an estimate, the Company may make changes upon new, meaningful information becoming available. During the fiscal year under review, as a part of discussions related to the *Ikervis* reimbursement claim settlement, the Company changed its estimate of the claim settlement amount. As a result, revenue in the fiscal year ended March 31, 2024 increased 2,315 million yen.

(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, 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

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	281,025	11,242	7,767	1,931	301,965

3. Information by Region

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.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers ^{*1}	175,608	29,858	28,666	64,756	3,078	301,965
Non-current assets ^{*2}	95,802	27,234	738	18,988	14,462	157,224

(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, 2023 (from April 1, 2022, to March 31, 2023)

(JPY millions)

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

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	50,115
Mediceo Corporation	34,653

(Other Income)

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

For the fiscal year ended March 31, 2023, 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 in the fiscal year ended March 31, 2023 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.

For the fiscal year ended March 31, 2024 (from April 1, 2023, to March 31, 2024)

1. Impairment of non-financial assets

An impairment loss of ¥7,779 million recognized in the consolidated fiscal year ended March 31, 2024 was recorded as other expenses.

This is mainly due to an impairment loss on intangible assets associated with cell therapy products mainly composed of retinal progenitor cells. As a result of the review of the business plan related to the item above, the Company determined the book value fell short of the estimated recoverable amount, and recorded an impairment loss of ¥6,994 million as a result of reducing the book value of the intangible asset related to the product to the recoverable amount.

2. Business structural reform expenses

Business structural reform expenses of ¥5,829 million were recorded as other expenses in the consolidated fiscal year ended March 31, 2024.

This is mainly due to special severance payments associated with the early retirement program in Japan, as well as the maximized streamlining of the pharmaceutical commercial business in the Americas related to structural reforms.

3. Loss on disaster

Loss on disaster of ¥755 million was recorded as other expenses in the consolidated fiscal year ended March 31, 2024. This is an operating loss from non-operation and restoration expenses for building and equipment in Noto Plant (located in Houdatsushimizu-cho, Hakui-gun, Ishikawa Prefecture) due to Noto Peninsula Earthquake on January 1, 2024.

(Contingent liabilities)

Arbitration

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 vigorously defends the allegations based on the relevant facts through the 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, 2022 to March 31, 2023)	Current consolidated fiscal year (From April 1, 2023 to March 31, 2024)
Basis of calculation of basic earnings per share		
Profit (loss) attributable to owners of the company (JPY millions)	(14,948)	26,642
Net income not attributable to common shareholders of the company (JPY millions)	7	8
Net income (loss) used in the calculation of basic earnings per share (JPY millions)	(14,955)	26,634
Average number of shares of common stock outstanding during the period (thousands of shares)	387,420	366,890
Basis of calculation of diluted earnings per share		
Net income (loss) used in the calculation of basic earnings per share (JPY millions)	(14,955)	26,634
Adjustment to net income (JPY millions)	—	8
Net income (loss) used to calculate diluted earnings per share (JPY millions)	(14,955)	26,642
Average number of shares of common stock outstanding during the period (thousands of shares)	387,420	366,890
Increase in common shares due to stock-based compensation (thousands of shares)	—	1,250
Weighted-average number of common shares outstanding during the period (thousands of shares)	387,420	368,139
Earnings per share attributable to owners of the company		
Basic earnings (loss) per share (yen)	(38.60)	72.59
Diluted earnings (loss) per share (yen)	(38.60)	72.37

(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 previous 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 9, 2024, 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 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	21,110,000 shares (maximum) *Representing 5.8% of the total number of shares outstanding (excluding treasury shares)
(3) Total amount of repurchase	38.0 billion yen (maximum)
(4) Period of repurchase	May 10, 2024 to November 6, 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, 2024		Year ending March 31, 2025	
		Year ended March 31, 2024 Actual	Changes from previous year	Year ended March 31, 2025 Forecasts	Changes from previous year
Glaucoma and ocular hypertension					
Cosopt	Total	25,609	8.0%	25,136	(1.8%)
	Japan	3,955	(15.4%)	2,697	(31.8%)
	Asia	6,882	12.6%	6,838	(0.6%)
	EMEA	14,772	14.4%	15,600	5.6%
Tapros	Total	18,521	(1.2%)	16,385	(11.5%)
	Japan	5,937	(23.5%)	3,515	(40.8%)
	China	1,774	69.7%	2,038	14.9%
	Asia	2,386	4.8%	2,627	10.1%
Tapcom	EMEA	8,424	10.0%	8,204	(2.6%)
	Total	9,234	12.6%	9,288	0.6%
	Japan	2,192	(17.3%)	1,539	(29.8%)
	Asia	1,332	26.8%	1,531	14.9%
Trusopt	EMEA	5,710	26.8%	6,218	8.9%
	Total	4,927	0.9%	4,884	(0.9%)
	Japan	872	(11.1%)	751	(13.8%)
	Asia	449	(1.0%)	418	(7.0%)
Eybelis	EMEA	3,606	4.6%	3,715	3.0%
	Total	4,846	16.6%	4,962	2.4%
	Japan	4,345	11.3%	4,367	0.5%
	Asia	430	71.5%	595	38.3%
Dry eye					
Diquas (Including Diquas LX)	Total	25,862	23.2%	21,782	(15.8%)
	Japan	20,084	23.5%	16,123	(19.7%)
	China	3,315	19.6%	2,853	(13.9%)
	Asia	2,463	25.9%	2,805	13.9%
Hyalein	Total	17,134	15.9%	17,507	2.2%
	Japan	5,184	(9.3%)	3,519	(32.1%)
	China	8,808	36.9%	9,986	13.4%
	Asia	3,142	19.4%	4,002	27.4%
Ikervis	Total	12,105	77.0%	11,104	(8.3%)
	Asia	1,933	24.8%	2,419	25.2%
	EMEA	10,172	92.3%	8,685	(14.6%)
Cationorm	Total	4,526	12.9%	4,792	5.9%
	China	73	—	516	604.6%
	Asia	623	41.2%	808	29.7%
	EMEA	2,923	11.3%	3,036	3.9%
	Americas	907	(3.8%)	—	—
Allergy					
Alesion (Including Alesion LX, Alesion eyelid cream 0.5%)	Total	29,489	(12.1%)	27,739	(5.9%)
	Japan	29,305	(12.3%)	27,502	(6.2%)
	Asia	184	23.1%	236	28.7%
Verkazia	Total	1,491	63.1%	1,319	(11.6%)
	EMEA	1,181	57.9%	1,319	11.6%
Americas	310	86.6%	—	—	
Intravitreal VEGF inhibitor					
EYLEA (Including EYLEA 8mg)	Total	72,716	2.0%	75,467	3.8%
	Japan	72,716	2.0%	75,467	3.8%
Bacterial conjunctivitis					
Cravit	Total	14,703	29.2%	13,947	(5.1%)
	Japan	1,126	(12.4%)	665	(40.9%)
	China	8,837	40.1%	8,443	(4.5%)
	Asia	3,240	36.2%	3,425	5.7%
	EMEA	1,499	6.5%	1,414	(5.7%)
Medical devices					
Lentis comfort	Total	1,262	(5.2%)	1,403	11.1%
	Japan	1,262	(5.2%)	1,403	11.1%
PRESERFLO MicroShunt	Total	4,144	70.6%	5,648	36.3%
	Japan	758	710.0%	1,222	61.2%
	Asia	65	640.6%	249	281.0%
	EMEA	3,320	42.7%	4,177	25.8%
OTC Pharmaceuticals	Total	11,242	5.8%	11,161	(0.7%)
	Japan	10,096	5.2%	10,037	(0.6%)
	China	310	18.5%	328	5.9%
	Asia	836	8.4%	796	(4.8%)

(2) FOREX

(JPY)

Major currency	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025 (Forecasts)
USD	135.40	144.80	145.00
EUR	140.97	156.88	155.00
CNY	19.72	20.24	20.00

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. Full-year forecasts are based on our foreign exchange assumptions. Revenue by region shows that of major countries or regions.

(3) Research & Development

As of April 2024

Pipeline Development Status (Clinical Stage)

<Glaucoma and ocular hypertension area>

Generic name	Dev. code	Indication	Original/Licensors	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/Licensors	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.. Completed Phase 3 in June 2023 in Japan. Completed Phase 2 (exploratory study) in Europe.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
latanoprost	STN1013001 / DE-130A (Catioprost)	Glaucoma / Ocular hypertension	Original	Europe	Nov-2023					
				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 Asia. Received marketing approval in November 2023 in Europe.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil mesilate	STN1013900 / AR-13324	Glaucoma / Ocular hypertension	Alcon Inc.	Japan						
				Europe	Feb-2023					
				Asia	Jan-2023					

A ROCK (Rho-associated kinase) inhibitor. Developed and sold by Alcon Inc. in the U.S.. Conducting Phase 3 from November 2020 in Japan. Received marketing approval in Europe and has been launched in Sweden and other countries from February 2023. Filed successively for marketing approval in Asian countries and received marketing approval in Thailand and other countries from January 2023 onward.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil mesilate /latanoprost	STN1014000 / PG-324	Glaucoma / Ocular hypertension	Alcon Inc.	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 Inc. in the U.S.. Received marketing approval in Europe and has been launched in Germany and other countries from January 2023. Filed successively for marketing approval in Asian countries and received marketing approval in Thailand and other countries from January 2023 onward.

<Keratoconjunctival disease area including dry eye >

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
ciclosporin	STN1007603 / DE-076C	Vernal keratoconjunctivitis	Original	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. In July 2023, the Company granted Harrow Health, Inc. (U.S.) exclusive rights in the U.S. and Canada for product manufacturing and commercialization.

Generic name	Dev. code	Indication	Original/Licensors	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-2024					

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, received marketing approval in March 2024 in South Korea.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
olodaterol hydrochloride	STN1014100	Dry eye	Boehringer Ingelheim	Japan	(Phase 1/2a)					

β_2 receptor agonist. Completed Phase 1/2a in March 2024 in Japan.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	STN1010904	Fuchs endothelial corneal dystrophy	Joint development with ActualEyes	U.S. France India	(Phase 2a)					

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
An ophthalmic suspension which treats Fuchs endothelial corneal dystrophy via mTOR inhibition. Conducting Phase 2a in U.S., France and India from 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. Planning an additional Phase 2a.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
epinastine hydrochloride	STN1011402	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan	Mar-2024					
A histamine H ₁ receptor antagonist with mediator release inhibitor function, as treatment for allergic conjunctivitis. Ophthalmic eyelid cream. Received manufacturing and marketing approval in March 2024 in Japan.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
epinastine hydrochloride	STN1011403	Allergic conjunctivitis	Nippon Boehringer Ingelheim	China						
A histamine H ₁ receptor antagonist with mediator release inhibitor function, as treatment for allergic conjunctivitis. High dose formulation to instill twice a day. Started Phase 3 in March 2024 in China.										

<Refractive error>

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
atropine sulfate	STN1012700 / DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Japan	Feb-2024					
				China	(Phase 2/3)					
				Asia						
Non-selective muscarinic antagonist which reduces progression of juvenile myopia. Filed for manufacturing and marketing approval in February 2024 in Japan. Conducting Phase 2/3 from 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	(Phase 2a)					
				China						
Selective muscarinic M2 antagonist which reduces progression of juvenile myopia. Reduces mydriasis by selectively inhibiting a subtype of receptors. Conducting Phase 2a from May 2023 in Japan. Completed Phase1 in March 2024 in China.										

<Others>

Generic name	Dev. code	Indication	Original/Licensors	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.. Completed Phase 3 in March 2024 in Japan.										

Changes from Q3 FY2023 (February 8, 2024)

Dev. Code	Changes
STN1008903 / DE-089C	Received marketing approval in March 2024 in South Korea.
STN1011402	Received manufacturing and marketing approval in March 2024 in Japan.
STN1011403	Started Phase 3 in March 2024 in China.
STN1012700 / DE-127	Filed for manufacturing and marketing approval in February 2024 in Japan.

※ STN1011700 (DE-117, generic name: omdenepag isopropyl) is sold as *Eybelis* in Japan and Asia. In the U.S., Santen has received approval as *OMLONTI* and granted exclusive rights for product manufacturing and commercialization to Visiox Pharmaceuticals, Inc. (U.S.) in July 2023.
 ※ The development of STN1013600 (generic name: ursodeoxycholic acid) was discontinued following the review of Phase 2a data.

(4) 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, 2024	Year ending March 31, 2025
	Actual	Forecast
Consolidated	10,245	9,000

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

Depreciation and amortization

(JPY millions)

	Year ended March 31, 2024	Year ending March 31, 2025
	Actual	Forecast
Manufacturing cost	3,426	3,670
Selling, general and administrative expenses	2,270	2,510
R&D expenses	583	620
Consolidated total	6,279	6,800

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, 2024	Year ending March 31, 2025
	Actual	Forecast
Intangible assets (Merck products)	5,808	4,817
Intangible assets (Rhopressa/Rocklatan)	1,250	1,680
Intangible assets (PRESERFLO MicroShunt)	1,229	1,231
Intangible assets (Ikervis)	889	878
Other	297	194
Consolidated total	9,471	8,800

Research and development expenses

(JPY millions)

	Year ended March 31, 2024*	Year ending March 31, 2025
	Actual	Forecast
Consolidated	25,416	26,000

* IFRS basis. R&D expenses on a core basis amounted to 25,257 million yen, excluding 0.2 billion yen of expenses related to streamlining the Americas.

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